

# Budget, Taxes, and State of the State: Happenings in the Capital

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## State Budget

State House and Senate legislative subcommittees continue meeting jointly to entertain presentations from state agencies about programs they will consider modifying, continuing, or cutting altogether. Last week, the N.C. General Assembly was rapt in a series of these meetings, called the "Appropriations process" as the House began work on the state budget.

The subcommittees address funding for state agency programs, such as Health and Human Services, Transportation, Justice and Public Safety, and Education, with the main purpose of legislative long sessions being the formulation of a two-year budget for the state. As session continues, the two chambers will begin working on the budget individually, with the House first assembling its proposal for what the state should spend and then the Senate crafting its own version of the state budget.

In the meantime, Governor Pat McCrory also will send his own proposed budget to the Legislature. His spending plan may be fully enacted, ignored, or partially incorporated into the final budget agreement. The budget process will end when a joint conference committee of House and Senate members agree on what should be kept and what should be eliminated from their respective budget proposals. This committee is likely to meet both publicly and privately. The budget negotiation process likely will span many weeks, but we will be sure to keep you informed as it proceeds.

North Carolina's fiscal year ends on June 30. If the Legislature and Governor have not approved a budget by that day, they will have to enact a Continuing Resolution to keep the state running until the budget is finalized and approved.

## Gas Tax Debate

The Senate gave final approval to Senate Bill 20 IRC Update/Motor Fuel Tax Changes on Thursday, a bill that is predicted to temporarily reduce the state's gas tax rate by 2.5 cents per gallon before raising the tax by a projected 5-7 cents over the next several years. Much of the debate centered around whether the bill constitutes a tax cut or a tax increase, after which the legislation received a passing vote by a 35-15 margin, largely along party lines. The temporary gas tax reduction would force the North Carolina Department of Transportation to eliminate roughly 500 positions, but would increase funding for transportation projects over the long term. This legislation comes in response to calls from a broad coalition of business and government interest groups to reform the way the state raises transportation revenue.

## State of the State

Shortly after legislators convened for the year, Governor Pat McCrory charted his priorities for the legislative session in his annual State of the State address. The Governor shared his ideas while touting signs of

economic recovery in an 80-minute speech to a chamber filled with legislators, legislative staffers, and members of the media. The Governor asked the General Assembly to consider appropriations for business incentives and funding to increase teacher salaries, initiatives that he has previously has promoted. McCrory also repeated his request to legislators to approve a \$1.2 billion bond for transportation projects, while adding a new \$1.2 - \$1.4 billion bond proposal for investment in state-owned buildings. The Governor also repeated his interest in reorganizing the state's IT functions. The degree to which state lawmakers will heed his requests is still to be determined.

For more information on the legislative session, please call:

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