

**GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2009**

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**HOUSE BILL 1746\***  
**Committee Substitute Favorable 6/9/10**  
**Committee Substitute #2 Favorable 6/16/10**  
**PROPOSED SENATE COMMITTEE SUBSTITUTE H1746-PCS60094-SY-22**

Short Title: Water Infrastructure Information Needs.

(Public)

Sponsors:

Referred to:

May 18, 2010

A BILL TO BE ENTITLED

1 AN ACT TO: (1) DIRECT THE DEPARTMENT OF ENVIRONMENT AND NATURAL  
2 RESOURCES, IN CONJUNCTION WITH OTHER INTERESTED PARTIES, TO  
3 ESTABLISH A TASK FORCE TO DEVELOP A STATEWIDE SURVEY TO  
4 SUPPLEMENT THE CURRENT INFORMATION USED TO ASSESS THE STATE'S  
5 WATER AND WASTEWATER INFRASTRUCTURE NEEDS, DEVELOP A PLAN FOR  
6 INCORPORATING THE INFORMATION COMPILED FROM THE UNITED STATES  
7 ENVIRONMENTAL PROTECTION AGENCY SURVEY INTO THE STATE WATER  
8 SUPPLY PLAN, AND DEVELOP RECOMMENDATIONS REGARDING A  
9 STATEWIDE WATER AND WASTEWATER INFRASTRUCTURE RESOURCE AND  
10 FUNDING DATABASE; AND (2) DIRECT THE DEPARTMENT OF ENVIRONMENT  
11 AND NATURAL RESOURCES AND THE LOCAL GOVERNMENT COMMISSION OF  
12 THE DEPARTMENT OF STATE TREASURER TO JOINTLY EVALUATE THE  
13 POTENTIAL BENEFITS OF MONITORING THE FINANCIAL CONDITION OF  
14 PUBLIC WATER SYSTEMS AND WASTEWATER SYSTEMS, AS RECOMMENDED  
15 BY THE LEGISLATIVE STUDY COMMISSION ON WATER AND WASTEWATER  
16 INFRASTRUCTURE.  
17

18       Whereas, the two primary sources of data currently available to determine the  
19 State's water and wastewater needs include the United States Environmental Protection Agency  
20 surveys of publicly owned water and wastewater systems conducted every four years by the  
21 Department of Environment and Natural Resources and the North Carolina Rural Economic  
22 Development Center Water 2030 Initiative; and

23       Whereas, the Water 2030 Initiative, completed in 2005, provides a snapshot of  
24 projected water and wastewater infrastructure needs through 2030, but was funded as a onetime  
25 overview, and has not been fully updated since 2005; and

26       Whereas, while both the United States Environmental Protection Agency surveys  
27 and Water 2030 Initiative are useful tools, there continue to be gaps in the information used to  
28 determine the State's water and wastewater infrastructure needs, particularly with regard to  
29 economic development and growth-related infrastructure needs, water system efficiency  
30 measures, and costs related to the development of new water sources; Now, therefore,  
31 The General Assembly of North Carolina enacts:



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1           **SECTION 1.(a)** Task Force. – The Department of Environment and Natural  
2 Resources, the Department of Commerce, the Department of State Treasurer, the Clean Water  
3 Management Trust Fund, the State Water Infrastructure Commission, the Office of Information  
4 Technology Services, the North Carolina League of Municipalities, the North Carolina  
5 Association of County Commissioners, the Rural Economic Development Center, and the  
6 Environmental Finance Center at the School of Government at the University of North Carolina  
7 at Chapel Hill shall establish a task force to improve the collection and utilization of  
8 information related to State water and wastewater infrastructure needs. The Department of  
9 Environment and Natural Resources shall be the lead agency for the task force. The task force  
10 may also work with other interested stakeholders in its discretion. The responsibilities and  
11 duties of the task force shall include all of the following:

12           (1) To develop a statewide survey to build on the base of the existing United  
13 States Environmental Protection Agency water and wastewater infrastructure  
14 survey process that will provide a more accurate assessment of statewide  
15 water and wastewater infrastructure needs.

16           a. The survey shall be designed to address the following information  
17 gaps that have been identified in the current information sources:

18                 1. Information on water and wastewater infrastructure needs  
19 related to economic development and population growth.

20                 2. Information on water and wastewater system service areas.

21                 3. Information on drinking water needs relevant to determining  
22 the need and the cost of proposed reservoir construction.

23                 4. Information on infrastructure needs to address failing water  
24 and wastewater systems.

25                 5. Information on the infrastructure needs related to water  
26 system efficiency to address the issue of water loss.

27           b. The task force shall consider how often the information provided by  
28 the survey should be updated.

29           c. The task force shall consider requesting information to update the  
30 Water 2030 Initiative as part of the survey design.

31           d. The task force shall consider how often to update the survey, and  
32 how best to formulate and summarize the survey results on the State's  
33 combined water and wastewater infrastructure needs in a concise and  
34 easily understood format for use by the General Assembly. The task  
35 force shall prepare a model report based on this format.

36           (2) To develop a plan to incorporate relevant information obtained from the  
37 existing United States Environmental Protection Agency survey and any  
38 statewide survey developed pursuant to subdivision (1) of this section into  
39 the State water supply plan developed pursuant to G.S. 143-355(m). In  
40 devising the plan to incorporate the needs survey information into the State  
41 water supply plan, the task force shall consider possible modifications to the  
42 information collected as part of the local water supply plans or the  
43 methodology used to prepare the local water supply plans that would make it  
44 easier to incorporate the needs survey information into the State water  
45 supply plan.

46           (3) To recommend a plan for the establishment and maintenance of a statewide  
47 water and wastewater infrastructure resource and funding database, or  
48 alternative information systems or processes that are capable of  
49 consolidating and integrating statewide information on water and wastewater  
50 infrastructure needs, resources, and funding and making this information  
51 more accessible to applicants, government agencies, and policymakers. The

1 task force shall consider the relative merits of a database and any proposed  
2 alternatives, taking into account estimated costs and the ability of each to  
3 meet the goals outlined in this section. In analyzing a database, the task force  
4 shall identify options for database system design and structure and delineate  
5 the categories of information to be compiled and indexed.

6 **SECTION 1.(b)** Task Force Report. – The Department of Environment and  
7 Natural Resources shall report the findings and recommendations of the task force to the  
8 Legislative Study Commission on Water and Wastewater Infrastructure by November 1, 2010.  
9 The report shall include the estimated cost to implement the recommendations and any  
10 legislative changes required to implement the recommendations.

11 **SECTION 2.(a)** The Department of Environment and Natural Resources and the  
12 Local Government Commission of the Department of State Treasurer shall jointly evaluate the  
13 costs and benefits of requiring each public water system or wastewater system in the State to  
14 demonstrate that the system raises sufficient revenue to cover the costs associated with proper  
15 operation of the system, including the costs of maintenance, repair, and replacement of  
16 collection, treatment, and distribution infrastructure.

17 (1) The Department of Environment and Natural Resources and the Local  
18 Government Commission shall specifically consider increasing their  
19 oversight role to include the following actions:

- 20 a. Review grant applications submitted by a system to determine the  
21 portion of the proposed grant match that is funded from local  
22 revenues as opposed to another grant.  
23 b. Develop benchmarks that a system must meet to ensure that the  
24 system is operating in a financially sound manner.

25 (2) The Department of Environment and Natural Resources and the Local  
26 Government Commission shall specifically evaluate the desirability of  
27 requiring each public water system and wastewater system in the State to  
28 conduct the following actions:

- 29 a. Submit an annual audit statement to State water and wastewater  
30 infrastructure funding agencies to which the system is applying for  
31 loan or grant funds for the purpose of reporting on the operation of  
32 the system and to demonstrate whether the water or wastewater rates  
33 of each system are sufficient to maintain system operations and meet  
34 debt service obligations.  
35 b. Implement remedial measures in the event that the audit statement  
36 indicates a shortfall, including the submission of a written  
37 explanation for the revenue shortfall from the governing body of the  
38 system and the development of a plan to ensure that system revenues  
39 cover system costs.  
40 c. Maintain a capital reserve fund.  
41 d. Provide notification to funding agencies when a system is failing to  
42 operate in compliance with applicable State and federal water quality  
43 standards.

44 (3) The Department of Environment and Natural Resources and the Local  
45 Government Commission shall identify and consider other actions or  
46 measures that would improve the oversight of the financial condition of  
47 public water systems and wastewater systems.

48 **SECTION 2.(b)** For the purposes of this act, "public water system" has the same  
49 meaning as in G.S. 130A-313(10), and "wastewater system" has the same meaning as in  
50 G.S. 159G-20(25).

1                   **SECTION 2.(c)** The Department of Environment and Natural Resources and the  
2 Local Government Commission shall jointly report their findings and recommendations to the  
3 Legislative Study Commission on Water and Wastewater Infrastructure no later than November  
4 1, 2010.

5                   **SECTION 3.** This act is effective when it becomes law.