



## INTRODUCTION

The Legislature has been dominated by budget issues the last couple of weeks. The House was working on finalizing their budget proposal with some drastic and severe cuts to education, Medicaid, and law enforcement and many legislators were concerned that the cuts being made would damage long standing programs and hurt those most affected by the economic downturn. Because of this concern, the House created a tax package to provide some additional revenue for the state so that some of the most severe cuts in the budget could be restored with the additional funding.

The House tax package includes a one-quarter increase in the state sales tax, two new upper income level tax brackets for those who make more than \$200,000 and those who make more than \$500,000, new taxes on music and tickets sales, and a variety of new business taxes. One of the business taxes would create a new franchise tax on Limited Liability Companies and Limited Liability Partnerships which would require them to pay tax based on the capital of the company, which means that even if the company has not made money in that particular year, the LLC or LLP would still pay tax on the amount of their capital. The House rejected increases on alcohol and cigarettes, so called "sin taxes," in their package of tax revenue. With the combination of budget cuts and tax increases, the House approved their version of the budget on June 13th, largely along party lines. We will provide a summary of the proposed House budget in the next legislative report.

When the Senate created their budget proposal, they did not know how bad the revenue numbers were for the state, so they cut \$2 billion less than the House and stated that their revenue package would be \$500 million (although they never released the details of that tax package). The Senate Finance Committee Chairs have been working on their tax package and are proposing to create a tax on a wide variety of services, including repairs and installations. As part of the Senate revenue package, they are proposing lowering many of the tax rates for individuals and businesses as a result of the service taxes, but again the Senate has not formally released its proposal.

Currently the House and Senate conferees are working out the details of the budget, but it seems the real battle will be the revenue packages and how the House and Senate can resolve the differences in how they raise money. In addition, the Governor supports raising some revenue so that the budget cuts are not as drastic. The fiscal year ends on June 30th, so if they cannot resolve their differences by June 30th, they will be forced to approve a continuing resolution, which will allow the government to continue, but will create an even bigger budget deficit as we are currently spending more than the revenue that the State is receiving.



## NORTH CAROLINA GROUND WATER ASSOCIATION



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## NC DROUGHT RESPONSE

HOUSE BILL 1429, Clarify the New NC Drought Response. This bill was amended on the House floor to amend the definition of "water shortage emergency" by removing the provisions that would have included a severe threat to public health, safety, and welfare or to the environment to the definition instead of an "imminent threat." **The bill as amended was approved by the full House and will next be considered by the Senate Rules Committee. This legislation is supported by the North Carolina Ground Water Association.**

## LIMIT WELL WATER TESTING FOR VOCS

SENATE BILL 141, Limit Well Water Testing for VOCs. This bill is supported by the **North Carolina Ground Water Association** to change the law that would require all new wells to be tested for volatile organic compounds (VOC's). The bill would authorize a local health department to test the water from a newly constructed private drinking water well for additional specified parameters when it is required to do so under rules adopted by the Commission for Public Health and to direct the Commission to adopt rules regarding when testing for volatile organic compounds (VOCs) is required to protect public health. Therefore, the testing would not be automatic, but only when needed as determined by the local health departments under the rules that will be established by the Commission for Public Health. In addition, the new effective date for the bill is October 1, 2010. **The bill as amended was approved by the full House. The Senate agreed to the changes made by the House and the bill will next be sent to the Governor for her signature.**

## EXEMPT PLUMBING CONTRACTORS

SENATE BILL 687, Exempt Plumbing Contractor/Well Contractor Reqs. This bill to allow plumbers to be exempted from the well certification requirements is opposed by the **North Carolina Ground Water Association.** We have been working with the North Carolina Department of Environment and Natural Resources and the Well Certification Commission to set up a meeting to discuss the reasons for establishing this criteria in the first place and the public health issues that would be created by this exemption. **This bill was approved by the full Senate right before the cross-over deadline and will next be considered by the House Commerce, Small Business, and Entrepreneurship Committee. This legislation is opposed by the North Carolina Ground Water Association.**

## BILL UPDATES

HOUSE BILL 9, No Texting While Driving. **This bill would make it unlawful for any person to operate a vehicle on a public street or highway while using a mobile telephone to: (1) manually enter multiple letters or text in the device as a means of communicating with another person; or (2) read any e-mail or text message transmitted to the device or stored within the device, except for any name or number stored in the device or any caller identification information. The bill was approved by the Senate Judiciary II Committee and the full Senate and has been sent to the Governor for her signature.**

HOUSE BILL 846, Study State Water & Wastewater Infrastructure. The provisions of the previous version of this bill were removed in the House Water Resources and Infrastructure Committee and were replaced with provisions that would create the Legislative Study Commission on Water and Wastewater Infrastructure to study the development of an ongoing process to identify and regularly report to the North Carolina General Assembly on statewide water and wastewater infrastructure needs and to improve the delivery of State appropriated water and wastewater programs. The Commission would submit its final report to the 2011 Session of the General Assembly. **The bill as amended was approved by the House Water Resources and Infrastructure Committee and will next be considered by the House Appropriations Committee.**

HOUSE BILL 1022, Workers' Comp./Temp. Total Disability Limit. This bill was amended in the House Insurance Committee to clarify that temporary total disability compensation would continue for a period lasting until: (1) the injured employee is eligible by age for full benefits under the Social Security Act or (2) a period of 300 weeks from the date of injury, whichever is longer. **The bill as amended was approved by the House Insurance Committee and will next be considered by the House Judiciary II Committee.**

HOUSE BILL 1236, Promote Water Use Efficiency. This bill was amended on the House floor to allow the annual inspection required to receive or maintain a water use efficiency certification to be completed by either a plumbing contractor or a licensed irrigation contractor. **The bill as amended was approved by the full House and will next be considered by the Senate Agriculture/Environment/Natural Resources Committee.**

HOUSE BILL 1385, Water Conservation Tax Credits/Reforms. This bill was amended in the House Water Resources and Infrastructure Committee to create a credit for a taxpayer that constructs, installs, and places in service an eligible irrigation system equal to 35% of the cost of constructing, installing, and placing the system into service, including modifications to existing plumbing systems. An additional amendment removed the provision that would have allowed a city to adopt an ordinance to regulate or prohibit underground irrigation systems that are connected to the local public potable water supply system. **The bill as amended was approved by the House Water Resources and Infrastructure Committee and will next be considered by the House Finance Committee.**

HOUSE BILL 1399, Capacity Use Areas Enforcement. This bill was amended to increase the cap on the maximum penalty for violations of capacity use area laws from \$250 to \$1,000 instead of the previous provision that would have allowed the Secretary of Environment and Natural Resources to assess a civil penalty for each well permitted in certain circumstances. **The bill as amended was approved by the Senate Agriculture/Environment/Natural Resources Committee and the full Senate. The House agreed to the changes made by the Senate and the bill has been sent to the Governor for her signature.**

HOUSE BILL 1596, Tax Credit for Water Conserving Property. This bill was amended in the House Water Resources and Infrastructure Committee to provide that a taxpayer who purchases WaterSense program products or property is allowed a tax credit equal to 30% of the costs to purchase and install the products or purchase and construct property. The "WaterSense program products or property" would be defined as fixtures, equipment, or services certified by the United States Environmental Protection Agency as meeting the program requirements. **The bill as**

**amended was approved by the House Water Resources and Infrastructure Committee and will next be considered by the House Finance Committee.**

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