

# North Carolina

## Federal Policies Have Cost North Carolina \$3.9 Billion over the Past Four Years

### Federal Policies Affect North Carolina Revenue and Spending Levels, 2002-2005

*Cost to  
North Carolina*

- *Federal Tax Changes:* Recently enacted federal tax cuts reduce state revenue directly. \$49 million
- *Remote Sales:* States cannot collect sales taxes on goods & services purchased over the Internet due to federal law and court decisions. \$1.4 billion
- *Internet Access:* States are generally prohibited from applying tax to Internet access charges. \$113 million
- *Unfunded Mandates:* Federal government imposes responsibilities on states but provides insufficient funding. \$1.9 billion
- *Medicare/Medicaid Dual Eligibles:* Increased use of prescription drugs shifts costs of health care for low-income elderly from federal Medicare program to state Medicaid programs. \$1.0 billion
- *Federal Fiscal Relief:* Congress approved temporary grants in 2003. (\$552 million)

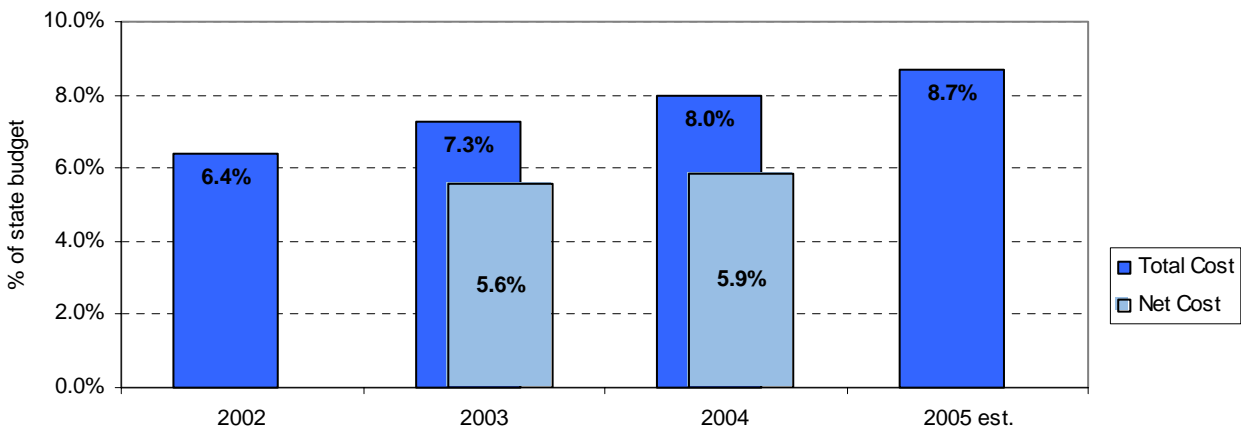
**TOTAL COST** (net of fiscal relief), 2002-2005: **\$3.9 billion**

### Federal Policies Have Worsened North Carolina's Fiscal Problems

*Ranking among 50  
states plus D.C.*

- Total cost as percent of General Fund budget (2002-2005): **7.6%** **29<sup>th</sup>**
- Net cost as percent of General Fund budget, including offsetting federal fiscal relief (2002-2005): **6.7%** **31<sup>st</sup>**

### Net Cost of Federal Policy to North Carolina as a Percentage of State General Fund Budget



Source: Center on Budget and Policy Priorities, *Passing Down the Deficit: Federal Policies Contribute to the Severity of the State Fiscal Crisis*, May 12, 2004.