



# *The Senate Connection*

Connecting Davie and Rowan Counties with news from the  
Office of Senator Andrew Brock

**1119 Legislative Building, Raleigh, NC 27601-2808**  
**(919) 715-0690 • [andrewb@ncleg.net](mailto:andrewb@ncleg.net)**

July 2, 2009

## **Budget Problems and Negotiations**

This week at the North Carolina General Assembly marked the 22nd week of this session and the beginning of the state's fiscal year on July 1.

Although Legislators have been meeting in Raleigh since January and the primary responsibility for the General Assembly is to complete a budget for the new fiscal year. Democrats, who control both the Senate and the House, have once again failed to produce a budget on time. The last time a state budget was adopted before the start of a new fiscal year was in 2003.

This year, infighting among Democrats based on which taxes to raise and how much to raise them is seen as the reason for no meeting the deadline. Democrats agree on raising taxes by close to a billion dollar, they just can't agree on which taxes to raise.

That focus on taxes avoids the question of how we got to this budget crisis in the first place. The national economic recession is certainly a factor, but it is not the only factor. The truth is that over the last six years, state spending has increased 50 percent. That increase is double what would be justified on population and inflation.

Now, elected Democrats are clinging to the same recipe for more spending and continual waste in state government. Instead of cutting wasteful spending and finding ways to make state government run more efficiently, Democrats want tax increases that will harm North Carolinas families and businesses and slow our state's economic recovery.

Tax increases on families and businesses are never welcome, but this year there is an even greater reason to avoid tax increases. North Carolina's unemployment rate is at a record-high of 11.1 percent, the 7th highest in the country and all indications are it is still growing. North Carolina's families and businesses cannot afford to pay more taxes. We will lose more jobs and the unemployment rate will surely increase if the Democrats are successful in raising taxes and fees as proposed.

Amazon.com has already cut ties with its North Carolina affiliates based on the threat of new state taxes on internet sales. More job losses will surely follow.

Although Legislative Democrats claim that their number one priority is jobs, their actions show their real priority is more government. Bigger government is not the answer to our problems; it is largely the reason for many of our problems.



North Carolina Democratic leaders are right about one thing. We do face choice with the state budget: a choice between two ways of proceeding with state government.

We can treat this as an opportunity to re-examine priorities in state spending and plot a new course for state government. We can begin by funding the most important functions of state government. We can reject the politics of scarcity. We can reject fear and threats. We can reject the idea that the way to craft a budget is to pit as many special interest against each other as possible and see who comes out on top. We can reinvent our state budget model and make it smarter and more efficient. We can give the taxpayer the return they deserve when they invest their money in state government.



Or we can keep traveling the same road and arrive at the same destination. We can continue the tried and failed tax-and-spend policies of the past and continue to scrounge and claw for more and more money out of the pockets of families and small businesses in the pursuit of larger and larger state government budgets stuffed with waste and inefficiencies. We can continue to accept unquestioned the notion that state government cannot be trimmed, cannot be streamlined, and cannot be modernized to better serve the people of North Carolina. We can learn nothing from history and repeat our past mistakes in perpetuity.

Democrats have controlled state government for as long as anyone can remember. They have presided over a speaker of the House sent to prison for corruption, a state health plan's financial crisis that required a bailout, deaths and neglect in the mental health system, a probation system that lost track of parolees who went on to kill, and a history of budget mismanagement. Democratic mismanagement and policy failures have put north Carolina on its present course. It is time to change direction.

<b>Tax Increase</b>	<b>2009-2010 Amount</b>
Increase Upper-Income Tax Brackets	<b>\$256,700,000</b>
Combined Reporting, Corporate Income Tax	<b>\$18,500,000</b>
Sales Tax on Warranties, Installations, Repairs/Maint.	<b>\$176,200,000</b>
Sales Tax on Local and Interstate Courier Service	<b>\$25,000,000</b>
Sales Tax on Digital/Click-Throughs	<b>\$13,200,000</b>
Sales Tax on Amusement/Movies	<b>\$23,600,000</b>
Franchise Tax on Limited Liability Companies	<b>\$59,000,000</b>
Throwback Rule, Corporate Income Tax	<b>\$5,900,000</b>
Change Bank Interest Deduction	<b>\$2,600,000</b>
Increase Liquor Tax by 1.5%	<b>\$7,900,000</b>
Increase Statewide Sales Tax rate 1/4 cent	<b><u>\$195,000,000</u></b>
<b>Subtotal :</b>	<b>\$783,600,000</b>

(Source: John W. Pope Civitas Institute Media Publications)

As you can see the Democrats are trying to fund their bad spending habits by taxing the North Carolina people more and more primarily through sales tax increases which will give rise to almost 800 million dollars in revenue. When we are in such a recession as we are now and the unemployment rate still rising, the last thing the North Carolina people need to see is a rise in the sales tax.