
LEGISLATIVE UPDATE

HOUSE DISTRICT 16

WEEK 6...

Dear fellow citizens, in writing to you last week I shared that things would begin to heat up in Raleigh. This past week, both the weather and the discussion in the State House experienced a tremendous increase in temperature. Allow me to explain...

Among other measures in committee and on the floor, the legislation that consumed much of the energy of the past week was Senate Bill 20 and House Bill 117. Senate Bill 20 was the legislation that I wrote to you about in Week 3 that contained a provision dealing with our state gas tax. The bill was tweaked a little bit by the House leadership from what was originally received from the Senate. Regardless of the House alteration to the gas tax provision, I voted "No" on Senate Bill 20. I will explain in detail below. House Bill 117 dealt with some important tax changes (to the good) as well as the expansion of some of the state's "corporate welfare" programs (to the bad). As a result, I voted "No" on House Bill 117 due to the egregious nature of some of the provisions within the bill. Please find further reading below to why that I strongly opposed these two bills this past week.



SENATE BILL 20: GAS TAX

Please refer to Week 3's Newsletter for further commentary concerning my view of the gas tax situation. This newsletter will build upon what I have stated previously.

To set the stage of what was discussed this week, please note that Senate Bill 20 was proposed by the Senate a few weeks back in effort to prevent the gas tax from falling from 37.5 cents today to nearly 30.0 cents on July 1st: by placing a "floor" of 35.0 cents on the gas tax (with no cap for future increases that could occur in the future). What the House proposed this week, as an alternative to the Senate proposal, would freeze the gas tax at a rate of 36.0 cents (giving it both a floor to prevent a drop and a ceiling to prevent a rise) to a date certain that would then cause the gas tax to revert back to the old method if the legislature would fail to enact more "comprehensive" gas tax reforms. If you are confused by my very best effort to set the stage regarding what was before the House this week then you can see what has led to my increasing amount of grey hair.

While I most certainly like the House revision of freezing the gas tax instead of having a floor with no cap, my main issue with the House revision to Senate Bill 20 was the rate at which the gas tax would be frozen. It is true that going from 37.5 cents per gallon of gas tax today to 36.0 cents per gallon tomorrow would be a slight cut in the immediate tax burden, but this chosen level would also most certainly be above the estimated 30.0 cents per gallon come July 1st of this year. This race to stop the gas tax from falling by the General Assembly (House and Senate) is focused solely in preventing a reduction of transportation related infrastructure monies estimated at around \$300 million. (As an aside, I highly question the revenue estimate after a series of questions I posed in committee that reveal that the proponents of this bill are examining the potential reduction in revenues from a drop in the gas tax by only considering one side of the coin: a lowering of revenues associated with a reduction in the tax without considering increased purchases at the pump with a gas tax more in line with our neighbors.) Please know that while I share in the goal of the proponents to adequately funding our state transportation needs, I differ in the proposed path to achieve this goal. I believe that it would be to the benefit of our state and our citizens to plug this short term transportation infrastructure revenue hole with other revenue sources rather than preventing a reduction in the gas tax. Allow me to explain...

As discussed in the Week 3 Newsletter, North Carolina has one of the highest gas taxes in the entire United States of America and the highest relative to our neighboring states. Economic evidence and common-sense point to my belief that our state could stand to see a drop in the gas tax that would put us more in-line with our neighbors. We are not an island, and there is no question that the psychological nature of the gas tax results in individuals gassing up in neighboring states with lower gas taxes and travelers running on fumes until they reach the state line. Regardless of the fact that a few quarters or dollars difference in the price to fill up in North Carolina is all we are talking about, the evidence is strongly convincing that we in North Carolina need a reduction at the gas pump to address our transportation needs in a more equitable manner. Rather than freezing our state gas tax rate at a level more in line with our surrounding states, and examining other revenue sources, budgetary reforms, or reductions, the proponents of Senate Bill 20 desire to solely prevent a reduction in the gas tax that you will pay at the pump come July 1st.

As a result of this dialogue please note that the gas tax proposal within Senate Bill 20 is directly in conflict with what I have previously committed to you as your representative. I have made it clear to you time and time again that North Carolina needs a level of taxation at the gas pump more in-line with our neighboring states, and there is no level of arm-twisting, pressure from special interest groups, or abuse that I may take in the papers that would lead to me going back on the very word that I committed to you. We in Raleigh can meet the transportation infrastructure needs of our state, and plug the hole in the falling revenues associated with the gas

tax by other means instead of preventing you from experiencing less tax burden at the gas pump. I hope that this dialogue gives you a better understanding of why I could not support Senate Bill 20 this past week as it would violate that word that I committed to you.

HOUSE BILL 117: NC COMPETES ACT

The NC Competes Act contained a few very important tax provisions, a measure dealing with airline fuel taxes, and reform/expansion of some of our state recruitment incentive programs. The main provision that caused me to reject the bill and vote "No" was the part of the bill dealing with JDIG (Job Development Investment Grants). Allow me to explain...

Under the JDIG program (which House Bill 117 renames), a business that qualifies for the program can receive up to 75% off of the tax burden that other businesses have to bear to operate in the state. Not only does House Bill 117 rename the program but it also proposes to expand the current cap the Department of Commerce is under by \$45 million immediately. This amount might not sound like much but the way this program operates there is currently nearly one billion dollars encumbered in future budgets to the year of 2028, so do not be fooled by the incremental appearance of such actions.

While much of the debate surrounding the expansion of the JDIG program consisted of the need for passage in order that the Department of Commerce may land the "big fish" of an auto-manufacturer in the state, this dialogue was not accurately reflective of the bill itself. The language of House Bill 117 dealing with the expansion of JDIG had no exclusive provisions to landing just an auto-manufacturer. To be clear, while the Department of Commerce could use JDIG for such a deal, if the "fish came off the hook", and the auto-manufacturer passes North Carolina by for another suitor, the proposed expansion would not revert back; therefore the further increased budgetary capacity would be available for businesses that would "create" as low as ten jobs.

Please know that I can write to you at length concerning the misconceptions of the NC Competes Act by the proponents of the bill (legislators, certain special interest groups, etc.), but rather than refuting all of the wild claims untethered to the specific language of the bill, I spoke against this bill on the House Floor relative to another argument. The argument that I strongly believe that our powers as legislators do not even give us the ability to tax one business with the full burden of state taxation and then permit another business to only have to pay 25% of the state tax burden. Not only is this bad policy, leading to less "net" economic growth and less "net" jobs growth, it is also against our very Oath of Office as lawmakers.

Copied below is an excerpt from my comments speaking against this bill if you desire to read further. While I have a tremendous amount of respect for many of my colleagues in the House, Senate, and in the executive branch, I believe that the approach taken within House Bill 117 is

the wrong direction for the citizens of our State. When debating this issue I often think of the quote that: "it is not what you know that is trouble, but what you know that isn't so". We can create an environment where jobs can grow in North Carolina (both new and existing), where wages can grow, and where individuals can prosper, but it cannot be done by competing in the race to the bottom that other states are advancing by taxing one and granting to another (income redistribution & tax burden shifting). Instead of engaging in crony capitalism, the North Carolina legislature should be working towards a freer market for individuals to choose.

As you can tell by this newsletter, it was a tough week in Raleigh for principle based conservative solutions to the problems facing our state. Regardless of the will of the majority, I can claim with a clear conscience that my actions in Raleigh are consistent to the very principles that I have committed to you as your representative. I will continue to fight for what is right no matter if I have to stand alone. Know that it is my honor to represent you in Raleigh and I am grateful for your attention to what is going on with your state government. Do not hesitate to contact me anytime. Have a great week. Until next time...

EXCERPT FROM SPEECH "AGAINST" HOUSE BILL 117:

"Ladies and Gentlemen of the House, I rise today to make a few brief comments for your consideration.

I could argue until I am blue in the face, that regardless of the actions of our surrounding states competing for new business just like we here in North Carolina, that targeted recruitment incentives are harmful to our state economy and our form of government...but I will not pose that argument today.

I can argue that in the same way that those who cite the benefits of such incentives (the action of taxing an individual by the force of government and then handing their tax dollars to a private business, or the action of taxing an individual under the full burden of government while forgiving up to 75% of another's tax burden: which is what we are currently debating today) regardless of the method of shifting a tax burden to fund the role of government from one to another...that proponents of this bill are hard pressed to present facts that this action of government intervention in the market, of central planning by way of bureaucrats and politicians, lead to "net job growth".

While I am confident that I could make the "economic argument" that regardless of the actions of other states, that if we focused on "creating an environment" where jobs can grow instead of making one citizen bear the full burden of taxation, while we forgave up to 75% of another; that we would have greater economic growth and greater net job growth...instead of those arguments I want you to consider what I believe to be the most important argument in this matter.

Regardless of your political affiliation all of us stood on this House Floor a few months ago and swore an oath to uphold the Constitution of the State of North Carolina. With our friends, families, and loved ones in attendance, we placed our hand on the Holy Bible and swore this solemn oath.

While there are decades of judicial standing that say one thing about targeted recruitment incentives, until the famous 1996 case at the Supreme level (which over turned the ruling of the lower court in a highly partisan 5-2 vote), I beg your attention to our oath of office...

We swore oath to the document...and it is my strong belief that the provision that we are building upon today involving reducing the tax burden of a chosen business by 75% when that same tax burden is not available uniformly for all citizens is clearly unconstitutional.

North Carolina Constitution:

Article I, Section 1 provides:

We hold it to be self-evident that all persons are created equal; that they are endowed by their Creator with certain inalienable rights; that among these are life, liberty, the enjoyment of the fruits of their own labor, and the pursuit of happiness.

Article V, Section 2 (1) provides:

"The power of taxation shall be exercised in a just and equitable manner, for public purposes only, and shall never be surrendered, suspended or contracted away."

How can we take the fruit of the labor of one in non-equal portions than another and uphold our oath as elected officials? Regardless of "public purpose" this action is clearly inequitable on all levels.

Do you seriously think the intent of our framers, whether you are democrat or republican, meant that the power of North Carolina government is to respect the fruit of labor of one, and then disrespect the fruits of another?

Ladies and Gentlemen, I want to create opportunity for jobs to grow in this state just as much as the greatest advocate in this chamber, but I will only do so within the purview of the oath that I swore with my hand on the Holy Bible...and ask you to consider the same.

If our State government is not going to respect the fruit of labor of our citizens and apply the burden of taxation in an equitable manner, then what other liberties are we going to trample? You and your constituents should be fearful of the actions underway in this body.

And for those of us in the current majority, why would you want to enhance, expand, and endorse a flawed foundation that was built before your time?

I would not dare to build the house of this majority on a faulty foundation...a foundation that many of you who were here when it was laid denounced and voted against...

How can you support the continuation of such efforts now?

Why would we not lay a different foundation to build upon...a foundation built solidly within our Constitutional purview and within the principles of true economic growth?...

No matter how hard you try to justify...theory, application, and history prove that the government cannot create jobs effectively as individuals. Therefore why don't we put our efforts behind supporting measures that are in-line with the principles of individual liberty and a limited government?

I encourage you to strongly consider your conscience...recall the oath that you swore in the presence of your family and friends, as well as, in the presence of God Almighty...and ask yourself, are you preserving and expanding liberty or are you aiding and abetting a foundation of a tyrannical government?

I will rest well, knowing that I am trying with every fiber in my being to create an environment where jobs can grow in this State in line with the very oath I swore...

I encourage you to rest easy as well...to vote against this bill and join me in pursuing a better path for prosperity for the citizens we have the privilege to represent.

Thank you for your consideration and please vote "NO".