

Budget Approval

The General Assembly gave the budget final legislative approval Wednesday on party-line votes with Democrats voting yes and Republicans voting no. The Senate voted 27-18 and the House 66-52. Democratic Gov. Beverly Perdue said she would reluctantly sign into law the package that includes higher taxes and reduced services.

The \$19 billion budget North Carolina lawmakers approved Wednesday puts a focus on nearly \$1 billion in new taxes and forces spending cuts on local school leaders. Opponents argued that with unemployment raging and some families just making ends meet, this was the worst time to raise taxes for the next two years.

Supporters like Rep. Paul Luebke, D-Durham, countered that the Democrats who run the Legislature cut spending by about \$2 billion, twice the amount of the new taxes that will maintain state services. Other spending cuts were replaced with more than \$1 billion in federal stimulus funds, though that money was not included in the budget. More than 700 state employees will lose their jobs.

The budget includes temporary taxes worth \$990 million. About 80 percent of that comes from increasing the sales tax rate by one penny, so that most consumers would pay 7.75 cents on each dollar they spend through mid-2011. Corporate profits would face a 3 percent surtax for two years. Cigarette taxes will rise permanently by 10 cents per pack.

Also, individuals with taxable income of at least \$60,000 and couples reporting \$100,000 to \$250,000 would face a surtax amounting to an extra \$20 for each \$1,000 in tax they owe in 2009 and 2010. Couples reporting taxable income of more than that would pay \$30 extra for every \$1,000 they owe.

The budget cuts land heaviest on the two biggest parts of the budget: human services and schools. Health and human services programs were given \$1 billion less than the amount lawmakers appropriated last year, though much of the state cuts may be replaced by federal recovery dollars. Community support services will be cut by \$65 million, group homes will get \$15.9 million less, Medicaid rates paid to doctors and other health care providers will be cut by \$76 million, and the Smart Start early childhood program will lose \$16 million.(Emery P. Dalesio, THE ASSOCIATED PRESS, 8/05/09).