

State Budget Deficit For 2009-10 Widens To \$4.5 Billion

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State lawmakers learned Wednesday that they will either have to make drastic cuts or raise taxes in order to fill the estimated budget shortfall that has grown to \$4.5 billion for the 2009-10 fiscal year. In a joint meeting of the House and Senate Appropriations Committees, legislative analysts reported that the state's anticipated budget gap for next fiscal year has widened by \$1.5 billion. In addition House budget writers must add another \$200 million to that gap because Gov. Beverly Perdue opted to use some of the federal stimulus funds to manage the state budget deficit for the year that ends June 30.

The estimated shortfall is based on new projections generated after final tax payments fell by 40 percent compared to a year ago. For the entire fiscal year, the state is on pace to see a nearly 11 percent decline in total tax collections compared to last year.

"The state has never experienced the types of shifts in revenue that we're experiencing now," said Barry Boardman, the legislature's chief economist.

House budget writers will have to make an additional \$1.5 billion in cuts over the budgets proposed by the Governor and the Senate. In addition the revised projections suggest lawmakers will need to find an additional \$2 billion in revenues or cost cutting measures in the 2010-11 fiscal year.

While the state's economy could recover as soon as the end of the year, Boardman said it could be 2013 before North Carolina's revenue figures reach the \$20.8 billion earlier anticipated for 2008-09.

Additional information from Boardman's presentation can be found at http://www.ncleg.net/fiscalresearch/generalfund_outlook/generalfund_outlook_pdfs/Revised%20Revenue%20and%20Budget%20Outlook%20FER%2020090505v2.pdf and other state budget and revenue information for 2009-2010 is at <http://ncasa.net/displaycommon.cfm?an=1&subarticlenbr=199>.