



Bulletin #14-09

Friday July 11, 2014

House, Senate continue to work on budget deal

2014 Legislative Session Stalls

There was limited activity at the General Assembly this week as legislators focused on budget negotiations. Neither the House nor Senate has held committee meetings, refusing to move bills until they reach a budget agreement. With House members other than budget conferees for the most part not even in town, that chamber has held only skeleton sessions. The Senate voted on two bills during its three sessions, moving the rest of those on the calendar to next week.

Whether or not agreement is reached on the state budget, the Senate appears to be preparing to conclude the 2013-2014 session. The Rules Committee chair moved a number of bills from various locations into that committee and announced his intent to hold Rules meetings every morning next week beginning Tuesday. It is typical for remaining legislation to move quickly once the budget is resolved, and we can expect the same pattern if that happens.

State Budget Lurches Backwards/Forwards/Sideways

Budget pundits cheered last week's agreement on state Medicaid spending levels, hoping a Senate/House compromise could be reached by mid-week this first full week of July. No such luck—public conference committees thus far have produced little more than bruised feelings and twitter feeds running amok. Wednesday's morning session on education and teachers' salary increases erupted into a Senate walk-out as House conferees sprang surprise testimonies from school superintendents and teachers speaking out on behalf of the House's education plan. When Senate members returned to chair their portion of the two-hour meeting, sharp and protracted questions focused on whether the House's latest budget proposal showed any compromise or movement to Senate priorities.

Wednesday's afternoon session showed a bit more humor, as morning threats of being in session until Christmas brought out a wreath, Christmas stockings, and lumps of coal. The Wednesday afternoon session showed a bit more promise too, when newly designated House conferee member Speaker Thom Tillis pledged that the House would consider meeting the Senate halfway for teacher salary increases—from 5 percent to 8 percent. The Senate had already agreed to scale back its plans for cutting teachers' assistants, although the House fretted that such a move would lead to Medicaid service and eligibility cuts. Also dropped from the House's earlier proposals was an increase in lottery advertising spending coupled with advertising restrictions—the House had counted on using the extra \$30 million towards its education spending plan. The meeting quickly adjourned with Senate and House conferees agreeing to rework their respective budget proposals separately based on new availability numbers.

On Thursday, the Senate and House shared their new plans electronically between members. The House nudged its teachers' increase to 6 percent—the Senate's stayed at 11 percent, showing its concerns that the House's slight movement was not enough to break the impasse. The Senate also revised upwards its estimates for savings due to eliminating the medically needy Medicaid category, growing from less than \$4 million to more than \$100 million. These new savings were set aside to give the House an option of either lessening Medicaid cuts or keeping teachers' assistant positions. The House originally scheduled another public conference committee today, but Senate members declined attendance and the meeting was rescheduled for Monday. Governor McCrory weighed in

with his concerns over the proposed Senate plan, threatening a veto of the proposal should it move forward.

The biggest challenge continues to be finding the revenue needed to fund a substantial teachers' salary increase while preserving TA positions and current Medicaid eligibility standards. Should the chambers eventually decide on the 8 percent level, at roughly \$350 million, the House and Senate must find and agree to another \$160 million in significant cuts. Any line item could be called into question to fund teachers' raises.

While there is agreement on the total amount of spending in many of the subcommittee categories, line item specifics have yet to be made public. Examining the Senate's latest proposal on agency program transfers shows a number of issues still under contention, such as its reluctance to transfer the animal welfare program from the Dept. of Agriculture and Consumer Services to the Dept. of Public Safety. Also, as noted above, finding cuts to cover substantial teacher increases may open up total subcategory spending once again.

Likewise, no public discussion has occurred on competing special provisions, so any agreement there is uncertain as well. What is principally at stake for counties is the House's special provision to award non-emergency medical transportation to a private vendor, effectively removing the Medicaid client and funding stream from North Carolina's nationally recognized coordinated system of human services transportation.

- Johanna Reese, Government Relations Director
- David F. Thompson, Executive Director

