



Rep. Debbie Clary

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From the Desk of Rep. Debbie Clary...

As one of the Appropriations Chairs that voted no on the House budget, I must first say there were many good items in the budget but obviously when all was done the good things about the budget didn't outweigh the bad! As a strong fiscal conservative, I didn't feel we needed to extend the sunset on the sales tax and certainly didn't support raising new taxes for additional spending.

I feel one of the most important things we can do to recruit new industry to North Carolina is to maintain a tax policy that is competitive with surrounding states. With minor adjustments to the way payroll is funded in the state, a four percent reduction to appropriations for non-profits and a freeze on current special program spending, the North Carolina budget could have been balanced without raising any new taxes. Education enrollment at our public schools, community colleges and universities could have been funded as a priority along with vital healthcare services for the elderly, disabled adults and poor children without raising new taxes.



North Carolina's Chief Economist, David Crotts, stated on June 7, 2005 at a meeting of the House Finance Committee that North Carolina has a billion dollars more in revenue for the next fiscal year. The budget which passed on a party line vote by the House Democrats contains not only that billion dollars worth of new revenue, but it also include over \$850 million dollars in new taxes and fees.

I feel the North Carolina General Assembly must make fundamental changes in developing the state budget. I support zero based budgeting and was pleased to have a provision in this budget to begin working with the Department of Education to implement this budgetary practice.

I have listed below several key elements of the 2005-2006 House Budget. A complete copy of the budget can be viewed at www.ncleg.net.

As always, I appreciate and am honored by the opportunity to represent you in the NC House!

Debbie Clary
Rep. Debbie Clary
Cleveland & Gaston Counties

Overview of 05-06 State of NC Budget

Revenue Changes in the Appropriations Act

- The excise tax rate on cigarettes increased by \$.25 per pack to a total of \$.30 per pack. This is a 400% increase.
- The excise tax on tobacco products other than cigarettes and cigars increased by 4%. The total tax rate on tobacco products is 6%.
- The privilege tax on movies and entertainment went from 1% to 7%.
- The apply sales tax rate on candy will be 7%.
- The 7% rate will be applied to service contracts and warranties.
- The budget increases the tax rate on health maintenance organizations. This includes higher fees for construction projects, licensures fees for hospitals, adult care homes, ambulatory surgery facilities, retirement communities, home health agencies, mental health care facilities, and nursing homes.
- The budget imposes a multitude of new fees. These fees include increases in judicial fees and court costs. The DOT has increased fees across the board. These fees range from an increase in car registration to an increase in car titles.
- The most important tax that was voted on in the budget was the extension of the 4.5% sales tax rate. The tax was supposed to sunset in two weeks, but the Democrats voted to keep the tax for another two years.

Education:

- The vocational education budget was reduced by \$13.1 million dollars. The budget cut 275 vocational education positions due to an increase in the allowable student-teacher ratio.
- The budget reduces 225 seventh grade-teaching positions due to an increase in the allowable student- teacher ratio. The cut is worth \$10.5 million dollars.
- A reduction in instructional positions saving \$5.1 million dollars.
- Currently, for every 761 students one assistant principal is allowed; but now one assistant principal will be allowed for every 800 students.
- Raise tuition by 4% for community college students.
- There has been a reduction in the UNC system budget. Programs will be reduced by 2.42% in FY 2005-2006 and 2.51% in fiscal year 2006-2007.
- The corporate income tax receipts will be diverted from the Public School Building Capital & Technology Fund, to the State Public School fund to support the operations fund. Lottery money will most likely be supplanted for the Public School Building Capital & Technology fund.
- Expansion of “More at Four” costing \$16.6 million dollars.

Health and Human Services:

- The budget voted to freeze Medicaid rates for the majority of hospitals, saving \$62.5 million
- The budget will close one of the state’s mental retardation centers by July 2006.
- Limit Medicaid reimbursements to five or more name-brand prescription drugs.

Judicial:

- The budget splits the twentieth Judicial District. The district will be reconfigured with Stanly moving into the district with Anson and Richmond and leaving Union alone. This is a political maneuver to keep Republicans off the bench in this district.
- Durham County managed to receive one new District Court Judge, one new assistant district attorney, and one Deputy Clerk in Judicial District 14. Durham County managed to receive several new judicial positions while other districts begged for just one judicial position and was denied because of a lack of funding.
- Creates a Business Court in Mecklenburg County for \$225,000.

Local Projects:

- The International Civil Rights Center and Museum in Greensboro received \$100,000.
- The Edenton Signers Memorial Fund received \$350,000 in the budget. It creates the Signers Memorial on the grounds of the Chowan County Courthouse to honor Hugh Williamson, a signer of the United States Constitution.
- Appropriates \$750,000 for the construction of a music and entertainment complex in Roanoke Rapids.
- The Kerr-Tar Regional Hub in Granville, Warren, Franklin, and Person counties will receive 6 million dollars.
- The state will fund a project in Northampton County that will build an advance vehicle research center for \$7.5 million.
- The state will fund Generations Credit Union and the Latino Community Credit Union for \$5 million dollars. The Latino Community Credit Union was founded in Durham County in 1992.

Transportation:

- The General Assembly agreed to continue funding the Global Transpark. Both the House and the Senate versions of the budget allot \$1.6 million dollars for the project.
- The state will continue to aid in the VIPER project for a statewide emergency radio system.