

# FROM THE CENTER OUT

The Newsletter of the North Carolina Center for Public Policy Research...A voice for better government  
March -May 1996

an  
**EVENING WITH**  
four  
**GOVERNORS**  
and  
**BILL FRIDAY.**

Thursday, May 23, 1996  
The Jane S. McKimmon Center  
6 - 7 p.m., hors d'oeuvres  
7 - 8 p.m., program

## N.C. Center Kicks Off Sustaining Fund Campaign with Historic Event

On May 23, 1996, the N.C. Center for Public Policy Research will host an evening with four former governors and Bill Friday at the McKimmon Center in Raleigh. The evening will begin at 6:00 p.m. with hors-d'oeuvres. Following the reception, former UNC System President Bill Friday will sit down with former Governors Terry Sanford, Robert W. Scott, James E. Holshouser, Jr., and James G. Martin for a broad-ranging discussion of North Carolina's history and how the state should face the issues of the future. Two of the Governors are Democrats and two are Republicans in a demonstration of the Center's bipartisan values and work. It is sure to be an enlightening and entertaining evening.

This event will kick off our Sustaining Fund Campaign for the Center's Future. The Campaign has a goal of \$2 million. We already have raised \$1.2 million, or 60% of the goal. The campaign will move through three phases -- requests to foundations, then to corpora-

tions, and then to Center members and individual donors. All Center members will receive additional information about the campaign over the next few months.

The campaign is designed to accomplish the following four goals:

- ◆ to extend the Center's research to public libraries and teachers in the public schools, community colleges, and public and private colleges and universities;
- ◆ to broaden a new partnership between the Center, WUNC-FM, and public radio stations in N.C., and to begin carrying high-quality research to public and commercial television;
- ◆ to move the Center's research onto the World Wide Web; and
- ◆ to allow for future expansion of the Center's independent nonpartisan efforts for purposes of informed and reasoned debate on significant public policy issues facing North Carolina.

The four former governors of North Carolina are serving as our Governors' Campaign Cabinet. **Sherwood Smith**, Chairman and CEO of Carolina Power & Light Company and **Mary Duke Biddle Trent Semans**, Chair of The Duke Endowment, are the Honorary Campaign Co-Chairs. **Charles E. Zeigler Jr.**, Chairman, President, and CEO of Public Service Company of North Carolina is the Campaign Chairman. He is also handling the Charlotte area campaign. In the Triad, **Kelly King**, President of Southern National Corporation, serves as Regional Chairman. In the Triangle, **Smedes York**, President of York Properties, serves as Regional Chairman.



## The Center's Mission

*"The North Carolina Center for Public Policy Research is an independent, nonprofit organization dedicated to the goals of a better-informed public and more effective, accountable, and responsive government."*

# Welcome New Members; Thanks To Our Returning Supporters

(through May 1, 1996)

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Thanks to these Center members for their special gifts:

Linda Ashendorf	Pearson H. Stewart
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Michael C. Blackwell — Baptist Children's Homes of N.C.	Loleta Wood Foster
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\* Indicates new Individual Supporting and Full-Service Members or those who have increased their support to this level



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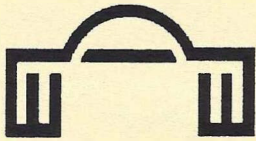
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**A LOOK AT THE 1996 SHORT SESSION OF THE LEGISLATURE**  
by Ran Coble

Traditionally, the most important issues that come up in short sessions of the legislature in even-numbered years like 1996 come from 4 sources:

- (1) Study commissions;
- (2) Long session leftovers;
- (3) May primary voters; and
- (4) Budget and tax toters

**A. Recommendations Coming From Study Commissions**

1. School Construction: The major study commission likely to have an impact on the '96 Short Session is the School Capital Construction Study Commission, which has recommended two options -- either a \$950 million bond issue coupled with a trust fund or a \$1.8 billion bond issue to deal with the statewide need for school buildings. Though it's not intentional, this bill also will be a sign of how the legislature thinks about the future allocation of responsibilities between state and local governments for public education -- something we'll examine in-depth in the May issue of our magazine, North Carolina Insight.

2. Welfare Reform: Another study group has been looking at welfare reform, which was part of the state-level Republican Contract in the 1994 elections. This study commission may bring forward recommendations for the short session, though some legislators want to wait and see what happens in Washington before acting at the state level.

3. Nonprofits in N.C.: A third active study commission has been looking at the relationship between state government and the nonprofit sector in North Carolina. That study commission has recommended a package of bills designed:

- to increase charitable giving in N.C. by offering a tax credit;
- to give a tax exemption to businesses that donate goods and equipment to nonprofits; and
- to cut red tape on the state's audit requirements for nonprofits that deliver state services in exchange for state funds.

4. The Executive Budget Act Revision Study Commission and Revisions to the Veto Power Amendment: A year ago, we all thought N.C. voters would vote on veto power for the Governor in a straight up-or-down vote. But this legislative study commission voted to pair giving the Governor a veto with a reduction in the Governor's power to spend money between legislative sessions. This proposal could damage the relationship between the Governor and legislators in both parties and could become a key bargaining chip on other issues in the short session.

**B. Long Session Leftovers**

In terms of long session leftovers, two other issues made it to conference committee in 1995 but died there, and there'll now be some effort to jar them loose.

1. Charter School proposals would enable groups of educators and parents to petition to create charter schools with their own educational philosophies and plans. Charter schools are seen as a response to calls for greater local control of schools and greater parental involvement. Bills have passed both the state House and Senate, and a conference committee could bring forward a compromise charter school bill. The September 1995 issue of Insight contained a great deal of analysis of the charter school movement, in case you'd like more information.

2. Taxpayer Protection Act: When the House and Senate left town last July, they also had passed different versions of a Taxpayer Protection Act. Like welfare reform, this was an item in the state Republican Contract in the 1994 elections. The act proposes to amend the state constitution and limit growth in state spending to the rate of inflation, with an adjustment for population growth. This proposal still may not make it in 1996 because many legislators worry about it tying their hands if the economy takes a downturn and about its effects on funding for education and prisons.

### C. May Primary Voters

The primaries in the first week in May always have some effect on issues before the short session that begins the second week in May, but the effect is always unpredictable. It depends on what issues the candidates find that resonate with the voters, and it depends on which candidates win. For example:

- Now that Robin Hayes has won the Republican primary for Governor, does that increase or decrease the chances of a food tax rollback in the short session?
- Now that Vernon Robinson has won the Republican primary for Superintendent of Public Instruction, does that hurt or help the chances of charter school and school voucher legislation in the short session?
- What effects will be seen from the primary losses of incumbent Senators J.K. Sherron and Fred Hobbs and Representatives L.W. Locke, Zeno Edwards, Shawn Lemmond, and Ken Miller?

### Hunt Budget Proposals

One candidate already has affected the short session agenda and that's Governor Jim Hunt. He has staked himself out on a number of spending initiatives that include:

- bringing Tar Heel teachers up to the national average in teacher pay by the year 2000;
- salary increases for university and community college staff;
- reducing class size in the 2nd grade in public schools;
- adding 11 new counties to his Smart Start child care initiative;
- measures to reduce hog waste and crop runoff;
- cleaning up the Neuse River; and
- increasing the homestead tax exemption for the elderly.

To do this, Gov. Hunt (a) proposes to eliminate 1000 state jobs, (b) assumes that more revenue will come in than is projected by the legislature's fiscal staff, (c) assumes that his "Work First" welfare reform initiative will save the state \$8.9 million, and (d) proposes to phase in his tax cut proposals.

### D. Budget and Tax Toters

Lastly, the most important issues before the short session are likely to be tax cut issues. The question, however, is whose taxes will get cut?

1. Corporate income tax rollback: Governor Hunt, Speaker of the House Harold Brubaker, and Senate President Pro Tem Marc Basnight all have said they'd like to roll the corporate income tax back to its pre-1991 level -- from the current 7.75% to 7%. That would cost about \$85 million. Gov. Hunt proposes to phase this cut in over four years.

2. Sales Tax on Food: In a more unusual alliance, Republican gubernatorial nominee Robin Hayes, state House Republican leaders, the League of Women Voters of N.C., and some House Democrats like former Majority Leader Toby Fitch want to repeal all or part of the sales tax on food. Repealing 1¢ of the food tax ironically costs almost exactly the same as the corporate tax rollback -- about \$85 million -- and therein lies the toughest choice for legislators in the short session. Which tax should you cut?

3. Other tax cuts: Other tax cut proposals will come from that study commission on nonprofits, from Governor Hunt's proposal to increase the homestead exemption for the elderly, and from the Taxpayer Protection Act. And, there are court suits that may lead the lawmakers to settle disputes with retired state employees and with people who paid the intangibles tax under protest before it was repealed last year. There is also a proposal to cut the business franchise tax.

As you can see, the General Assembly could easily spend any surplus money in new spending commitments or in tax cuts -- but it can't do both. Those kind of tough choices await the 1996 legislature.

### E. Elections

It is worth noting that even before elections were held on May 7th, 6 state Senators and 9 state House members decided not to run for re-election. Not many people know it, but turnover in the 50-member Senate has averaged more than 20% (22.3%) since 1975, and turnover in the 120-member House has averaged more than 27% since then. So, we've quietly had turnover without term limits in North Carolina.

On the other side of the election ledger, a lot of legislative seats are uncontested:

- In the Senate, Democrats already have won 5 seats, and Republicans have won 4.
- In the House, Democrats have already won 23 seats and Republicans have won 22 -- all before the first lever was pulled in the voting booths and regardless of what happens in November.

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The N.C. Center has made the cyberleap! In May, the Center will unveil its home page on the World Wide Web. This page will be under construction for some time, so check back often to see the updates. Come visit us at <http://www.nando.net/insider/nccppr>.



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#### WHAT'S NEW - OUR LATEST PUBLICATIONS

- May 1996 North Carolina Insight: State and local Government Relations in North Carolina
- Legislative effectiveness rankings - released April 2, 1996

#### NORTH CAROLINA INSIGHT MAGAZINE

- September 1995: School Choice in North Carolina? A Pro/Con Discussion
- March 1995: The Health of Minority Citizens in North Carolina
- September 1994: State Regulation of Pesticides

#### MAJOR REPORTS

- How Do Universities in the UNC System Identify and Reward Excellent Teaching?
- Article II: A Guide to the 1995-96 N.C. General Assembly*

#### RESEARCH IN PROGRESS

- North Carolina Focus, the Center's textbook on North Carolina government
- Most influential Lobbyists
- North Carolina Insight articles:
  - Trends in Funding for the Arts
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- Mission and Goals
- Membership Information



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