



North Carolina League of Women Voters LEGISLATIVE UPDATE

July 15, 2003

Introduction

Welcome to the third edition of the North Carolina League of Women Voters Legislative Update. The purpose of the Legislative Update is to alert members about issues that may be of interest. These issues are generally supported by LWV positions. Since we don't have our own lobbyist in Raleigh, we are passing on information provided by other groups. These groups are acknowledged in the introduction and also when their information appears.

Sources of information in this issue include: *Charlotte Observer*, *Common Sense Foundation*, *Covenant for Children*, *John Locke Foundation*, *NC Budget and Tax Center*, *NC Council of Churches*, *NC Health Access Coalition*, *NC Justice and Community Development Center* and the *NC Voters for Clean Elections*. Additionally, some members of the legislature send us updates on the issues they are working on.

If you would like to get on the monthly update email list, please send a subscribe message to: lwvnc@earthlink.net

Current Bills

1. Budget

Budget approved by House, Senate, Governor

From the *North Carolina Council of Churches*, *July 7 Raleigh Report*:

After a week of high political drama, the General Assembly adopted and the Governor signed a state budget for the next two budget years. The process was completed on the afternoon of June 30, less than twelve hours before the start of the new fiscal year. In recent years, budgets have not been adopted until after the start of the new year. But this situation was different, both because of the evenly divided House and, crucially, because of two taxes set to expire at midnight on June 30.

Earlier budget shortfalls led to the adoption of two “temporary” tax increases, a half-cent increase in the sales tax and a half-percent increase in the income tax for the state’s highest income earners. In order to get those tax increases adopted, they were passed with “sunsets,” they would expire automatically at a certain point. Together these two tax increases bring in about \$384 million.

Most Republican legislators and some conservative Democrats signed no-new-taxes pledges before the last elections. While some of these legislators had maintained that extending the two tax increases was itself a new tax, both the Senate (controlled by Democrats) and the House (split evenly between the two parties) had adopted budget bills that extended the two taxes. If, however, the clock had reached midnight on the 30th without extensions, the two tax increases would have expired. And then there would have been no debate about whether adding them back was a tax increase.

Weren’t legislators close to a budget months ago? Yes, they were. But revenue projections issued after both houses had adopted their budgets showed an anticipated drop of \$400 million in state income. It was the effort to plug that hole that led to this budget crisis. An infusion of federal money to help beleaguered states was not sufficient to ease the situation, at least in part because some of that money will be needed to balance next year’s budget.

In the week leading up to deadline day, the Senate put forward a plan to increase taxes on cigarettes by 25¢ per pack and on beer by 5¢ per bottle. This would have raised \$330 million, enough to stave off the worst of program cuts being proposed by the House. Leaders in the House said that they didn’t have the votes to pass these tax increases, and the plan died when the Governor weighed in on the side of the House.

House and Senate leaders then reached agreement on a budget that maintained the two soon-to-sunset tax increases and made many of the cuts adopted by the House. It was shoe-horned into balance by new economic forecasts showing a modest economic recovery. The Governor announced that he would veto such a budget, saying it wasn’t truly balanced.

Legislators met through the weekend, including a rare Sunday session, and adopted their budget agreement. In addition, they passed a bill giving the Governor more control over managing the budget and sharing possible future budget-cutting chores with legislative leaders. This persuaded the Governor to put away his veto stamp.

Content of Budget

REVENUES

Primary sources of additional revenue include:

- Maintaining the sales tax rate (\$341.7 million).
- Maintaining the top income tax bracket (\$37.5 million).
- Using the federal definition of child for state child tax credit (\$16.8 million).
- Equalizing insurance tax rates (\$18.6 million).
- Agreeing to national provisions to streamline sales tax collections across state lines. This impacts revenues because it means increased taxes on soft drinks, prepared food, and modified software (\$44 million).
- Increasing collection of unpaid taxes (\$90 million).
- Diverting money from the Tobacco Trust Fund (\$40 million).
- Diverting money from the Health & Wellness Trust Fund (\$25 million).
- Diverting money from the 911 Fund (\$33 million).
- Using money from the federal tax relief package (\$136.9 million).
- Taking the Hurricane Floyd Disaster Relief Funds (\$108.8 million).

SPENDING

Changes to the budget include:

Health and Human Services

- Cuts to local Smart Start partnerships. Cut - \$7.7 million.
- Reductions to the state's schools for people who are deaf or blind. Cut - \$1.3 million.
- Elimination of funding for Intensive Home Visitation Program. Cut - \$500,000
- Charges to local health departments for processing of Pap smear tests. Income - \$1 million.
- Reductions in Medicaid based on revised estimates of need. Cut - \$219 million.
- Elimination of anticipated inflationary increases in a host of Medicaid services. Cut - \$41.6 million
- Transfer of funds from Medicaid reserves to support current needs. Transfer of \$62.5 million.
- Elimination of state Medicaid coverage of families moving from welfare to work but not receiving health care coverage where they work. Cut - \$412,000.
- Increased funding for Health Choice, which will keep this program from having to freeze enrollment. Add - \$12 million.
- Medicaid coverage for pregnant women, infants, and children over 17 is NOT changed.

Environment

- Reduction in the Governor's proposal for the Clean Water Trust Fund from \$100 million to \$62 million. Cut - \$38 million.

Courts and Crime

- Reduction of 8.2% for Dispute Settlement Centers. Cut - \$131,000.
- Reduction in population increases at juvenile justice facilities. The budget doesn't specify just what will bring about those reductions. Cut - \$2.1 million.

State Employees

- Public school teachers get a 1.81% raise. Public school principals get 1.86%. Most other state employees get no raise, but do get a \$550 bonus and an extra two weeks of vacation. Cost - \$132 million.
- Proposed salary increases for the Governor, Council of State, department heads, judicial branch officials and several other officers of the courts were deleted.
- State contributions to state employees' retirement is increased by \$26.5 million, but contributions to death benefit and disability plans are cut by \$54 million.

Source: *North Carolina Council of Churches, July 7 Raleigh Report*

2. Taxes

For a comprehensive overview of the question of regressive versus progressive taxation please see a new publication by the NC Justice and Community Development Center at: www.ncjustice.org then click on publications. It is called "*Progressive vs. Regressive, what it means and why it matters in the budget debate.*"

3. Election Reform

Local Public Financing

From Democracy North Carolina:

S-760 "Local Campaign Financing Option"

As amended, this bill authorizes large cities and counties in N.C. to sponsor their own public financing program in local elections. S-760 is the top priority bill of N.C. Voters for Clean Elections, a broad coalition of dozens of state groups. Passing this bill is the next step on the road for meaningful campaign finance reform. Some features of the bill include:

- * The bill focuses narrowly on giving large local governments the authority to initiate a voluntary public financing program in local elections. An earlier provision that would give local governments flexibility to set different contribution limits in local elections was taken out.
- * Only cities with more than 40,000 people and counties over 80,000 could begin programs.
- * No state funds are involved in the programs.
- * Programs must be fairly enforced and open to all candidates who demonstrate a set level of support and accept fundraising and spending limits.
- * Very few local governments will want to start a public financing program, but the few that are interested need statutory authority to proceed. This gives them that authority.
- * The State Board of Elections will prepare a packet of reference materials for how to develop a program and also set guidelines to ensure that the programs are open to all qualified candidates and all public funds are used only for campaign purposes.

THE BILL PROBABLY GOES TO THE FULL SENATE ON TUESDAY

To take action on this bill, you can find out your senator's name, email and phone at:
<http://www.ncga.state.nc.us/GIS/Representation/>

CLICK ON "Who Represents Me" and enter your county name in box

4. ENVIRONMENT

From the North Carolina Conservation Network:

Air Quality

Inspection costs will rise with new emission control tests. The cost of a state safety inspection jumped from \$9 to \$30.

Hog Farm Pollution

A bill approved by a Senate Agriculture Committee could allow hog farmers to keep more waste during times of heavy rain in the pits where they store pig excrement. Please see the following article for more detail:

<<http://www.wilmingtonstar.com/apps/pbcs.dll/article?AID=/20030619/NEWS/306190364/1004/Local>>

5. HEALTHCARE REFORM

This month BCBS of NC halted its efforts to convert to a for-profit agency. The Insurer says that it will not try again but will remain non-profit.

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