

1998 SHORT SESSION  
August 21, 1998

MEMORANDUM

TO: Members of SBCC  
Presidents  
NCCC System Office Employees

FROM: H. Martin Lancaster

This week passed by again with no public meeting of Senate and House Conferees to settle the disparities between the two Chambers' versions of the expansion budget bill. We are providing the text of editorial page articles by House Speaker Brubaker and Senate Pro Tempore Marc Basnight, which appeared in The Charlotte Observer. You can get a feel for the debate from these exchanges.

BUDGET DEBATE

HOUSE SPEAKER HAROLD BRUBAKER, R-RANDOLPH

The N.C. General Assembly is now languishing in the fourth month of the so-called "short" session with the express purpose of developing a state budget.

The reason for the impasse is very simple. There is a basic philosophical difference between conservative Republicans in the House of Representatives, who want to be balanced and fair, and liberal Democrats in the state Senate.

Thanks to a strong economy, the state enjoys a huge budget surplus. The House feels strongly that we need to return money to taxpayers, while the Senate wants to continue to spend on foolish, wasteful government programs. Of course, the House wants to fund the programs necessary to meet the needs of the people of this state. We began this session with five priorities:

- Making sure the Excellent Schools Act stayed on track to provide the best educational opportunities possible for our children.
- Early childhood educational development.
- Protection of our rivers, streams and air quality from pollution.
- Providing for the "rainy day" fund in the event of an economic downturn.
- Returning a portion of the surplus to the hard-working North Carolinians who foot the bill and made the surplus possible in the first place. It's a matter of simple fairness.

We've achieved most of our goals. The current budget stalemate with the Senate revolves around the issue of tax relief.

At the heart of the debate is the House position that the state needs to eliminate the inheritance tax, otherwise known as the death tax. Family farmers, small businessmen, and parents

in general work hard all their lives to earn money to pass along to their children, to help assure that their children have more opportunities than they did. Their earnings, of course, are fully taxed at the time the income is made. It should not be taxed again when passed along to their children.

The House is concerned about the generation of North Carolinians growing up in the 21st century. We want them to have a first-rate educational system, including early childhood education. We want them to be safe and healthy in their schools and neighborhoods. And we want them to be able to enjoy their parents' legacy. We owe them no less.

Your House of Representatives is totally committed to tax relief. Meanwhile Democrats in the state Senate continue to pursue foolish, wasteful and reckless spending on projects like helicopter pads and million dollar equine facilities. You will be the ultimate judge on election day of which side was right.

#### SENATE PRESIDENT PRO TEM MARC BASNIGHT, D-DARE

The following article appeared on the editorial page of The Charlotte Observer on Friday, Aug. 14.

As this decade comes to a close, North Carolina joins other states on the upswing of a roller coaster ride between deficits and surpluses. The low point was the 1990-91 recession that left the state \$1.2 billion in the hole; the high point has been this year with almost the same amount of revenue on the plus side.

But now as the General Assembly's budget deliberations come down to the final days, some fundamental differences in priorities between Senate Democrats and House Republicans have emerged.

As our state's metropolitan areas and universities continue to grow and excel, rural areas and public schools labor to improve. Some of our rivers run dirty. We lose good teachers to other states because we pay them so poorly. Our children's health, though improving, still lags behind other states. Our system of dealing with juvenile criminals is hopelessly out of date. Our needs have been stockpiled for so long they're almost commonplace to us now.

Should the state do as much as it can to address these priorities, while offering responsible tax cuts to all taxpayers? Or, as our counterparts in the state House argue, should we cut taxes for a select few so deeply that the state's most critical needs are left unmet?

I want to make sure that readers of The Observer's Aug. 8 article ("What's a state to do with surplus?") understand that North Carolina taxpayers will get tax breaks in the state budget now under consideration in Raleigh.

Already in 1998, the Senate and House have agreed to cut the sales tax on food, a decision that will return \$184 million to taxpayers the first full year. The General Assembly also has authorized \$528 million in tax rebates and cuts to government retirees, and another \$64 million in tax credits to middle-income families that buy private health insurance for their children.

It's clear that lawmakers in North Carolina have led the nation in reducing taxes.

North Carolina ranks second only to Arizona in tax cuts as a percent of state revenues since 1994. The General Assembly has cut more than \$1.1 billion in taxes since 1995.

The issue for this session of the General Assembly is to achieve a balance while looking forward to the state's needs.

Tax cuts that benefit a tiny percentage of the state's most affluent residents should be viewed with skepticism. Every dollar repealed for those taxpayers may mean fewer books for schoolchildren and no hearing screenings for children left out of Smart Start.

The arguments on both sides are often filled with rhetoric and complicated revenue projections. It's often easier to understand the tax-cut rhetoric than the fiscal reality.

Simply put, the state will not be able to keep its promises to teachers, to its schoolchildren, or to its environment if irresponsible tax cuts win in the end.

For state employees...

The proposed House and Senate budgets both include state employee pay raises of 3 percent plus a 1 percent bonus. The financial models used by the House and Senate to project the impact of tax cuts and spending yield different long-term outcomes. The House model projects a 2 percent growth rate for state employees pay beginning in 1999. The Senate model reflects a 3 percent growth rate projection.

While there is much discussion about this among state employees, a final decision has not been made at this time about the projections or the resulting amounts. This is just one part of the budget bill that has yet to be resolved. Please continue to contact your delegation about your concerns.

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