



INTRODUCTION

The end of the North Carolina fiscal year came and went on June 30th with no budget in place. The House and Senate had to enter into a bill called a continuing resolution to keep State Government going. The continuing resolution provides that all programs will continue at 85% of their previous funding. Although this is a reduction, the State continues to go into the hole at a rate of \$5 million a day, according to the Governor's office. This is because the salaries for State employees are the same and the lay-offs that are contemplated in the proposed budget have not been made. This continues to dig the hole deeper, so every day that they don't agree on a budget they have to find more money either in cuts or revenue. Reminds me of the saying, when you are in a hole, the first thing you do is to stop digging!

The continuing resolution ends on July 15th, so they will need to enter into another continuing resolution by then or approve the budget. Currently, that seems unlikely as the House and the Senate appear to be at an impasse. The primary issue is the finance package to raise revenue and more specifically how to raise that revenue. There seems to be some agreement to raise approximately \$900 million in taxes, but the battle is over what combination of taxes. The Senate would like to use this opportunity to update the tax code by taxing a variety of services and lowering the sales tax and other rates. Some of the services that would be taxed include: warranties, installation and repairs to personal properties, building repairs and renovations; recreation and entertainment; some personal services; storage, digital products, and click-throughs; and web-based and other information services. The House seems open to some taxes on services, but would also like an upper income level tax increase and a sales tax increase. These philosophical differences will be difficult to negotiate. Making matters even more complicated, the Governor released her suggestions for a revenue package that included parts of both plans and instead increases revenues by \$1.6 billion.

Of course, there is other work being done at the Legislature as various bills move through the committee process. Several controversial bills were passed, including the School Violence Prevention Act (the bullying bill) and changes in Sex Education in Schools. Although these controversial bills garner a lot of press coverage and attention, most bills are not controversial and many bills pass unanimously or with very few no votes. There is a lot of speculation about when session will end, and I have heard there is even a pool that the staff has created to guess the date of adjournment. Basically, no one knows when the budget will be completed and, therefore, when the session will adjourn, but many legislators are pushing to get their bills approved to avoid the last minute crunch at the end of session.



NORTH CAROLINA GROUND WATER ASSOCIATION



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FOR MORE INFORMATION:

Colleen Kochanek
NCGWA Legislative Counsel
P.O. Box 12946
Raleigh, NC 27605
919.747.9988

colleen@kochaneklawgroup.com
www.kochaneklawgroup.com

LIMIT WELL WATER TESTING FOR VOCS

SENATE BILL 141, Limit Well Water Testing for VOCs. **This bill that would require local health departments to test the water obtained from a well for volatile organic compounds ONLY when required to do so pursuant to rules adopted by the Commission for Public Health was signed into law by the Governor on June 19, 2009. This legislation was one of the primary objectives for the North Carolina Ground Water Association and we strongly supported the legislation.**

BILL UPDATES

HOUSE BILL 221, Oversight of Licensing Boards. **This bill to authorize the Joint Legislative Administrative Procedure Oversight Committee to review the activities of occupational licensing boards, require certain licensing boards to be audited annually, require board reports to be filed by October 31 of each year, establish sanctions for failure to file reports, and require that board members receive specified training was signed into law by the Governor on June 19, 2009.**

HOUSE BILL 749, Use of Cisterns in Construction/Renovation. This bill authorizes the State Building Code to permit the use of cisterns to provide water for flushing toilets and for outdoor irrigation in the construction or renovation of residential or commercial buildings or structures and would also prohibit any state, county, or local building code or regulation from prohibiting the use of cisterns for these uses. **This bill was approved by the Senate Commerce Committee and the full Senate. The House agreed to the changes made by the Senate and the bill will next be sent to the Governor for her signature.**

HOUSE BILL 1399, Capacity Use Areas Enforcement. **This bill that would allow civil penalties of up to \$1,000 to be assessed for violations of capacity use area laws was signed into law by the Governor on June 19, 2009.**

SENATE BILL 963, Appropriate Fed. Stimulus Funds - 2008-2009. This bill was amended in the Senate Select Committee on Economic Recovery to provide that \$86 million of the funds received under the American Recovery and Reinvestment Act of 2009 for the 2008-2009 are for Drinking Water State Revolving Fund loans. **The bill as amended was approved by the Senate Select Committee on Economic Recovery and will next be considered by the Senate Appropriations Committee.**

HOUSE BUDGET PROPOSAL

Although this might be somewhat old news, we have summarized the main provisions of the House budget proposal below. This is the package that House negotiators are trying to defend and includes a tax package of over \$800 million. Prior to the approval of the House budget, the proposal included additional cuts in programs that were restored once the tax package was approved. Many lobbyists and veterans of Jones Street thought that the cuts were proposed to cause an outcry so that legislators would have cover for raising taxes. Now the House package includes both severe cuts and increased taxes so they are getting complaints from all sides. There are no easy answers this year and no wiggle room. The Democratic Caucus in the House was very divided on their tax package and will have a difficult time getting the votes to pass the final budget.

Natural & Economic Resources

Stream and Well Monitoring Contracts. The House budget would reduce funding for stream and well monitoring contracts by 10% or \$21,884 in each of the next two years.

Drinking Water State Revolving Fund. The House budget would provide over \$5.4 million to the Drinking Water State Revolving Fund.

Clean Water State Revolving Fund. The House budget would provide over \$936,000 to the Clean Water State Revolving Fund.

Clean Water Management Trust Fund. The House budget would provide \$75 million in each of the next two years to the Clean Water Management Trust Fund, which is a reduction of \$25 million.

Legislative Study Commission on Water and Wastewater Infrastructure. The House budget would create the Legislative Study Commission on Water and Wastewater Infrastructure to develop 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.

Improve Coordination of State Water Infrastructure Funding. The House budget would require the Department of Commerce, the Department of Environment of Natural Resources, the Executive Director of the Clean Water Management Trust Fund, and the Rural Economic Development Center to work with the State Water Infrastructure Commission to develop a common first page for applications for state water infrastructure funds, conduct regular joint meetings of state sources of water infrastructure funding, and develop a process for sharing information among the state sources of water infrastructure funding and improving oversight of state-funded water infrastructure projects.

Leaking Underground Storage Tanks ARRA Funding. The House budget would provide over \$3.7 million to the Division of Waste Management for the Commercial Leaking Underground Storage Tank Program from the federal American Recovery and Reinvestment Act funds.

Clean Water SRF ARRA Funding. The House budget would provide over \$46.8 million to the Division of Water Quality for the Clean Water State Revolving Loan Fund from the federal American Recovery and Reinvestment Act funds.

Drinking Water SRF ARRA Funding. The House budget would provide over \$43.7 million to the Division of Environmental Health for the Drinking Water State Revolving Loan Fund from the federal American Recovery and Reinvestment Act funds.

Capital

Water Resources Development Projects. The House budget would provide \$7.15 million for the state's share of Water Resources Development projects as a state match for \$57.7 million in federal funds.

- Colleen Kochanek
NCGWA Legislative Counsel
P.O. Box 12946
Raleigh, NC 27605
919.747.9988
colleen@kochaneklawgroup.com
www.kochaneklawgroup.comⁱ

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