

2000-2005

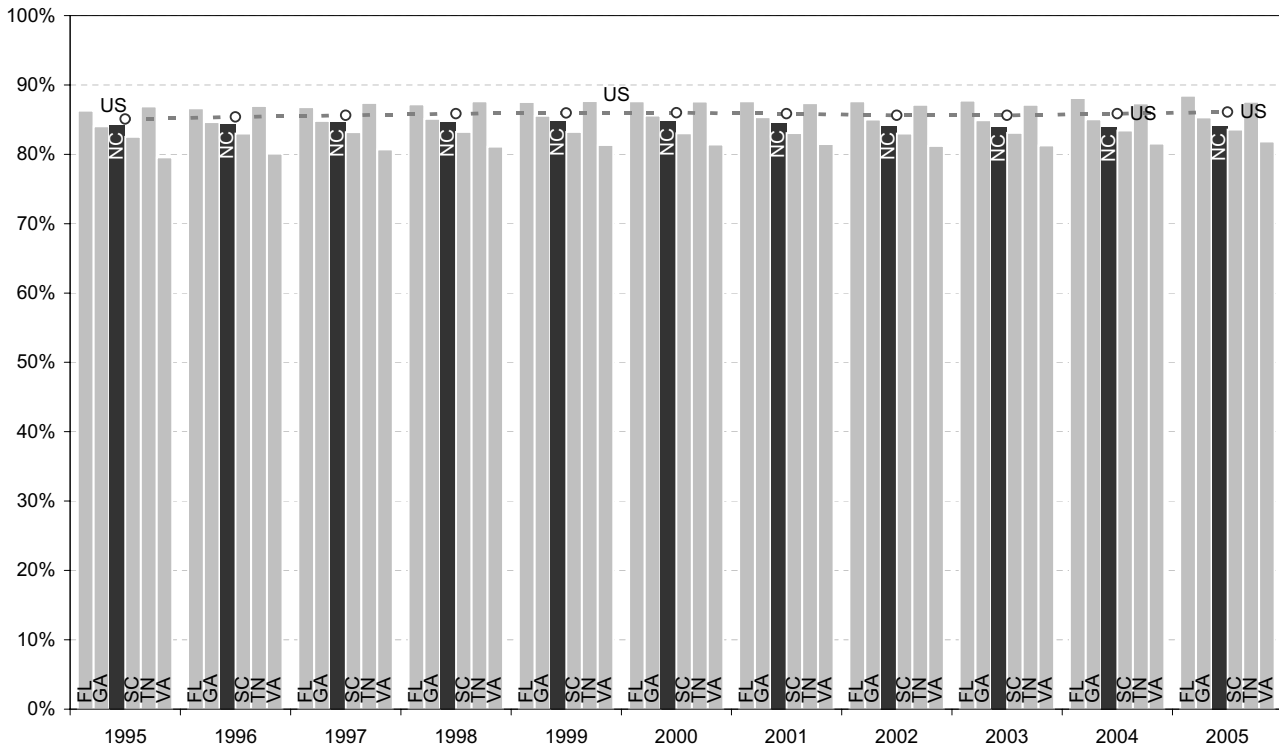
General Economic Trends: 2000-2005

The new millennium saw the national economy dip into a recession (1999-2001), stabilize (2002), and then rebound (2003-2005). During the three-year recession, North Carolina's state GDP remained slightly more resilient than the national GDP. Thus the state experienced annual average real growth from 2000-2002 of 1.9 percent. Unlike the national economy, North Carolina's growth never dipped below 1.5 percent per year.

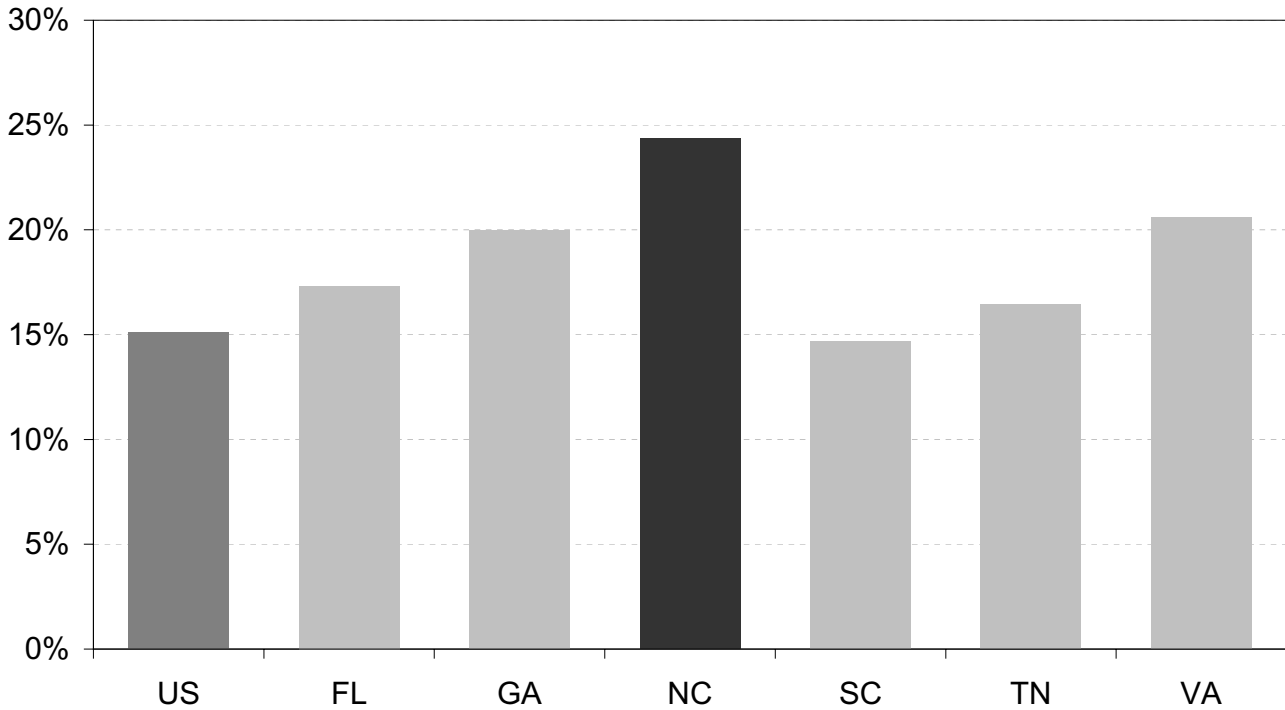
That being said, the state's recovery lagged one year behind the national recovery. A massive increase in taxes in 2001 siphoned approximately \$1.1 billion from the economy over the course of the next two fiscal years. This tax increase represented a not insignificant amount for each consumer: \$500 per year on average. As a result of the higher taxes, consumer spending, and arguably consumer confidence, declined. The renewal of the "temporary" income and sales taxes in 2003 (S.L. 2003-284) did little to reverse these trends.

Thus while the national economy exceeded 4 percent in real growth in 2004, it

Private Share of Total Nonfarm Employment: Southeast States, 1995-2005



State/Local Government Employment Growth: Southeast States, 1995-2005

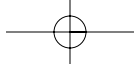


took another year before North Carolina's economy hit 4 percent growth. From 2003 to 2005, real growth averaged 3.2 percent, two-tenths behind the national economic average of 3.4 percent for the same period.

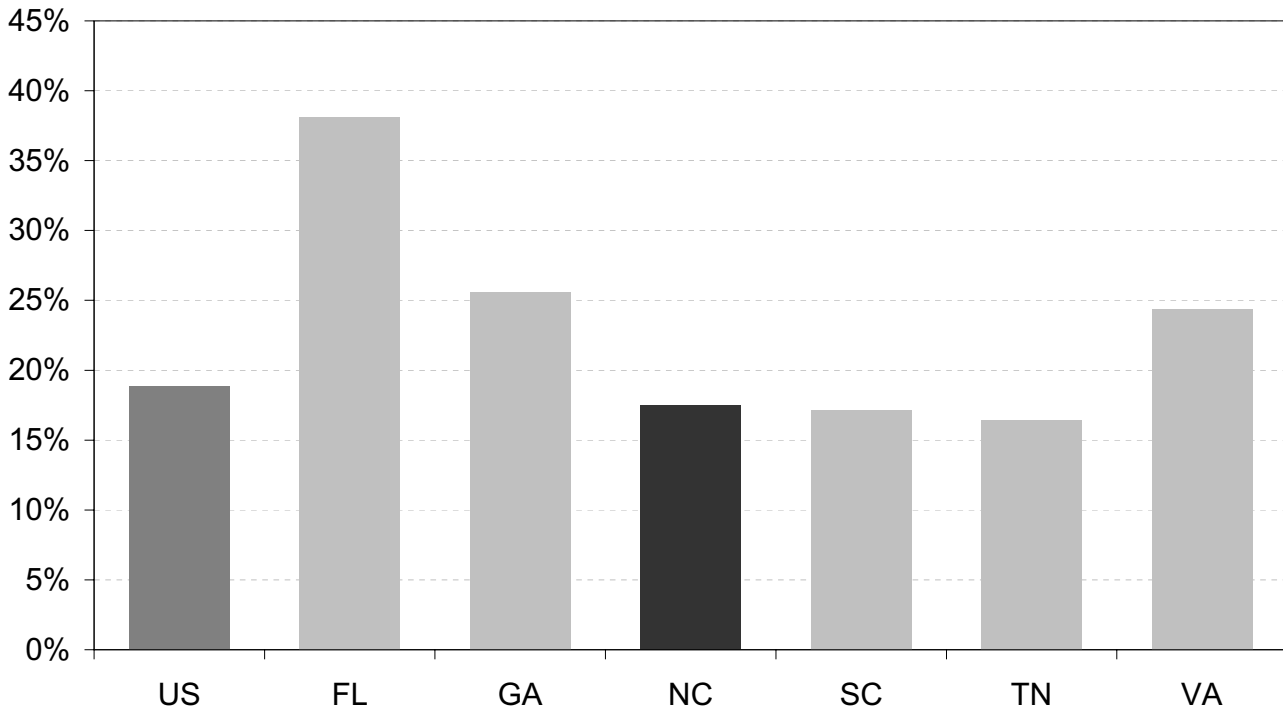
Personal per capita income also declined in relation to the national average. In 2000 North Carolina was at 90.7 percent of the national average. In 2003, the state's per capita income had fallen to 88.7 percent of the national average, only rebounding to 90 percent by 2005.

Owing to an expansion of Medicaid enrollment among working-age North Carolinians during the recession, the Medicaid share of the state budget increased significantly during this period. Historically, dependency on tax-paid entitlements does not go away once a recession ends. Thus we find that the Medicaid rolls swelled from 840,000 in 2000 to 1.06 million in 2003, with no drop off in 2004 or 2005.¹ During the same period (FY2000-FY2005), Medicaid spending in the state budget went from \$1.35 billion to \$2.44 billion.

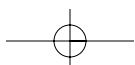
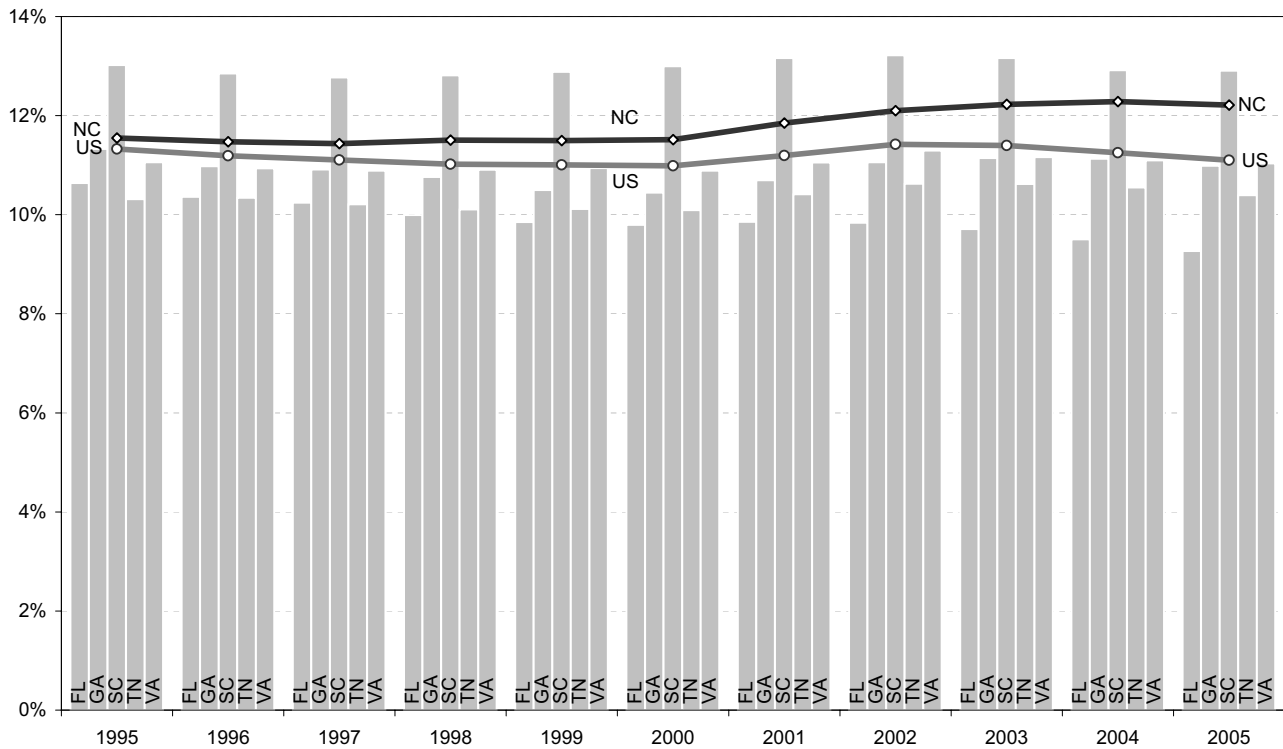
¹There was a slight decrease, however, in the enrollment for children age 18 and under in 2004; but this number increased again in 2005.



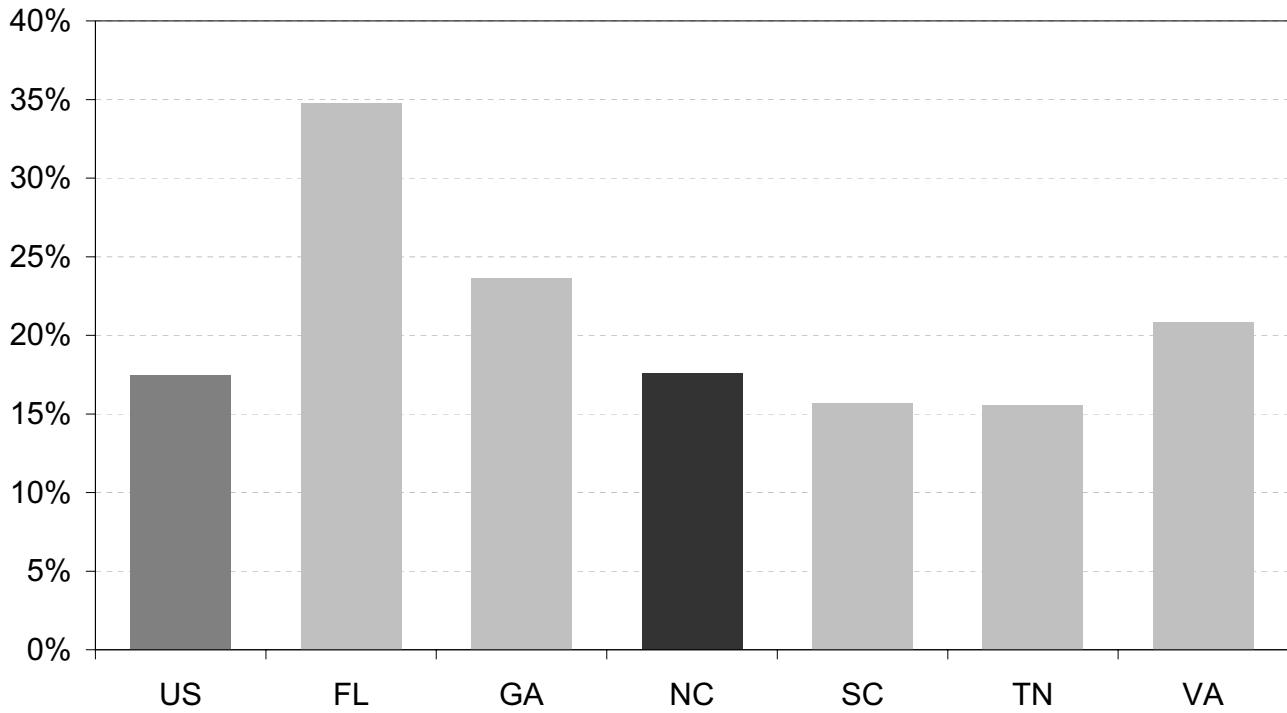
Total Private Employment Growth: Southeast States, 1995-2005



State/Local Government Share of Total Nonfarm Employment: Southeast States, 1995-2005



Total Nonfarm Employment Growth: Southeast States, 1995-2005



DID YOU KNOW?

For FY2002, North Carolina spent \$841 in Medicaid dollars per resident, compared to an average regional cost of \$716 per resident. Overall, state Medicaid spending averaged \$6,640 per enrollee, compared to an average of \$5,256 for the Southeast.

Source: N.C. Justice Center