

The Budget Session — a permanent fixture?

by Jack Betts

Twenty years ago this coming February, the 170 members of the General Assembly convened for the last time in the old Capitol.

In 1963, they strolled down the hill to a sparkling new marble, brass, and cinderblock mausoleum to conduct the peoples' business. The lawmakers settled into their new quarters in much the same way they had been settled in the old Capitol. They still came to Raleigh during January of the odd-numbered years, at a date fixed either by law or the Constitution. When they got good and ready, usually after five or six months, they left. Good and ready usually came a day or so after the Appropriations Committees finished work on the state's biennial budget, occasionally in May, a few times in July, but usually sometime in June.

During World War II, the sessions were abbreviated — January 6 to March 10 in 1943, January 3 to March 21 in 1945. By the 1950s, a five-month period was the norm. Occasional special sessions were called by the governor or the legislators to enact "emergency" bills, such as the Speaker Ban Law (1965), or to deal with a budget matter that couldn't wait for the next regular session to roll around in the odd-numbered year.

While legislators and governors have come and gone since the move 20 years ago, more permanent fixtures have arrived at the new legislative building. Professional staff members have been hired and computers installed. An electronic voting machine now records votes in the beat of a heart. And in 1973, the groundwork was laid for what may become one of the most important permanent fixtures of the future — the Budget Session.

Coming to Raleigh in the Even-numbered Years

Throughout the 20th century, Democrats had controlled the legislature and the governor's office. But in 1973, they were suddenly faced with their first Republican

governor. At the same time, they had to make up an increasingly complex two-year budget which had reached \$4 billion. Some say the legislature decided to come back the next year for a second session just to keep an eye on the Republicans in the governor's mansion. Others feel the growing budget brought them back. In any case, the General Assembly reconvened in January of 1974, the first "regular" session in the 20th century during an even-numbered year. They stayed for three months before going home, apparently satisfied that the seat of government was in no undue risk of tumbling.

The next session, in 1975, ran to its usual five months, just as the recession was setting in. The economy remained stagnant throughout the year, causing state revenues to fall \$288 million short of the two-year budget passed in 1975. In theory, the Advisory Budget Commission (ABC), the powerful budget-making committee of legislators and gubernatorial appointees, exists, among other reasons, to act as a safety valve in such situations, making certain interim budget changes as needed. But the legislators decided to make sizable budget cuts themselves — to come back in 1976 for a short session. It would be limited, they said, to the budget, and any other item that a two-thirds vote of each house wanted to take up. It would be, they said, the "budget" session.

But in that first official money meeting, the General Assembly took up matters other than just the budget. In 1976, medical malpractice insurance rates were causing a stir. Besides making the budget cuts — the reason they came back to Raleigh in the first place — the legislators approved a new way of insuring doctors. Then they went home.

In 1978, another phenomenon developed.

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When the Budget Session convened, supposedly for the purpose of reviewing the \$8 billion biennial budget adopted the year before, there weren't any cuts to make. Quite the contrary. There was \$279 million left in the kitty, from reserves and reversions (money appropriated but unspent). The honorables voted themselves a 25 percent pay hike beginning in the 1979 session and gave the governor a six percent raise. They found \$7 million for the N.C. State Vet school and \$8.5 million for a brand new state office building — one that would provide new quarters for the legislators themselves.

Just after the session closed, several lawmakers began realizing what had happened. "If we could have foreseen last year that we would have this \$279 million credit balance, I would have said, no, let's not have this session," Lt. Gov. Jimmy Green said in June, 1978. "Let's leave that money in the bank as an emergency cushion against the sort of shortfall in revenue we saw in the 1975 session. When we in this state are fortunate enough to experience a credit balance at the end of a fiscal year, all this money does not have to be spent. Some funds ought to be placed aside, a reserve for a time when we are not so fortunate, or should be used to reduce taxes."

The spending spree didn't consume the entire '78 session, however. There was also liquor by-the-drink. The Senate had approved local option liquor

by-the-snort in the 1977 session. While the dry forces seemed to have had it whipped in the House, they had not forced the vote that might have killed it in the 1977-78 session. In the 1978 short session, called the Budget Session by the legislators, the liquor by-the-drink bill — still alive in committee — came up for a vote in the House. It was promptly voted down. But the next day, it was miraculously resurrected, just in time to be approved and passed into law.

Lobbying the Budget Session

The experiences of the '76 and '78 sessions could have served as an indication of what might surface in 1980. But during the regular 1979 session neither Lt. Gov. Green nor House Speaker Carl Stewart took any effective initiatives to put stricter limits on the companion 1980 Budget Session. At the completion of business in 1979, the legislators adopted a resolution to reconvene June 5, 1980 "for review of the budget for fiscal year 1980-81 and for consideration of other certain bills." The official session of the legislature never really ended between 1979 and 1980; it simply adjourned. Hence "other certain bills" could be considered in 1980, includ-

The North Carolina House of Representatives on June 5, 1980, opening day of the "budget" session.



Photo by Jim Erickson, Raleigh News and Observer

ing those that had passed one of the houses of the legislature, reports from study commissions, and non-controversial local bills. Anything else would have to be approved by a two-thirds vote of each house.

When June 5 arrived, however, so did a resolution authorizing the legislature to consider 16 new bills — not bills that had some standing in committees, but totally new bills. The list included a couple of hot ones from the finance industry, long regarded as the most powerful lobbying group, along with insurance interests, in the legislature. Introduced in the House and Senate at the same time, the resolution for the bills required only a majority vote. To this day, no one is confessing to having come up with the resolution, or to managing it into a majority vote instead of the two-thirds prescribed for the Budget Session. Even though majority leader Liston Ramsey, who will be speaker of the House in 1981, refused to sponsor it, it passed. The finance bills went on the calendar and into the House Banking Committee. The Committee and the finance lobbyists began an intense struggle over credit legislation that had to run its course in the three weeks anticipated for the Budget Session.

The money lobby sought authority to remove or raise the legal limits on rates for most types of loans, and for a time it appeared that a carefully-crafted alliance of banks, finance companies, and businesses offering credit would succeed in winning

these goals. But Gov. Jim Hunt pronounced his opposition to them, and Rep. J. Allen Adams of Wake County outmaneuvered former state Sen. John Jordan, the chief finance lobbyist, in the House Banking Committee, where most of the bills were killed. An almost audible sigh of relief filled the great halls of the building. Members had been grumbling for weeks that the finance industry had sought too much at too poor a time. Barely five months before an election is not when legislators want to vote on raising loan rates.

It was the finance lobby's first major defeat in the legislature in recent history, and opinion divided on what it meant. Some argued that if the banks could be beaten once, they could be beaten again, but the old hands took a more seasoned view. "They'll be back," said one knowledgeable legislative staff member. "And if the economy's in the shape it is now, they'll get what they want."

The finance lobby wasn't the only group using the Budget Session for special concerns. Gov. Hunt came to the short session with a package of budgetary proposals which a Republican might describe as a "wish list," especially in an election year. Astute and well-organized, Gov. Hunt did not miss the opportunity to tap the three-week Budget Session for some adjustments to the state budget. Most importantly, the Governor sought and obtained legislative authority to change the way of financing highway construction from a total allocation method for a project to a "pay as you go" system. While this might well be a more modern and efficient way of doing the state's business, the timing could appear suspect.

This change in highway financing created a \$53

Rep. J. Allen Adams (D-Wake) (left) talking with John Jordan, lobbyist for the N.C. Bankers Association. This heated discussion, which took place in front of newsmen, followed a House Banking Committee meeting during the 1980 Budget Session.



Photo by Ken Cooke, Fayetteville Observer



This cartoon appeared in the *Raleigh News and Observer* on June 20, 1980, during the closing days of the Budget Session.

million budget surplus which had not existed when the legislators came to town. Putting this newly-created "surplus" with existing reserves and reversions, the appropriations committees expanded the 1980-81 budget by \$358 million. While the November election made raising the interest rates on loans a difficult package to swallow, passing a hefty 12.5 percent pay package for teachers and state employees took no worry at all. Just as the "pay-as-you-go" system might modernize highway financing, the teachers and state employees needed the salary boost to keep up with inflation. But these meritorious points are not the issue here. The three-week June session functioned in a much broader way than the stated purpose of a "review of the budget."

In 1976, the short session made budget cuts but also functioned like an emergency session, responding to the medical malpractice insurance crisis. In 1978, in allocating the extra monies available, the legislators expanded the Budget Session in such a way as to begin transforming the biennial budget process into an annual undertaking. By 1980, the Budget Session functioned as a short version of a regular legislative session, making annual budget decisions and considering totally new packages of legislation. Does this trend point towards eventual

annual sessions of the General Assembly? Or do legislators now recognize that the Budget Session has evolved beyond its original purpose?

The Future of the Budget Sessions

John L. Allen Jr., the General Assembly's Legislative Services Officer, detects some unhappiness among many legislators about the continuing use of the Budget Session for other matters. "There are some reservations about the mini-sessions," Allen says. "(The legislators) try to hold them to the basic things, but as you can see, they almost bust open."

Some legislators don't like dealing with so much shortly before general elections. Others are unhappy for the same reason enumerated by Green in 1978: if they didn't have to spend the reserves and reversions during the Budget Session, they'd have that much more money to allocate during the main budget-making process in the regular sessions.

State Sen. Harold Hardison, chairman of the Senate Appropriations Committee and politically close to both Green and Hunt, is weary of trying to do too much in so short a time during the Budget Session. "It was a good idea when it was originated," says Hardison. "It's a damn good idea to have your budget reviewed every year. But not to spend everything you have. That just tears your

reserves and your reversions up. If your budget needs some revisions, or some cuts, you can do it. But don't expand it, no sir."

Other legislative leaders are also suggesting that the Budget Session should be limited to a strict budget review, with only critical legislation considered when necessary. Rep. Adams, a close ally of the new House speaker, may want to address this issue in the 1981 legislature. "If we could realistically limit it to the budget, if we could effectively deal with all our other bills in the regular session, making sure they get considered, then I'd be for it," says Adams. "The tendency now is to say we can finish a bill in the short session if we see it isn't going to pass during the regular session, and that's bad."

But Jordan, who served only one term in the legislature but who operates as if he were a senior member, disagrees. "I think that would be a mistake to limit it, because you increase the likelihood of special sessions. If you have a budget session, you should leave it open-ended for emergencies. And the legislature can touch base just about every six months. I think most of them probably feel that the budget session is very perfunctory anyway, since the budget they approve generally tracks what is recommended by the Advisory Budget Commission."

Conclusion

The N.C. General Assembly, like its counterparts in other states, will continue to grow in the size of its staff, the number of bills introduced, and the actual quarters it fills. But the notion of the citizen-legislator is a time-honored tradition in North Carolina, revered despite the fact that the General Assembly has a high turnover rate. Being a legislator takes too much time and often too much income from careers to avoid this turnover. The average North Carolina lawmaker got about \$19,000 in salaries and expenses for the 1977-78 biennium, ranking the state 31st in the nation in compensation for legislators. The prospect of expanding the Budget Session towards the scope of a full session seems unlikely. Neither the sentiment nor the salaries for making the legislator a full-time professional exists. After the grinding work of passing the budget, the legislators are ready to quit Raleigh.

But the General Assembly may begin to change in ways that affect the Budget Session. "Most recently, legislatures have been... increasingly concentrating on governmental evaluation and oversight activities," says William Pound, director

In 1981, the General Assembly staff will spread from the legislative building (in background) into new quarters (under construction).

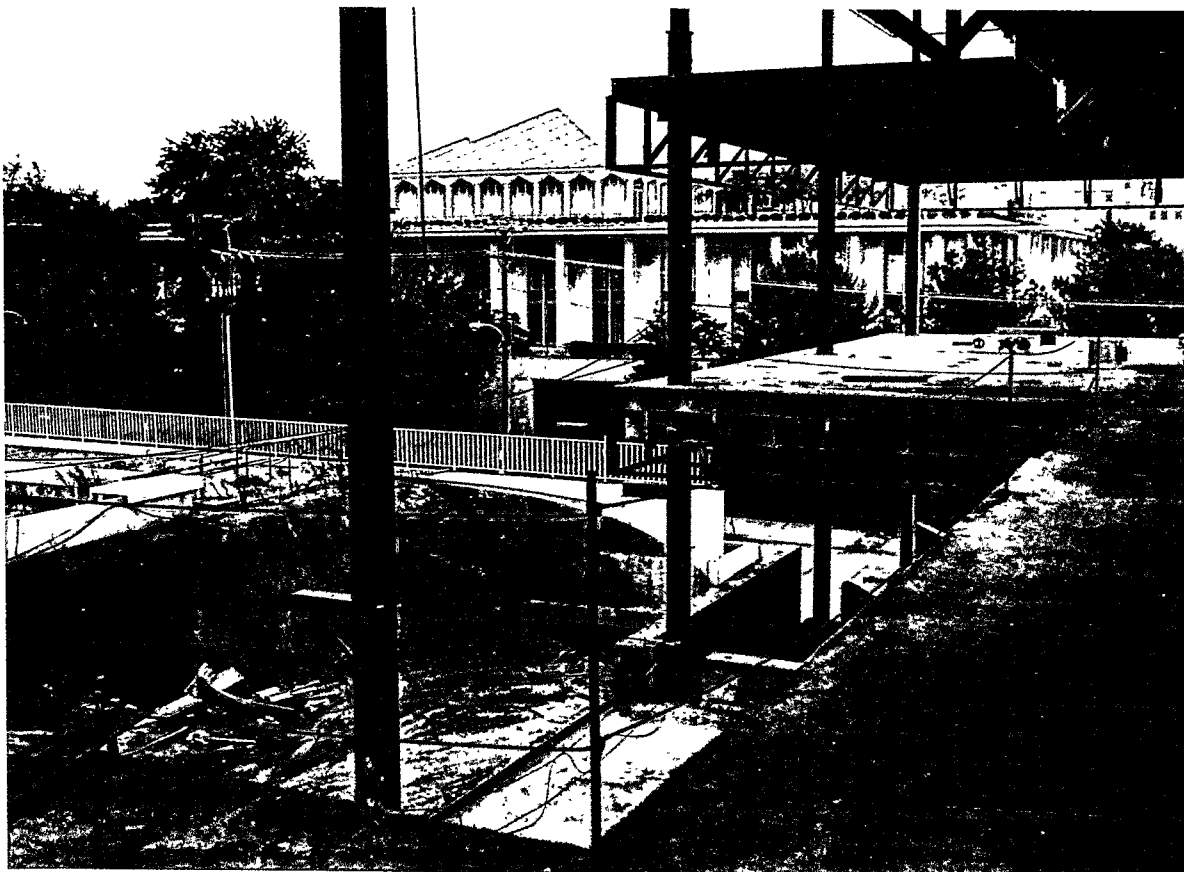
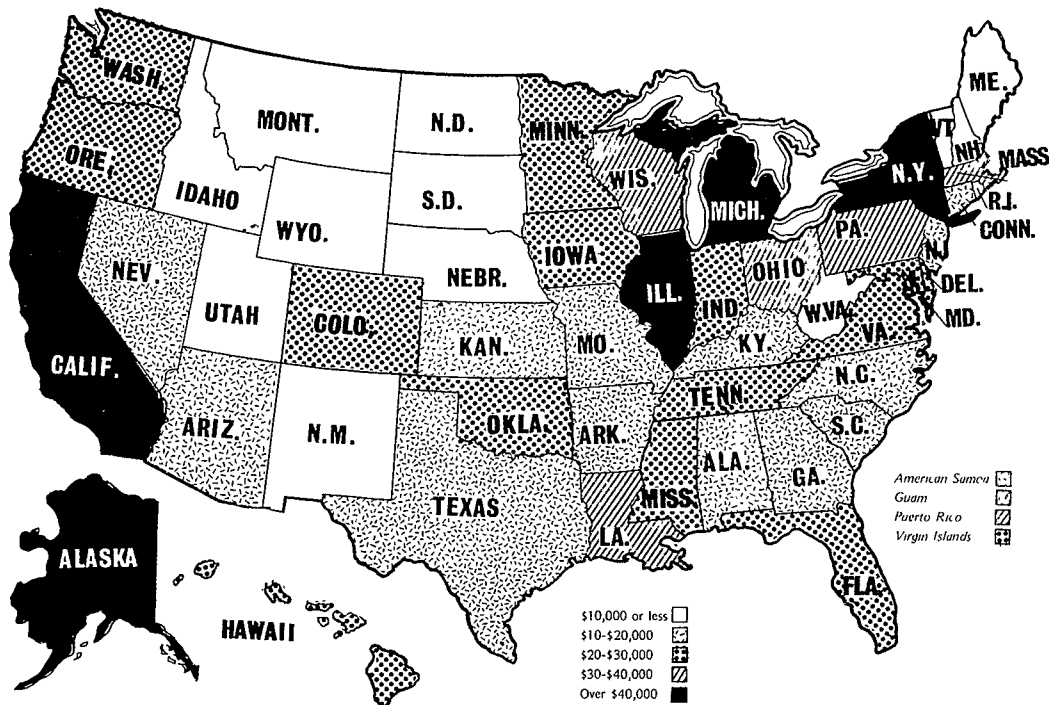


Photo by Paul Cooper

1977-78 Biennial Compensation for State and Territorial Legislators



Map courtesy of the Council of State Governments, Lexington, Kentucky.

of state services for the National Conference of State Legislatures (NCSL). "This has not meant a turning away from legislative improvement concerns. It implies an evolution of these concerns from the removal of constitutional restrictions on legislative activity, compensation, and session time, to making more effective use of legislative time and resources."

In the 1980 *Book of the States*, an annual publication of the Council of State Governments, Pound writes, "The 1980s will almost certainly witness a continuation of this search for ways to better utilize legislative time. Both the attempt to maintain the role of legislator as something other than a full-time profession and the need to provide time for legislative oversight activities will require this."

If the national trend applies to the North Carolina legislature, in terms of finding better ways to use legislative time, then the focus of the Budget Session may indeed change from its recent evolution as a short, but otherwise regular session. Legislators may once again turn to the "real" regular session for completing all of its main legislative business.

Any attempt to do so will no doubt be met with strong opposition from the Governor, who has gotten much legislation passed in the last two budget sessions. Many observers consider the office of governor in this state dominant over the

legislature, despite the absence of a gubernatorial veto. Especially in the last two sessions, the Governor had influence because of the prospect of his serving a second term. But in 1981, Hunt becomes a kind of lame duck governor. His influence in the General Assembly will diminish since the 1983-84 session will be his last as governor. Setting the agenda for the 1982 Budget Session might be easier for legislators, knowing that strictly limiting the short session curtails the activity of the chief executive.

Twenty years ago, North Carolina began to modernize the General Assembly. The new building provided space for attorneys and secretaries, for computer terminals and supporting services. In 1981, the General Assembly expands again, into the new office building across Lane Street, just in time for more bills, larger budgets, and greater oversight functions.

But the question remains: what will become of the Budget Session? The legislators now have had enough experience with the short session to know what to expect in the future. The experience of 1980 completed the evolution from budget overview to full-scale activities. If the legislators do hope to curtail the 1982 Budget Session, they will approach the 1981 session with a determination to write a biennial budget and to complete the major business. If not, they will be aware of what the opening gavel might bring come June of 1982. □