

A BUDGET NO-BRAINER

Merge House, Senate Budgets to Eliminate Deficit

Summary: As House and Senate leaders negotiate a final budget package for FY 2002-03, they should resist the usual temptation to “logroll” — to add in spending items favored by the other side — and instead accept the *lower* of the two chambers’ previously approved figures for every department as well as the *higher* of the two chambers’ previously approved fund transfers. With such “reverse logrolling,” lawmakers could balance the state budget without a tax increase.

Logrolling is a tried-and-true tactic in the legislative process in which lawmakers otherwise predisposed not to favor an expenditure or piece of legislation agree to support it because fellow lawmakers agree to do the same for other items. Unfortunately, this legislative tactic too often results in a poor outcome for average citizens, as lower-priority or pork-barrel items are funded and mediocre legislation enacted. In North Carolina’s appropriations process, logrolling typically results in a final budget agreement that spends more than any previous version.

With the state facing another large budget deficit, and both House and Senate budget plans including hundreds of millions of dollars in additional tax increases on North Carolina’s already weak economy, taxpayers can no longer afford business-as-usual. An alternative approach, proposed in past John Locke Foundation publications, is called “reverse logrolling.” Rather than one chamber accepting programs or higher expenditures from another, with the expectation of the same, why not accept the *lower spending numbers* for each departmental budget? After all, a majority in at least one chamber of elected lawmakers has already decided that the expenditure in question does not justify the imposition of additional taxes to pay for it.

A reverse logroll for the 2002-03 budget would greatly benefit taxpayers. Although many (including Locke analysts) would continue to disagree with elements of the resulting plan, it would result in a General Fund budget of \$14.1 billion — \$105 million less than the Senate plan and \$213 million less than the House plan. Moreover, if the higher non-tax revenue items were accepted — including transfers of tobacco-settlement and hurricane relief funds — revenue availability would slightly exceed the budget, thus eliminating the 2002-03 budget deficit without increasing the tax burden on North Carolina families and businesses.

— John Hood, President

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CONSTRUCTING A “REVERSE LOGROLL” FROM HOUSE, SENATE BUDGETS

Spending Side of the Ledger

<u>Department</u>	<u>Senate Amount</u>	<u>House Amount</u>	<u>Reverse Logroll</u>
Community College	\$668,189,659	\$674,547,352	\$668,189,659
Public Education	\$5,852,793,012	\$5,885,786,558	\$5,852,793,012
University System	\$1,781,410,109	\$1,768,864,496	\$1,768,864,496
Administration	\$55,904,624	\$56,209,290	\$55,904,624
Auditor	\$10,916,959	\$10,880,765	\$10,880,765
Cultural Resources	\$54,632,753	\$55,817,206	\$54,632,753
Cultural Resources-Roanoke Island	\$1,708,241	\$1,458,241	\$1,458,241
General Assembly	\$35,743,697	\$35,743,697	\$35,743,697
Governor	\$4,938,310	\$4,879,142	\$4,879,142
Insurance	\$22,076,186	\$21,645,448	\$21,645,448
Insurance-Worker's Comp	\$2,000,000	\$2,000,000	\$2,000,000
Lieutenant Governor	\$616,265	\$597,178	\$597,178
Office of Administrative Hearings	\$2,572,636	\$2,561,413	\$2,561,413
Revenue	\$72,982,979	\$75,571,304	\$72,982,979
Rules Review Commission	\$299,814	\$315,814	\$299,814
Secretary of State	\$7,564,995	\$7,941,569	\$7,564,995
State Board of Elections	\$3,395,891	\$3,395,891	\$3,395,891
State Budget Office	\$5,012,102	\$4,971,114	\$4,971,114
State Budget Office-Special	\$3,080,000	\$3,130,000	\$3,080,000
State Controller	\$10,603,977	\$10,422,828	\$10,422,828
Treasurer-Operations	\$6,754,947	\$7,888,435	\$6,754,947
Treasurer-Retirement/Benefits	\$7,131,179	\$7,131,179	\$7,131,179
Health and Human Services	\$3,491,698,058	\$3,625,091,881	\$3,491,698,058
Correction	\$874,459,405	\$900,291,147	\$874,459,405
Crime Control	\$24,730,123	\$20,897,025	\$20,897,025
Judicial Department	\$291,590,155	\$294,782,454	\$291,590,155
Judicial Dept.-Indigent Defense	\$71,123,382	\$72,262,674	\$71,123,382
Justice	\$69,328,541	\$71,363,003	\$69,328,541
Juvenile Justice	\$126,299,171	\$127,660,476	\$126,299,171
Agriculture and Consumer Services	\$50,448,191	\$50,445,582	\$50,445,582
Commerce	\$33,865,146	\$33,884,779	\$33,865,146
Commerce-State Aid	\$10,130,500	\$10,345,100	\$10,130,500
DENR	\$149,352,897	\$148,704,837	\$148,704,837
DENR-Clean Water Trust Fund	\$70,000,000	\$40,000,000	\$40,000,000
Labor	\$14,096,232	\$14,166,181	\$14,096,232
Housing Finance Agency	\$4,759,400	\$4,759,400	\$4,759,400
Biotechnology Center	\$5,643,421	\$5,643,421	\$5,643,421
Rural Economic Develop. Center	\$4,666,898	\$4,666,898	\$4,666,898
Transportation	\$10,902,500	\$10,902,500	\$10,902,500
Debt Service	\$255,317,266	\$255,672,808	\$255,317,266
Statewide Reserve Adjustment	-\$2,285,718	-\$59,591,811	-\$59,591,811
General Fund-Operations	\$14,166,453,903	\$14,273,707,275	\$14,061,089,883
Capital	\$31,248,000	\$31,248,000	\$31,248,000
Total General Fund Authorization	\$14,197,701,903	\$14,304,955,275	\$14,092,337,883

Revenue Side of the Ledger

<u>Revenue Item</u>	<u>Senate Amount</u>	<u>House Amount</u>	<u>Reverse Logroll</u>
General Fund Baseline	\$13,405,000,000	\$13,574,800,000	\$13,574,800,000
Tobacco Settlement Transfer	\$120,000,000	\$152,000,000	\$152,000,000
Hurricane Floyd Reserve	\$100,000,000	\$0	\$100,000,000
Other Cash Transfers	\$8,534,164	\$22,263,295	\$22,263,295
Fee Increases	\$25,434,311	\$22,900,000	\$25,434,311
Project Tax Collect	\$10,000,000	\$15,000,000	\$15,000,000
Offender Fee Increase	\$1,160,000	\$1,160,000	\$1,160,000
Tax Division Increase	\$886,683	\$886,683	\$886,683
Highway Fund Transfer (one-time)	\$125,000,000	\$125,000,000	\$125,000,000
Highway Fund Transfer (recurring)	\$80,000,000	\$80,000,000	\$80,000,000
Total General Fund Availability	\$13,876,015,158	\$13,994,009,978	\$14,096,544,289

Budget Deficit Without Tax Hike

	-\$321,686,745	-\$310,945,297	\$0
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