



Revenue Shortfall and Fiscal Needs

A Preview of the 1983 General Assembly

by Paul O'Connor

Children who grow up in large families learn to assert themselves at the dinner table. Grab the food early or face an empty bowl and spend the night hungry.

Special interests planning to seek money from the North Carolina General Assembly in 1983 might be advised to hire lobbyists who grew up in large families — people experienced at grabbing what they can get before the money runs out.

The state faces a revenue picture more bleak than any in recent memory. Sen. Harold Hardison (D-Lenoir), chairman of the Senate Appropriations Committee, says this is the tightest budget he's seen in his 12 years in the legislature. Even the recession year of 1975, when the state was forced to cut \$380 million out of its budget, wasn't as bad as 1983 is going to be, Hardison says. When asked the major issue facing the 1983 assembly, the legislative leadership is unanimous. As Lt. Gov. James C. Green says, "The budget will be the whole ballgame."

There's bad news for the legislature at every corner of the budgetary map. Because of the recession, state tax collections are falling short of projections and there appears to be no clear sign of improvement soon. Federal money, the other major funding source for the state budget, is being cut.

But a shortage of revenues doesn't mean the need for new expenditures also declines. State employees and teachers want a pay raise, and they also have a new, expensive health insurance plan which must be funded. The Highway Fund is still in trouble even after a three-cent-per-gallon motor fuels tax increase in 1981. The state's physical plant is deteriorating, badly in need of repairs and renovations. And the list goes on. Everybody and his lobbyist seems to have an urgent need that costs a million dollars. In fact, the total amount of new spending requests considered in November by

the Advisory Budget Commission (ABC) — the 12-member group that works with the governor to shape a proposed budget for the legislature — topped *one billion dollars*.

In addition to coping with budgets and revenues, the new session of the legislature may also tackle such major policy issues as drunk driving penalties, housing needs, coastal management and utility regulations. Meanwhile, the new legislature will have both an old and a new face. Nearly one-third of the 170 lawmakers will be freshmen, but at the same time, the power structure of both the House and Senate remains essentially unchanged from the 1981 session. Meanwhile, the state leaders with the highest profiles are inching toward major political races in 1984.

The story of next year's budget troubles begins with this year's tax collections. When the legislators drew up the \$5.85 billion 1982-83 budget (i.e., July 1, 1982-June 30, 1983), they assumed that tax revenues during the new fiscal year would increase by 8.9 percent over the previous fiscal year. That assumption translates into almost \$270 million in increased state revenues (\$30 million for each percentage point of projected growth). But collections haven't come close to that projection. For the first quarter of this fiscal year (July 1-September 30, 1982), collections increased by only 5.5 percent. If that trend continues, the state will come up \$102 million short in its 1982-83 budget.

The N.C. governor has the job — an unenviable task in such fiscal circumstances — to monitor

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revenue collections and make sure the budget is balanced by the end of the fiscal year, a requirement of the state constitution. In the current fiscal year, Gov. James B. Hunt, Jr. cut allocations to all departments by six percent, attempting to save \$204 million. While budget officials believe the savings will be enough to balance the budget for the year, they concede that the savings will probably fall short of the \$204 million mark. Consequently, at the beginning of the 1983-84 fiscal year, the state will have its coffers emptied — without the surplus needed to pay for a salary increase or any other new spending.

"The problem with all this," says Rep. J. Allen Adams (D-Wake), chairman of the House Base Budget Appropriations Committee, "is that in order to finish up this (fiscal) year with a balanced budget, we are going to have to use up our credit balance. So we don't have the cushion left that we usually have."

Other ways exist to pay for a teachers' salary increase besides a previous year's cushion. The General Assembly could raise taxes. But that's not likely. Or the economy could perk up and bring more tax revenue. But the economy is so shaky now, no one in his or her right fiscal mind is willing to count on any appreciable improvement.

If there's to be any new spending done by the 1983 assembly, the solons will have to find some money by cutting the "base budget" — the budget that provides for the continuation of all current programs. Adams foresees the session opening with an extensive base budget review similar to that which he and Sen. Robert Jordan (D-Montgomery) directed in 1981. That year the legislators looked for \$200 million to cut. This year, they'll need more, says Adams.

Calculations vary as to just how much money Adams and his colleagues need to find, but the requests add up quickly. Gov. Hunt, for example, has said that the first priority of the budget he proposes in January will be a state employee pay raise. But the price tag for a raise will be staggering. For each one percentage point of an across-the-board raise, the state will need almost \$30 million. State employees and teachers did not get a raise in 1981, had their 1982 raise limited to five percent, and had their merit raise pay scale frozen in June of this year. Consequently, considerable pressure for a sizeable raise is already building from the major teacher and state employee associations.

But \$30 million for each percentage point increase is steep. Moreover, if Hunt follows through on his promise to reinstate the merit scale, he'll need another \$95 million. John A. Williams, Jr., the state budget officer, put the matter in perspective after the November 5 meeting of the ABC: "I'm not nearly as optimistic as the Gover-

nor that we're going to be able to find the money to (lift the freeze)." Williams also said the chances of an additional raise in the 1983-84 budget were "very slight" unless the economy improved dramatically.

In the 1982 budget session, state workers did get a new health insurance plan that went into effect on October 1, 1982. To fund that new plan with its current benefits for a full year in 1983-84, the state will need an additional \$40 to \$60 million, says Williams. State fiscal woes don't end with its employees. Some of the most pressing needs include:

- **Highway Fund.** In July 1983, the state will run out of money to match federal road construction funds. The legislature will have to find \$40 million to put into construction projects if it hopes to continue in a federal program that brought \$192 million to the state last year. When the gas tax increase was approved in 1981, the legislature ordered that the state undertake a vigorous program of road resurfacing rather than road building. Facing the loss of all that federal money, will the legislature transfer \$40 million out of road maintenance and into construction? Such a step would seriously undermine the state's 3,000-mile-a-year repaving program. But if the legislature doesn't make the transfer, it would have to turn to another solution such as an increase on alcohol taxes or the transfer of funding for the Highway Patrol out of the Department of Transportation.

- **Capital Projects.** For years the legislature has been ignoring its responsibility to maintain the state's investment in buildings. The buildings have deteriorated to the point that one budget officer expects \$100 million worth of new maintenance requests this year.

- **Social Service and Education Programs.** Adams says the federal government is "transferring funding responsibility (for social service and education programs) to the states." Changes in the federal matching formulas for social programs will cost the state \$83 million. In education, the cost will be \$40 million, he says.

- **Other Needs.** Private colleges want an increase in the yearly per-student-stipend they receive from the state. The Attorney General says his crime lab is woefully overworked and under-equipped. The Division of Youth Services needs money to build juvenile detention centers so youngsters won't have to be held in adult jails.

Outside of the budget, the most important legislation headed for the 1983 legislature will most likely be Hunt's drunk driving package (see box on page 24). For almost a year, a special study committee has been seeking ways to fight drunk driving and Hunt has promised "tough new measures." He apparently has the public behind

him, but any proposal would have to get past the close scrutiny of lawyer-legislators who are often paid to defend drunk drivers in court.

Hardison predicts strong legislative support for a program that would get tougher with drunk drivers — harsher sentences and fines, less chance for plea bargaining. But if Hunt tries to raise the drinking age from 18 to 21, he'll be in for a scrap, Hardison says.

Other items likely to come before the legislature include:

- **Sales Tax.** Local government officials want the authority to increase the local sales tax by a penny. The State Board of Education also favors a statewide penny increase in the sales tax as a way of paying for the \$1.8 billion worth of school construction needs it says the state has.

- **Inventory Tax.** Businessmen want the inven-

Drunk Driving Proposals Go Before the 1983 Legislature

by Paul
O'Connor

A year ago, Gov. James B. Hunt, Jr. sniffed the political winds and detected a strong odor of alcohol — as in drunk driving. In 1981, 96,404 drunk driving arrests were made in North Carolina alone — enough arrests to account for 1 of every 60 people in the state. And the estimated damage caused by drunk driving ran from \$235 to \$250 million. Spurred by such dramatic statistics in North Carolina and by a national movement to get drunks off the road, Hunt established a study committee to formulate a tough new policy he could present to the 1983 session of the General Assembly. The committee has reported out a package of proposals which should form the basis for a major 1983 legislative debate.

At the heart of the committee's proposals is a new structure for drunk driving offenses. "Driving Under the Influence" (DUI) and related offenses would be replaced by a single offense known as "Impaired Driving." Under the proposal, defendants would no longer be able to get a drunk driving charge reduced to either a ".10 violation" or to "reckless driving," as happens quite often now. They would be tried on charges of impaired driving and could receive any of five different mandatory sentences.

The first two mandatory sentences are determined by the presence of a "grossly aggravating" factor: second drunk driving offense in 10 years, speeding to elude arrest, speeding 30 miles per hour over the speed limit, driving with license revoked for previous drunk driving conviction, or causing an accident in which someone is seriously hurt. Anyone convicted of impaired driving with one of these five factors would be jailed for at least seven days — and maybe for as long as a year — and would face a maximum possible fine of \$1000. If two of the factors are present, the jail term is 14 days

to two years with a maximum fine of \$2,000.*

The three other mandatory sentences involve a number of aggravating and mitigating factors which, when added up by a judge, will determine whether the drunk spends one, two, or three days in jail and pays a fine of \$100, \$250, or \$500. These sentences allow an option of license revocation and community service.

Other proposals in the drunk driving package include:

- Anyone under 18 caught driving with any alcohol in his or her blood will face a \$100 fine, up to six months in jail, and automatic loss of license until his or her 18th birthday.

- Failure to submit to a breathalyzer test or willful failure to complete drunk driving school would mean an automatic one year suspension of license. Anyone blowing .10 on the breathalyzer would immediately and automatically lose his or her license for 10 days.

- Drivers convicted of impaired driving while their license is revoked could have their license plates and car impounded or ownership of their car taken by the state.

- Raise the drinking age for beer and wine from age 18 to age 19.

- Those who sell alcohol to people who are drunk would be liable for damages in civil actions brought by those injured either physically or financially by a drunk driver. □

* Currently, first offense DUI is punishable by a fine of from \$100 to \$500 and by a jail sentence of 30 days to six months. For second offense DUI, the fines range from \$200 to \$500 and the jail terms from two months to six months. For third offense DUI, the fine is \$500 and the prison term can be as much as two years. Under the current plea bargain system, however, few first-time drunk drivers face DUI charges and those convicted of first offense DUI rarely receive active sentences.

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tory tax phased out over the next several years. But with the tight budget, any tax cut seems unlikely.

• **Utilities.** Duke Power Company Chairman William Lee has spent the summer and fall lobbying members of the General Assembly on the plight of the utilities. The 1982 budget session reflected a public sentiment against the utilities by changing the fuel adjustment clause and repealing provisions of the law that gave the utilities immediate reimbursement for Construction Work in Progress (CWIP) expenses. While Lee says his company has no specific legislative package in mind, consumer advocates suspect the power companies to seek repeal of the 1982 CWIP changes.

• **Land-Use Legislation.** The Coastal Area Management Act (CAMA) comes up for re-evaluation in 1983 and will have to face strong opposition in the Senate. The state will also need \$1 million to make up for lost federal funds for this program.

• **Science and Math Teacher Shortage.** Hunt plans to make a number of recommendations on this subject in his State of the State address. Possibilities include a salary increment for science and math teachers, an 11-month salary year, and a program of hiring scientists from private industry on a part-time basis.

• **Housing Policy.** The Housing Study Commission is expected to bring a comprehensive housing package to the 1983 legislature, a package which has attracted close scrutiny from builders, lending institutions, and consumer groups.

How will the 1983 legislature reconcile a budget crunch with pressing fiscal demands and at the same time give careful consideration to such weighty matters as new drunk driving laws and coastal management? The freshmen legislators will have a great deal to learn about the complex workings of the base budget, not to mention the means to greater power through committee work and access to the inner circles of the House and Senate leaders. (See article on page 26 for a list of the new legislators.)

Despite the many new faces, the political workings in the House chamber should be somewhat predictable. Rep. Liston Ramsey (D-Madison) returns for his 12th term, his second as Speaker

of the House. Adams, a close Ramsey aide, will no doubt again guide the Appropriations Base Budget Committee. Ramsey, who appears to have reached his plateau in politics and may be settling into the speakership for a long stay, will probably call on his well-proven allies.

But the Senate side offers a new twist or two. Both Sen. Hardison and Sen. Jordan are running for lieutenant governor. It will be interesting to watch how they work together on the budget and whether Green tends to favor either. There's been some talk that Jordan might run for governor, which would put him head to head with candidate Green.

The most difficult political assignment for the 1983 session may rest with Gov. Hunt. Traditionally, governors lose much of their clout in their final two years. As Hunt press aide Gary Pearce explains, a governor in his final two years has used up a lot of his bargaining power — "appointments, jobs, judgeships, and roads. It's also psychological," says Pearce. "(The legislators) are thinking, 'I don't have to deal with this guy any longer.' They're beginning to focus on the next race."

But Hunt approaches the 1983 session unlike any previous governor. The first governor in the state's history to succeed himself, Hunt has pushed a budget package through six previous legislative sessions. And before the governorship, Hunt was lieutenant governor (1973-77). The betting is that the stature he's built over the past 10 years as Democratic Party leader, and the very good chance that he'll be on the 1984 ticket, will keep his influence strong.

For his part, Hunt apparently does not think he needs to take on many issues in the 1983 session. "I don't need a big legislative agenda this year," says Hunt. But one or two major issues might keep his hands full enough. If Hunt indeed tries to follow through on his promise to reinstate the merit pay scale for state employees, he will have to come up with \$95 million somewhere.

When state government is working in the red and the shortfalls are topping the \$100 million mark, competition for any new spending is intense. If the Governor — or any other lobbyist — is to get his personal priority into the 1983-84 budget, he will have to grab quickly before the money runs out. □