



## INTRODUCTION

On Wednesday, May 12<sup>th</sup>, the second year of the biennial session of the North Carolina General Assembly began. I had a flash to the start of a race, the part where the gun goes off and the slower runners get trampled. (We will try to stay in the front of the pack to avoid this.) The session officially began on Wednesday, May 12<sup>th</sup>, but in reality it has been going for almost a month now as appropriations committees have been meeting to discuss how they are going to bridge the revenue shortfalls in the 2009-2011 budget. According to the legislative staff, the budget outlook for 2010-2011 is bleak, with a revenue shortfall of over \$780 million and required increased spending for Medicaid, Higher Education, Continuation Reviews, and money for the Retirement System bringing the total to \$860 million. That deficit does not include money that we are expecting but is not assured from Federal Medical Assistance. If that funding is not received, then the deficit will be \$1.36 billion.

Legislators have the unenviable task of trying to cut more spending from a budget that was slashed last year, with many programs being reduced by 25% and every agency receiving some reductions. Some groups are asking legislators to consider raising more revenue, but it is highly unlikely that either party will be willing to raise taxes in an election year, especially one that is already looking rough for incumbents. What is likely, however, is the ever increasing trend to raise fees, fines, and costs as a way to shift some of the burden.

We have already reported to you on the fast pace that the Senate has planned for its budget proposal and we expect them to be able to keep their self-imposed deadline of passing their budget by May 20<sup>th</sup>. All other signs point to a Legislature anxious to finish their business and adjourn early. The bill filing deadlines, as set by the leadership of each chamber, are very early in the process, with all study bills required to be filed by Wednesday, May 19<sup>th</sup> and all other bills required to be filed by May 26<sup>th</sup>. Of course, there are bills that do not have any deadlines: appointment bills; state Constitutional amendments; resolutions honoring deceased persons; resolutions authorizing other bills to be filed; bills disapproving administrative rules; and the adjournment resolution.

We expect a very intense and fast-paced session and will keep you updated on the legislation that affects you as quickly as we can. It is an honor to represent the North Carolina Ground Water Association and we look forward to working with you during the session.



## NORTH CAROLINA GROUND WATER ASSOCIATION



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## BILLS OF INTEREST

HOUSE BILL 1668, Sales Tax Exemption: 100% Recycled Material, would exempt from sales and use tax the purchase of products composed entirely of recycled materials. **Introduced by Representative Lucas and referred to the House Commerce, Small Business, and Entrepreneurship Committee.**

HOUSE BILL 1670, 2010 Speaker's Appointments Bill, is the annual appointments bill that appoints persons to various committees. **Introduced by Representative Owens and referred to the House Rules Committee.**

HOUSE BILL 1674, Protect Health Care Freedom, would authorize the General Assembly to consider a bill that would challenge the new Health Care Bill recently approved by Congress. **Introduced by Representatives Stam, Tillis, Barnhart, and Burris-Floyd and referred to the House Rules Committee. Several versions of this bill have been filed in both the House and Senate and we will not summarize all of them; however, we will update you if any of the bills move forward to a hearing. Because of the political nature of these bills, we do not expect any of them to move forward this session.**

HOUSE BILL 1721, H.E.L.P. Small Business Act, would provide health care, employment, leverage, and preparation (H.E.L.P.) for small businesses, including the following:

- increasing the tax benefit allowed to taxpayers for investments in small businesses from \$7.5 million to \$8 million;
- extending the expiration date for tax benefits for small businesses that provide health insurance to January 1, 2014;
- creating a taxpayer credit of \$1,000 for each new full-time, small business job created in the state and maintained for at least 3 years up to \$25,000;
- defining a small business as: A taxpayer that employed no more than 25 full-time employees at the beginning of the tax year;
- providing \$1.5 million to the One North Carolina Small Business Account;
- providing over \$402,000 to the Community College System for the Small Business Centers program; and
- providing \$1 million to the North Carolina Rural Economic Development Center to support existing small businesses.

**Introduced by Representatives Holliman, Braxton, Stewart, and Underhill and referred to the House Commerce, Small Business, and Entrepreneurship Committee.**

SENATE BILL 1155, Reduce Corporate Income Tax, would reduce the tax on net income for C corporations from 6.9% to 6.4% for tax years beginning on or after January 1, 2010. **Introduced by Senator Forrester and referred to the Senate Finance Committee.**

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