



NC Justice Center

Opportunity  
and prosperity for all

# BTC Brief

▶ NC BUDGET & TAX CENTER

July 2010

*Timely,  
accessible,  
and credible  
analysis of  
state and local  
budget and tax  
issues*

## HOW LOW IS TOO LOW? FY 2010-11 State Budget Sets Spending at Its Lowest Level in 14 Years

### Key Findings:

- **State spending per capita is now at the lowest level since FY 1996-97, dropping \$311 over the past three years, from a peak of \$2,257 in FY 2007-08 to \$1,946 in FY 2010-11, which began July 1.**
- **Measured as a share of the state's Total Personal Income, state spending has dropped considerably, from a high of 8.16% in FY 1998-99 to 5.8% in FY 2010-11.**

### Overview

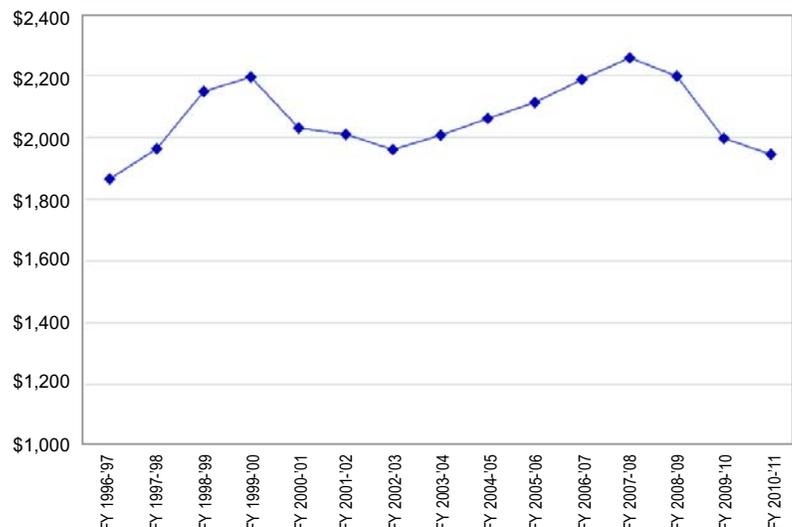
The state General Fund budget provides the funding for important public programs and services such as public schools, community colleges, universities, health care for children and low-income adults, and various public safety programs such as courts, prisons and the highway patrol. For the past several years, the gradual erosion of the tax base followed by a deep and prolonged recession have reduced the resources available for these public systems. Last year the Budget and Tax Center pointed out that state spending in the FY 2009-10 budget represented the lowest level of spending in thirteen years. With the passage of the FY 2010-11 General Fund budget, state spending has now dropped to its lowest level of in fourteen years.

### State Spending Per Capita

Fourteen years ago in FY 1996-97, state General Fund appropriations per capita was \$1,866 in today's dollars. State spending peaked a few

FIGURE 1

Inflation-Adjusted General Fund Appropriations per Capita (FY 1997 - FY 2011)



P.O. Box 28068  
Raleigh, NC  
27611-8068

Editor: Elaine Mejia  
919/856-2176  
elaine@ncjustice.org  
www.ncjustice.org

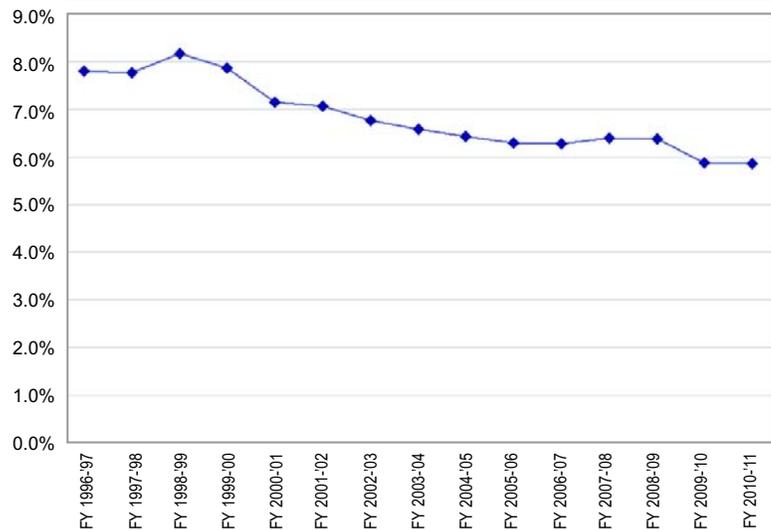
years later in FY 1999-00 when per-person spending hit \$2,156. The recession of the early 2000s reduced per-capita spending to a low of \$1960 in FY 2002-03 before it peaked again at \$2,257 in FY 2007-08, right as the current economic troubles began. Since that peak, spending has dropped \$311 per person, and in FY 2010-11 General Fund appropriations per capita is approximately \$1,946, the lowest it has been since 1996-97.

## State Spending as a Share of Total Personal Income

Another way to measure the relative size of state government is to examine General Fund appropriations as a share of Total Personal Income (TPI), a measure of the state's aggregate income that is tracked by the Bureau of Economic Analysis. In FY 1998-99, General Fund appropriations represented 8.3% of North Carolina's TPI. In FY 2010-11 state spending represents only 5.9% of TPI.

FIGURE 2

General Fund Appropriations as a Share of Total Personal Income, FY 1997 - FY 2011



## Conclusion

In the past two years, lawmakers have enacted deep and damaging cuts to the public systems that undergird the state's economy by training the workforce of tomorrow and keeping the state's population safe and healthy. As the economy continues its slow recovery, public funding for these important investments must be maintained, and even increased, in order to push North Carolina forward. With state spending per person at its lowest level in more than a decade and predictions of budget shortfalls for the foreseeable future, North Carolina leaders must consider how further deterioration of public investments will impact the future of the state and its people.

### DATA SOURCES:

- 1 Population Figures interpolated from NC Office of State Budget and Management Projections [http://www.osbm.state.nc.us/ncosbm/facts\\_and\\_figures/socioeconomic\\_data/population\\_estimates/demog/countytotals\\_populationoverview.html](http://www.osbm.state.nc.us/ncosbm/facts_and_figures/socioeconomic_data/population_estimates/demog/countytotals_populationoverview.html)
- 2 Total Personal Income from Bureau of Economic Analysis <http://www.bea.gov/regional/spi/default.cfm?selTable=SA05N&selSeries=NAICS>. Assumes 0% growth in Total Personal Income in FY 2010-11.
- 3 Inflation calculations bases on Consumer Price Index measured by the Bureau of Labor Statistics <http://www.bls.gov/cpi/home.htm>