

Michael F. Easley
Governor



State of North Carolina
Office of the Governor

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GOV. EASLEY ANNOUNCES PLAN TO CAP STATE SPENDING

RALEIGH – Gov. Mike Easley today announced a plan to mandate state spending growth remain below growth in the state’s economy. Easley’s plan will cap state spending at the 10-year average of personal income growth.

“The current budget model needs to be reformed,” said Easley. “Last year, we have reduced the state operating budget for the first time in over 30 years and brought spending under control, but now it is time to take the next step. We must stop the practices of letting spending run away when the economy is strong.”

From 1996-97 through 1999-2000, the state’s budget exceeded long-term average growth in personal income every year. If the cap Easley is proposing now was put in place 10 years ago, state spending would be \$1.2 billion less in 2002-03.

Under Easley’s proposed cap, appropriations growth in North Carolina’s budget could not exceed 5.9 percent for 2003-04 and 5.6 percent for 2004-05. Easley vowed to deliver a budget to legislators that falls below the cap. The last two budgets signed by Easley were under the cap, and the 2002-03 budget actually fell from prior year levels.

“The budget that I will present to legislators in the coming weeks will not include new taxes and will keep spending well below my proposed cap,” said Easley.

Currently, 30 states have some limits on spending growth. The majority of these states use personal income as the basis for their restrictions.

“In the previous two years, North Carolina faced shortfalls averaging more than \$1 billion. By reducing state spending, placing a freeze on state employee hiring, implementing travel and purchase restrictions, and redirecting funds from other sources we were able to cover the shortfall,” said Easley. “For the first time in years, our revenues are on target. At least 36 states have budget shortfalls totaling over \$58 billion and we have none, but we must make this a permanent fix.”

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