



INTRODUCTION

This legislative report provides a summary of the Senate budget bill approved quickly after the beginning of the session. The budget primarily includes reductions in funding for various agencies and programs since the State is still struggling with revenues and is currently experiencing a deficit of over \$800 million. The budget is made up of over 300 pages and includes the actual budget called “special provisions” about how money is spent and the rules and regulations about the funding and the “money report” that provides line items of funding and reductions. We have summarized the provisions of interest in this report and will soon be sending our summary of the House budget as they debated their version of the budget today. Once the House approves their version, a conference committee will be set up of House and Senate members to negotiate and finalize the final provisions of the budget. The conference is supposed to review items that are in controversy to decide how to resolve the differences; however, in the past, the final budget has included brand new provisions and changes to items that were not in controversy, so anything can happen.

A new wrinkle developed this week when federal funding, called FMAP, to help states with their budgetary problems was in jeopardy. Legislative budget writers and the Governor were counting on that money and had actually put the expected revenue of approximately \$500 million in the budget. Negotiations are still occurring on the federal level, but with the funding in jeopardy, the House and Senate might have a much larger hole to fill that will cause them to go back to the drawing board. We do not know when the federal issue will be resolved, so we do not know how big the problem really is, but the length of time that the Legislature stays in Raleigh may increase substantially if they have to find \$500 million.



NORTH CAROLINA GROUND WATER ASSOCIATION



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Natural and Economic Resources

Well Drillers Program/Water Resources. The Senate budget would eliminate the Well Drillers program in the Division of Water Quality for a reduction of \$379,000. The River Basin Commission would also have their funding reduced by \$35,000.

Revolving Funds. The Senate budget would provide \$6.4 million to the Clean Water State Revolving Fund and \$6.2 million to the Drinking Water State Revolving Fund to meet the 20% state match required to draw down the maximum federal funds.

Public Water Supply Section. The Senate budget would move the Public Water Supply Section from the Division of Environmental Health to be consolidated within the Division of Water Resources.

Rural Economic Development Center. The Senate budget would reduce by 5% funding to the Rural Economic Development Center for water/sewer/business development matching grants (\$780,000) and for the statewide water/sewer database (\$88,000).

Capital

Water Resources Development Projects. The Senate budget would provide \$9.13 million as a state match for \$27.4 million in federal funding for water resources development projects and as the state match for local grant projects.

Cap Tax Rate on Income from Family-Owned and Other Small Business. The Senate budget would provide that the tax rate imposed on the net business income of a taxpayer who received income from a small business could not exceed 6.9%, the rate imposed on corporations. A small business would be defined as "a business whose cumulative gross receipts from all business activity in a taxable year does not exceed \$85,000."

Lower Sales Tax Compliance Burden on Small Retailers. The Senate budget would lower the sales tax compliance burden on small retailers by increasing the maximum amount of monthly state and local sales and use taxes for when a taxpayer is required to file a return and pay taxes from \$10,000 to \$15,000 for this year and from \$15,000 to \$20,000 next year. The proposal also extends the 5-year carryback for net operating losses sustained in 2009.

Relieve Annual Report Compliance Burden on Small Business. The Senate budget would change the due date for annual reports to the Secretary of State from the third month to the fourth month after the close of the corporation's fiscal year. It also includes content requirements for the annual report, including that the annual report must specify the year to which the report applies and that the information must be current as of the date the company completes the report. The first annual report for a limited liability company would be due by April 15th of the year following the calendar year in which the company filed its articles of organization with each subsequent report due on April 15th.

Improve Tax and Debt Collection Process. The Senate budget would amend the setoff debt collection program and garnishment and attachment procedures to improve the state's ability to collect taxes and other debt due the state.

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