



**LEAGUE OF WOMEN VOTERS
OF NORTH CAROLINA**

LEGISLATIVE UPDATE

Legislative Update for June 5, 2008
Further explanation of the House-passed budget

Here is another analysis by Chris Fitzsimon of the budget that the House passed today.

Fitzsimon File

The macros and micros of the House budget
by Chris Fitzsimon

There are hundreds of stories buried in every version of the state budget, what was funded, what was left out, what the provisions mean that accompany many spending decisions, and what taxes and fees are raised or lowered.

Every single line item affects somebody, from teachers to families with kids in school, people with disabilities, students applying to college, drivers stuck in traffic or crossing a crumbling bridge. And on and on.

Overall, it's hard to argue with the priorities of the \$21.3 billion spending plan before the House Appropriations Committee Tuesday afternoon. It spends more money on education and health and human services, and increases the size of the Earned Income Tax Credit that helps low wage workers in the state make ends meet.

It expands children's health care and adoption assistance, broadens a home protection plan, and invests more money in dropout prevention, while paying for many of the costs associated with the state's exploding growth, like enrollment increases at public schools.

There are more investments to help disabled students in school and disabled adults who need housing. There's money for new construction at university campuses and overdue renovations at state buildings.

There are no new taxes in the budget, though there are tax credits for small businesses that provide health insurance, a property tax break for military veterans, and an October sales tax holiday for the purchase of energy efficient appliances.

The House budget debate comes the same day the Center for Budget and Policy Priorities released a report showing that 18 states have made or are considering cuts to education, public health, and services for the elderly. Eleven states are considering cutting state jobs, many of which provide vital services.

Thanks to conservative revenue estimates and a state economy less affected by the national slowdown than most, while most states are wrestling with budget shortfalls North Carolina lawmakers

are debating what to do with an end of year surplus and how to spend the revenue generated from the projected growth in the economy next year.

That doesn't mean the economy isn't slowing down. Budget writers reduced their revenue projections for next year, prompting Governor Mike Easley to propose increases in taxes on cigarettes and alcohol to help pay for his budget requests, including a seven-percent pay raise for teachers to bring their salaries closer to the national average and \$46 million to expand More at Four, his program to help at risk kids.

Easley proposed giving state employees a 1.5 percent raise plus a one-time bonus of \$1,000 and the difference in the raises upset lawmakers in both parties. The House budget gives teachers and faculty members at community colleges and universities a three percent raise, while giving state employees an increase of 2.75 percent or \$1,100, whichever is greater.

Easley blasted the House budget Tuesday, saying it "stiffs" teachers, ignores at risk-kids by underfunding More at Four, and goes backward on education by failing to fund enrollment increases in the UNC system.

Easley will appeal to the Senate leaders for help and they have historically been receptive to Easley's requests. But the Senate has its own priorities too and there is not much money to go around this year if lawmakers aren't willing to consider any tax increases.

The House also ignored Easley's call for more inspectors to investigate working conditions at poultry plants and more money to reduce farmworkers' exposure to pesticide in the fields.

The UNC budget is likely to be a flashpoint in the Senate. The House provides \$20 million less for enrollment increases than Easley recommends and also directs university officials to find \$18 million in budget reductions.

That prompted UNC President Erskine Bowles to send an email to every legislator saying the House provisions would deny admission to more than 2,000 students who have already been admitted.

The House budget provides more money for the troubled mental health system, primarily for crisis services in local communities and more staffing at mental hospitals to reduce staff patient ratios.

The House pays for those improvements with deep cuts to the community support program that has come under fire after a News & Observer series estimated that the program wasted as much as \$400 million last year.

Nobody questions that the program was poorly administered, but the services it provides are important and efforts to reform it may end up denying services to people who need them.

Money saved from reasonable restrictions ought to be put in the Mental Health Trust Fund to pay for other services for people with a mental illness, developmental disability or addiction, not simply redirected resulting in no real increase for mental health funding.

There are other questionable choices in the House budget too that still has to clear the House floor before heading to the Senate. (Check out the Progressive Pulse blog often for more on individual budget issues).

Despite Easley's comments, the House spending plan mostly has the right priorities overall, helping families, schools, and the state's troubled mental hospitals. The devil and the heated battles to come are in the details.

NC Policy Watch is a project of the North Carolina Justice Center with major support provided by the AJ Fletcher Foundation.

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