Budget Update

When we last updated you on the state budget, the legislature had passed its second Continuing Resolution, SB 560, to extend the budget to August 31. Unfortunately, the legislature was again unable to meet this deadline. On August 27, the House and Senate passed a third Continuing Resolution, HB 18, to extend last year’s budget to September 18.

The details on what will be contained in the final budget are scarce. On August 18, the House and Senate leadership agreed to an overall budget number of $21.735 billion. That amount is $265 million more than the Senate proposed and $420 million less than the House proposed. The Senate has announced the removal of several contentious issues from the budget negotiations - Medicaid Reform, Gov. Pat McCrory's plan for bond referendums for state infrastructure and transportation projects; and a Senate proposed sales tax redistribution plan. Last week, budget chairs provided target numbers to subcommittee chairs with direction to work out their differences. As of today, Education and Health and Human Services are reportedly still negotiating details. There are also a number of details to be worked out at the leadership level, including a final revenue package.

United Way Agenda Items:

TAX (Taxpayer Bill of Rights)

The Senate proposed a controversial constitutional amendment last week that, if passed, would effect the work that we do and endanger the fiscal stability of North Carolina. SB 607, now called the Taxpayer Protection Act, would amend the North Carolina Constitution in three ways:

(1) It would establish a maximum 5% individual income tax rate. Currently, the state constitution sets the maximum rate at 10%, and the present income tax rate is 5.75%.
(2) It would limit growth of state spending to the total of inflation plus state population growth, not need. Of particular concern is the negative budget impact decreasing funding for health and human services in counties with high need and low population.
(3) It would create an Emergency Savings Reserve Fund that could only be spent upon the vote of two-thirds of the House and two-thirds of the Senate.

The bill passed the Senate with the 3/5 majority vote necessary for proposed Constitutional amendments. The House reception has remained cool thus far but we remain concerned that this could be used as a negotiating point as we wind down the session and as we move into the short session.

If you missed the letter United Way of North Carolina sent to all members of the North Carolina legislature, please contact Anita for a copy. Legislators have been very receptive.

**Talking Points:**
- A constitutional mandate limiting revenue and growth will prevent the state from making future strategic investments in local communities and will undermine the collaborative public private partnership of seeking solutions to today’s most complex issues.

- SB 607 will restrain the state’s ability to respond to the needs of its citizens. A negative budget impact will result in decreasing health and human services to those in need. Under the newly proposed formula, spending can only grow based on population and inflation, not need. This strategy provide no room for the state to respond to vulnerable populations and working families struggling to keep up with inflation.

- Many communities are still recovering from the recession and reducing the income tax rate cap is premature. Strategic investments are needed in schools and roads, which will improve our economy in the long run.

- Prompt respond during times of disaster could be difficult with a 2/3 majority requirement for use of the rainy-day fund.

- TABOR has been presented to 30 states who declined participation with the exception of Colorado, who has now suspended the policy due to negative impact.

**In other news:**

Long-time Representative and friend to nonprofits, Representative Rick Glazier (D-Cumberland) resigned last week. Rep. Glazier announced this summer that he would be stepping down from the House after 7 terms to head the North Carolina Justice Center. Representative Billy Richardson, a former House member, has been appointed and sworn in to finish out Glazier's term.
Our Senators and Representatives will head back to Washington next week. When they return, Congress will focus on funding the government (avoiding a shutdown) and moving forward key pieces of legislation on the tax "extenders" (mostly business-related tax provisions) and the Highway Trust Fund, among other items.

Let's send Congress back with some homework to save the Earned Income Tax Credit and Child Tax Credit as well. Without action, key provisions will expire and some 50 million Americans, including 25 million children, will feel the cut. Read more about what's at stake.

The best opportunity we will have to save the current version of the credits will be as part of a larger legislative package that has political will on both sides of the aisle to pass Congress and be signed into law by the President. As Congress considers various packages involving tax provisions this fall, we need our legislators to prioritize working Americans and save the current version of the EITC & CTC at the same time.

What does this mean for NORTH CAROLINA families?

- 931K EITC Claims
- $2,462 - Average Federal EITC
- 18,494 - Total Number of Returns that received EITC & had AGI of $10-$14,999K
- 15,477 - Total Number of Returns that received EITC & had AGI of $35-39,999K
- 523,000 - Families affected if credits expire
- 1,079,000 - Children affected if credits expire

Three Simple Ways to Advocate for #WorkingAmericans This Week

1) Send a letter to the editor or op-ed to your local paper: Check out these examples. Have a passionate VITA volunteer who might want to advocate? One of these templates is written from a VITA volunteer perspective. If your letter prints, be sure to share with your legislator, through social media and with us!

2) Social Media:
   We've made customizable images you can use all week to promote state info on the credits. Check out these powerpoint decks for instructions on how to customize the images as well as sample posts and tweets for each day (see the notes section on each slide). Facebook/Twitter and Instagrams.

3) Individual Engagement: We've set up opportunities for advocates to:
   - Contact their members of Congress: http://ow.ly/RADlo
   - Send a letter to the editor: http://bit.ly/1X6Aqa3
   - Share the action alert through twitter/email: http://bit.ly/1LFSWQa
Please invite your supporters to take action. VITA volunteers would make great advocates for this cause.

www.unitedwaync.org

United Way of North Carolina

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