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Focusing on Legislative Representation

LEGISLATIVE REPORT
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NORTH CAROLINA COLLEGE OF EMERGENCY PHYSICIANS

North Carolina College of Emergency Physicians

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INTRODUCTION

Last week, post crossover, the pace of action at the General Assembly slowed considerably. Few committee meetings were held and only a handful of votes were taken on the House and Senate floor. A planned hearing on a controversial omnibus gun-rights bill was scheduled, rescheduled, and finally cancelled. While a few newsworthy developments took place within the building, including a House vote to cap the renewable energy tax credit (after a version of this measure was voted down in committee earlier this session, and twice last session), and several groups held “lobby days” to promote agendas ranging from LGBT rights, school nurse funding, and second chances for felons, most of the major news affecting State government happened outside of 16 W. Jones St.

On Tuesday, the State officially paid off the $2.7 billion borrowed from the federal government to pay unemployment claims during the recession. Republican leaders trumpeted the news, saying it justified the cuts to unemployment benefits passed in 2013 that allowed the debt to be paid off 5 years ahead of schedule. Business leaders also celebrated the news, noting that employers will pay roughly $700 million less for unemployment insurance in 2017 than they did in 2014. Critics of the 2013 decision argued unemployed workers took the brunt of a change that benefited corporations. The news and the resulting arguments only lasted for a day atop the news cycle, as the following day the State revenue numbers were released, and a whole new argument began.

As recently as March, revenue projections showed an expected deficit of roughly $270 million for the year. When the revenue report was released on Wednesday, however, it showed a $400 million surplus instead. This was welcome news to lawmakers, especially those who have been criticized for tax cuts and other changes that had been blamed for the projected shortfall. Critics of the Republican majority were quick to point to an expired tax break for small businesses that helped provide additional revenue, but no amount of naysaying could stop the majority from calling the news a validation of their tax reforms, which are set to continue. The corporate tax rate will drop from 5% to 4% in the next fiscal year, and 3% the following year. These additional cuts, along with legislative and executive priorities that would require more funding (pay raises for starting teachers and state employees, extension of certain tax credits among them) mean while the revenue report is good and welcome news, it does not alleviate pressure on lawmakers to find additional savings as they begin the process of crafting the $21.5 billion State budget, due by the end of next month.

While waiting for the revenue numbers that were released this week (they were expected last Friday), the House and Senate's chief budget writers (known as the "Big Chairs") reportedly gave their respective subcommittee chairs (who lead smaller Appropriations subcommittees broken up by subject – Justice and Public Safety, Education, Transportation, etc.) budget targets to use as they begin reviewing the line items that fall under their purview. In recent years this has meant each subcommittee had to find a certain amount of reductions to meet the targets, and there are reasons (see above) to expect the same this year despite the positive numbers in the revenue report. The House will craft its budget first, ostensibly keeping the Governor's recommendations in mind. In addition to the line item increases and decreases, policy provisions (called budget special provisions) will also be crafted. Some of these will pertain directly to budget line items and, if history serves as a guide, many will not. While leaders in both chambers publicly decry the inclusion of "too much policy in the budget," each year when the budget is signed quite a bit of policy is enacted as part of it. As we reported last week, legislators will be looking for a new home for provisions they favor that did not make crossover, and attempts to add those and others to the budget will be commonplace.

The House budget is expected in roughly 3 weeks, after which the Senate will review and change it (in ways large and small), the House will almost certainly vote not to accept those changes wholesale, and then the Big Chairs from each chamber will get together behind closed doors to hammer out a compromise version to send to the Governor. In the meantime the competition for dollars (and lobbying time with budget writers) will be fierce. While some policy bills will likely move, some will be held hostage to the budget process to become bargaining chips. It's budget season at the General Assembly, which means everyone involved will be grateful for the relatively peaceful and restful pace of things this past week. It won't last long.

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