



Legislative Update

#0017 for June 11, 2007

Mystery, intrigue, deceit and betrayal. . . . A hardened skeptic might speculate that the House-Senate Conference Committee season exhibits the same dark qualities as a *film noire* thriller – like the one where a love-struck Burt Lancaster takes it on the chin for Ava Gardner, Smithfield’s gift to the world. Of course one can’t be sure what happens because the deliberations of the Conference Committee are conducted in secret. My hunch is that it’s mostly horse trading: “No way, Bubba! Your district ain’t gettin’ no community center unless *I* get the dough for a new museum devoted to left-handed chicken-plucking. . . .”

This year the conferees will strain over a short but formidable list of differences between the House and Senate versions of the state budget. The legislative term of art for these differences is “items in contention.” Happily, some of the things we care about aren’t in contention because both chambers approved them. The brightest example is \$8.4 million in new money for 2,000 more child day care slots. That item was in Gov. Easley’s expansion budget, the House budget and the Senate budget. In lieu of some eleventh hour disaster, we’ll get that money. Sadly, some of the things we care about are not in contention because neither chamber approved them. For example, we’re not likely to get any new money for the administration of DSS adult guardianships or for expansion of the Child Welfare Education Program. At this stage, getting that money would be a miracle on the order of parting the Red Sea (more on CWEC in a moment).

The items that the conferees are most likely to “contend” over could be lumped under three headings: lapsed taxes, county Medicaid relief, and a jumble of other items we could call pickle salad – except that it’s a deadly serious matter for those who need the pickles. Not surprisingly, these headings are tied together. The way any one of them is handled will affect the other two.

LAPSED TAXES: A quarter percent of the state sales tax and an income tax surcharge on high earners are due to lapse on July 1 unless the General Assembly renews them. The House wants to continue those taxes; the Senate doesn’t. The financial implication is about \$300 million in lost revenue. Interestingly, the Senate budget was about \$300 million less than the House budget. All by itself, this issue might be a small obstacle. After all, the proposed state budget is more than \$20 billion, but when you couple this tax issue with county Medicaid relief and other complications, it could be real trouble.

COUNTY MEDICAID RELIEF: O, how the mighty are fallen! Remember a few weeks back when 119 of 120 House members signed on to a bill to provide \$254 million in Medicaid relief for the counties? But when the next-to-the-last version of the House budget reached the House floor that sum had been whittled down to a pitiful \$60 million. Shamed by the ensuing outcry, the House members upped the sum to a slightly less pitiful \$100 million. When the Senate rolled out its version of the budget, it included nothing, *nada*, for county Medicaid relief. So, are we somewhere between zero and \$100 million? No, probably not. That’s because the Senate budget also included a statement of intent – a sort of legislative IOU – declaring that the General Assembly was committed

to providing permanent Medicaid relief to the counties by July 1, 2008. Note the year. One of my guesses and \$1.19 will buy you a cup of coffee at McDonalds, but my guess is that the solons will “compromise” by appropriating the \$100 million as temporary relief for 2007-2008, and beginning July 1, 2008, they will implement something like the tax swap plan being touted by Sen. Dan Clodfelter (D-Mecklenburg). Sen. Clodfelter’s proposal reportedly differs from previous offerings in that it would hold counties and municipalities harmless. Significantly, the N.C. Association of County Commissioners is publishing approving comments about the proposal. That wasn’t the case last year. Stay tuned for new developments.

PICKLE SALAD: This is a basket of questions. How much will ultimately be appropriated for Smart Start? More At Four? N.C. Kids Care? How much will the solons earmark for mental health? The measly \$5 million Gov. Easley has proposed? The \$21 million the House wants? The \$15 million the Senate wants? They don’t seem inclined to appropriate the \$100 million that mental health advocates say is a bare minimum. Never mind the \$500 million for each of the next five years that a consultant recommended last winter. None of these items can be settled until the lawmakers decide how much money they’ve got and how much they’ll do to help the counties with Medicaid.

CWEC expansion isn’t dead. It’s just resting. The \$4.619 million that the Social Services Consortium wanted for Child Welfare Education did not appear in either the House or the Senate budgets, and it won’t be in the final version, but that should only harden our resolve to win this one next session. Even before this session officially ends, the Collaborative partners are going to meet to discuss the steps that need to be taken before the next legislative session begins. We had excellent sponsors this year in Rep. Martha Alexander (D-Mecklenburg) and Sen. Bill Purcell (D-Scotland), and we should thank them and all the co-sponsors. We didn’t raise a loud enough outcry to tip this one into the bucket. Subcommittee chairs got firm spending limits from the “big chairs” on the House and Senate appropriations committees, and with very few exceptions, the solons stuck with those targets. One Senate committee brushed more than 100 spending bills off the table with only perfunctory discussion. If the General Assembly was a grocery store, it would be the kind of place where you walk in looking for a loaf of bread and you’re thrilled silly if you emerge with one ragged crust. Come May, 2008, we need to be in a stronger position.

This Legislative Update will not appear on June 18 or June 25. Your author will be in Yellowstone National Park trying to observe wild beasts that do not hold political office. If I can evade truculent grizzly bears, psychopathic bison and merciless swarms of horse flies, I will return on June 26. Please wish me luck.

A fact that politicians sometimes forget: A mugger saw a well-dressed man walking down a dark street. Seeing an opportunity, the mugger raced up behind the man, stuck a gun to his ribs and said, “Give me your money!” The frightened gent managed to protest this treatment. “You can’t treat me like this! I’m a member of the U.S. Congress!” The mugger thought for a moment and replied, “In that case, give me *my* money!”

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