

Life Science-Related Provisions 2009-11 North Carolina State Budget

Medicaid. Directs Secretary of Health and Human Services to establish a Preferred Drug List program if Division of Medical Assistance cannot achieve at least \$25 million in prescription drug benefit savings through traditional cost control measures, including utilization management, generic substitution and increased rebate collections on generic drugs. SB 202, § 10.66. However, in attempting to achieve the \$25 million target savings, the Division may not impose prior authorization requirements or other restrictions for medications prescribed for treatment of mental illness or HIV/AIDS. SB 2020 §10.58(d)(28). If implemented, a Preferred Drug List program would not cover medications for treatment of HIV/AIDS. SB 202 §10.66(c).

NCBioImpact. Reduces funds for grants and marketing of the North Carolina Community College System BioNetwork Program by \$1,440,675 in each year of the biennium. Grants are reduced by \$1,056,808; marketing by \$383,866.

University Cancer Research. Increases appropriation to University Cancer Research Fund by \$3,400,000 in 2009-10 to complete the Assembly's commitment to providing \$50 million annually for cancer research.

North Carolina Research Campus. Provides \$3,000,000 in recurring funding beginning in 2009-10 to hire researchers and to provide equipment and supplies for University personnel working at the North Carolina Research Campus in Kannapolis. Seven UNC-system campuses are involved in collaborative research at the campus to break new ground in health and science discoveries and help attract new employers and jobs to the State. The UNC System's annual operating budget at the Research Campus increases to \$22.5 million with this appropriation.

Nanotechnology. Increases funding for the NC A&T/UNC-G Joint School of Nanoscience and Nanotechnology located at the Gateway University Research Park in Greensboro by \$1,000,000 in recurring funding beginning 2009-10. The program will conduct research in areas such as drug design and delivery, nanobioengineering and genetic screening.

SBIR Matching Grants. Reduces funding for the One North Carolina Small Business Fund SBIR matching grants program to \$700,000 in 2009-10 and provides no funding for the program in 2010-11. (Reductions in the One North Carolina Small Business Fund were used to fund two new programs: (1) \$500,000 for a new Small Business Assistance Fund (SBAF) and designed to provide job-reservation loans to small businesses with 100 or fewer employees and less than \$1 million in annual receipts, and (2) \$2 million for the Main Street Solutions Fund, which will provide grants to micropolitan cities in economically distressed counties to assist with job creation and entrepreneurship.)

Biofuels. Provides \$4,000,000 in American Recovery and Reinvestment Act funds to the Biofuels Center. The appropriation will be supervised by the North Carolina Energy

Office. The budget also includes a non-recurring appropriation of \$1,000,000 in state funds for the Center in FY 2009-10. All funds are to be used in implementing the North Carolina Strategic Plan for Biofuels Leadership.

North Carolina Biotechnology Center. Reduces funding for the Biotechnology Center by \$617,561 in 2009-10 and by \$925,661 in 2010-11. Total funding for the Center will be \$14,810,000 in 2009-10 and \$14,501,900 in 2010-11.

Education. Cuts \$1,181,169,537 from state education programs in FY 2009-10, including \$72,738,030 from community colleges, \$789,080, 587 from public schools, and \$319,350,920 from the state university system.

Health and Human Services. Cuts \$1,632,995,334 from health and human services programs in FY-2009-10, including \$1,362,622,944 from Medicaid and \$155,277,736 from mental health programs.

Taxes. Raises \$1,080,000,000 in new tax revenues in FY 2009-10 and \$1,381,800,000 in new tax revenues in FY 2010-11 through increases in most major tax rates. Key rate increases and revenue impacts are summarized in the table below.

Individual Income Surtax	\$172,800,000	\$177,100,000
Corporate Income Surtax	\$23,100,000	\$25,500,000
Increase Sales Tax Rate	\$803,500,000	\$1,061,300,000
Sales Tax on Digital Click-Throughs	\$11,800,000	\$24,100,000
Increase Excise Taxes	\$68,800,000	\$93,800,000
Total	\$1,080,000,000	\$1,381,800,000

Corporate Income Surtax. Imposes a surtax in the amount of 3% of taxes payable for tax years beginning on or after January 1, 2009 and before January 1, 2011.

Personal Income Surtax. Imposes surtaxes as follows: (i) 2% of taxable income for married taxpayers filing jointly with taxable incomes in excess of \$100,000 and up to \$250,000 (and for single taxpayers with taxable incomes in excess of \$60,000 and up to \$150,000); and (ii) 3% of taxable income for married taxpayers filing jointly with taxable incomes in excess of \$250,000 (and for single taxpayers with taxable incomes in excess of \$150,000). The surtaxes apply to tax years beginning on or after January 1, 2009, and before January 1, 2011.

Sales Tax. Increases the state's general sales and use tax rate by 1.0% from 4.75% to 5.75% effective September 1, 2009. The increase does not apply to construction materials purchased to fulfill a lump-sum or unit-price contract entered into or awarded or entered into or awarded pursuant to a bid made before the effective date of the increase. SB 202 § 27A.2(e). The increase also does not apply to amounts received for services provided under a lump-sum or unit-price contract entered or awarded awarded before the effective date of the increase, or entered into or awarded pursuant to a bid made before the effective date. SB 202 § 27A.3(l). The increase expires July 2011.

Excise Taxes. Increases excise taxes on beer, wine, alcohol and cigarettes.

Several changes in tax law that were proposed in early versions of budget legislation, including mandatory combined reporting, an apportionment formula throw-back rule, expansion of the franchise tax to limited liability entities, and sales tax on repair and maintenance services, were not included in the final budget package.

The budget legislation authorizes the Finance Committees of the State House and Senate to meet outside of regular to “study and recommend legislation to reform North Carolina’s sales and income tax structures in order to broaden the tax base and lower the State’s tax rates.”