

# Legislature Headed Toward Budget Debate

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With the deadline for all bills to pass their chamber of origination on April 30th, known as the crossover deadline, the General Assembly has been working at a frantic pace during the last several weeks. Legislators and special interests alike scrambled during the two weeks leading up to the deadline to have their bills sent in time to the opposite chamber. Others focused on blocking legislation they opposed from meeting the crossover requirement in hopes of rendering those proposals ineligible for the rest of the biennium. This annual shuffle makes for early mornings and late nights as lawmakers attempt to give each bill the consideration it requires, voting on an unusually high number of proposals during each floor session.

House Speaker Tim Moore recently announced a new policy whereby the majority of House bills reported out of committees would be sent to the House floor that same day. Bills with serial referrals that require additional committee votes would be the largest exception to the new rule. Under the new policy, a bill potentially could receive its first and last substantive votes by a Chamber in the same day. When coupled with the unusually high volume of bills coming out of committees each day leading up to the crossover deadline, recent floor voting sessions went abnormally late into the night, and in some cases, into the next morning.

Of the 1,655 bills filed by both chambers this session, 507 met the crossover deadline and thus clearly are eligible for consideration for the remainder of the two-year session. Of those 507 pieces of legislation, 207 were passed on third reading by their chamber of origination during the week of crossover, clearing the deadline only by 4 days or less. Of those 207 bills, 136 were approved by the House while 71 were approved by the Senate.

## **Budget Drafting Now the Main Focus**

With the crossover scramble now behind us, focus has shifted to crafting a two-year budget for the state. This year, the House is charged with releasing its budget first. Although state revenue figures are not yet finalized, we have been told that those who lead the House's budget writing efforts (the House Appropriations Committee and Subcommittee Chairmen and House leadership) have been meeting behind closed doors over the last week to hammer out their proposal.

We expect these efforts to continue quietly through this week, with the House Appropriations Subcommittees slated to review their respective sections of the budget this Thursday. The final House budget votes, which are required by state law to take place on two separate days, are currently scheduled for May 19th and May 21st.

Although this year is the House's turn to release its version of the budget first, we have been told that Senate Appropriations leaders have their version all but finalized and are just waiting for confirmation of final revenue figures and their turn to release it. The Governor released his proposed state budget in February, which you can read about in our previous post here and which can be viewed in full here.

When the three different budget proposals are all on the table, budget conferees will be appointed to negotiate the differences. This process traditionally has taken place in meetings closed to the public, but last year was done openly and with its fair share of heated arguments.

## **Budget Surplus**

Last week's news of an unexpected \$400 million budget surplus for the current fiscal year could complicate budget negotiations as lawmakers debate how the excess revenue should be spent or saved. State law limits how surplus funds can be spent, narrowing the menu of options for the additional revenue's uses. With the most recent state predictions estimating budget shortfalls to the tune of hundreds of millions, the news of the \$400 million surplus was a pleasant surprise to many.

Governor McCrory already has voiced his support for using the funds to restore a medical expense deduction favored by seniors and on targeted pay raises across state government. The Governor, Senate leader Phil Berger, and House Appropriations leadership also have proposed using part of the surplus to significantly bolster the state's emergency savings account, a use favored by the state law that governs surplus revenues.

Between the \$400 million surplus and the anticipated \$564 million in state revenue growth during the next fiscal year, budget writers will have almost \$1.1 billion more available for state uses than in previous years. The FY 2015-16 state budget is expected to top \$22 billion for the first time in state history.

Members of both parties quickly took to social media to voice their thoughts on the additional revenue. Republican legislators hailed the additional funds as a sign that their party's 2013 tax overhaul is working well, while Democrats characterized the surplus as evidence of increased taxes paid by the middle-class due to the loss of tax exemptions and deductions under the 2013 tax reform bill.

## **House Passes LegalZoom Bill**

The House recently passed House Bill 436 – Unauthorized Practice of Law Changes by a margin of 115-4. If enacted, the bill would ban the practice of providing legal advice online but would preserve the ability to sell legal forms through the internet. The bill also offers operating parameters for online legal service providers, such as LegalZoom, and prohibits those entities from offering auto-generated legal documents created from customer responses to targeted questions about his or her legal problem.

The bill would provide the North Carolina State Bar with the authority to investigate and enjoin unauthorized and unlicensed activities in violation of the legislation. The bill now has been sent to the Senate Rules Committee where it will either be scheduled for a vote, referred to another committee, or expire next year without receiving a hearing.

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