

GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2019

H

D

HOUSE BILL 1087  
PROPOSED COMMITTEE SUBSTITUTE H1087-PCS40646-MHxfra-6

Short Title: Water/Wastewater Public Enterprise Reform.

(Public)

Sponsors:

Referred to:

May 14, 2020

1 A BILL TO BE ENTITLED  
2 AN ACT TO IMPROVE VIABILITY OF THE WATER AND WASTEWATER SYSTEMS OF  
3 CERTAIN UNITS OF LOCAL GOVERNMENT BY REQUIRING LOCAL  
4 GOVERNMENT COMMISSION APPROVAL OF GRANT APPLICATIONS; TO  
5 REQUIRE CERTAIN WATER AND WASTEWATER SYSTEMS TO UNDERGO A  
6 REVIEW OF INFRASTRUCTURE MANAGEMENT, ORGANIZATIONAL  
7 MANAGEMENT, AND FINANCIAL MANAGEMENT; TO CREATE AND PROVIDE  
8 FUNDING FOR THE VIABLE UTILITY RESERVE TO PROVIDE GRANT MONEY  
9 FOR LOCAL GOVERNMENT UNITS; TO PROVIDE A STATUTORY PROCESS FOR  
10 MERGER AND DISSOLUTION OF WATER AND WASTEWATER SYSTEMS  
11 ESTABLISHED UNDER CHAPTER 162A OF THE GENERAL STATUTES; TO  
12 PROMOTE THE IMPORTANCE OF INTERLOCAL AGREEMENTS TO THE  
13 OPERATION OF WATER AND WASTEWATER SYSTEMS; AND TO STUDY  
14 SUBBASIN TRANSFERS AND HISTORICAL CHARTERS.

15 The General Assembly of North Carolina enacts:

16  
17 **PART I. REFORM OF WATER AND WASTEWATER PUBLIC ENTERPRISES**

18 **SECTION 1.(a)** G.S. 159G-20 reads as rewritten:

19 **"§ 159G-20. Definitions.**

20 The following definitions apply in this Chapter:

21 ...

22 (4a) Distressed unit. – A public water system or wastewater system operated by a  
23 local government unit exhibiting signs of failure to identify or address those  
24 financial or operating needs necessary to enable that system to become or to  
25 remain a local government unit generating sufficient revenues to adequately  
26 fund management and operations, personnel, appropriate levels of  
27 maintenance, and reinvestment that facilitate the provision of reliable water  
28 or wastewater services.

29 ...

30 (13) Local government unit. – Any of the following:

- 31 a. A city as defined in G.S. 160A-1.  
32 b. A county.  
33 c. A consolidated city-county as defined in G.S. 160B-2.  
34 d. ~~A county water and sewer district created pursuant to Article 6 of~~  
35 ~~Chapter 162A of the General Statutes.~~Any of the following entities  
36 created pursuant to Chapter 162A of the General Statutes:



\* H 1 0 8 7 - P C S 4 0 6 4 6 - M H X F R A - 6 \*

- 1                    1.     A water and sewer authority created pursuant to Article 1.  
 2                    2.     A metropolitan water district created pursuant to Article 4.  
 3                    3.     A metropolitan sewerage district created pursuant to Article 5.  
 4                    4.     A metropolitan water and sewerage district created pursuant to  
 5                    Article 5A.  
 6                    5.     A county water and sewer district created pursuant to Article  
 7                    6.  
 8                    e.     ~~A metropolitan sewerage district or a metropolitan water district~~  
 9                    ~~created pursuant to Article 4 of Chapter 162A of the General Statutes.~~  
 10                    f.     ~~A water and sewer authority created under Article 1 of Chapter 162A~~  
 11                    ~~of the General Statutes.~~  
 12                    g.     A sanitary district created pursuant to Part 2 of Article 2 of Chapter  
 13                    130A of the General Statutes.  
 14                    h.     A joint agency created pursuant to Part 1 or Part 5 of Article 20 of  
 15                    Chapter 160A of the General Statutes.  
 16                    i.     A joint agency that was created by agreement between two cities and  
 17                    towns to operate an airport pursuant to G.S. 63-56 and that provided  
 18                    drinking water and wastewater services off the airport premises before  
 19                    1 January 1995.

20                    ...

21                    (14a) Operating deficit. – The shortage between revenues plus available reserves  
 22                    and operating expenditures, including capital expenditures, necessary to  
 23                    maintain operations in a distressed unit.

24                    ...

25                    (22a) Viable Utility Reserve. – The Viable Utility Reserve established in  
 26                    G.S. 159G-22 as an account in the Water Infrastructure Fund.

27                    ...."

28                    **SECTION 1.(b)** G.S. 159G-22 is amended by adding two new subsections to read:

29                    "(h) Viable Utility Reserve. – The Viable Utility Reserve is established as an account  
 30                    within the Water Infrastructure Fund. The account is established to receive appropriated State  
 31                    funds to be used for grants to local government units for those purposes authorized under this  
 32                    Article. Revenue credited to the Viable Utility Reserve is neither received from the federal  
 33                    government nor provided as a match for federal funds.

34                    (i) Viable Utility Accounts. – The Department is directed to establish accounts within  
 35                    the Viable Utility Reserve to administer grants for public water systems or wastewater systems  
 36                    owned by local government units."

37                    **SECTION 1.(c)** G.S. 159G-30 reads as rewritten:

38                    "**§ 159G-30. Department's responsibility.**

39                    The Department, through the ~~Division of Water Infrastructure, Division,~~ administers loans  
 40                    the following:

41                    (1) Loans and grants made from the CWSRF, the DWSRF, the Wastewater  
 42                    Reserve, and the Drinking Water Reserve and shall administer the Reserve.

43                    (2) The award of funds by the State Water Infrastructure Authority from the  
 44                    Community Development Block Grant program to local government units for  
 45                    infrastructure projects.

46                    (3) Grants made from the Viable Utility Reserve."

47                    **SECTION 1.(d)** G.S. 159G-31 is amended by adding two new subsections to read:

48                    "(d) A local government unit is eligible to apply for a grant from the Viable Utility  
 49                    Reserve.

50                    (e) The Local Government Commission may submit an application on behalf of a  
 51                    distressed unit for an emergency grant from the Viable Utility Reserve to cover operating deficits

1 of that local government unit's public water system or wastewater system, and any such  
2 application shall be deemed approved by the Local Government Commission upon submission."

3 **SECTION 1.(e)** G.S. 159G-32 is amended by adding a new subsection to read:

4 "(d) Viable Utility Reserve. – The Department is authorized to make grants from the  
5 Viable Utility Reserve to do any of the following:

- 6 (1) Provide physical interconnection and extension of public water or wastewater  
7 infrastructure to provide regional service.
- 8 (2) Rehabilitate existing public water or wastewater infrastructure.
- 9 (3) Decentralize an existing public water system or wastewater system into  
10 smaller viable parts.
- 11 (4) Fund a study of any one or more of the following:
  - 12 a. Rates.
  - 13 b. Asset inventory and assessment.
  - 14 c. Merger and regionalization options.
- 15 (5) Fund other options deemed feasible which result in local government units  
16 generating sufficient revenues to adequately fund management and  
17 operations, personnel, appropriate levels of maintenance, and reinvestment  
18 that facilitate the provision of reliable water or wastewater services.
- 19 (6) Provide emergency grants for operating deficits in accordance with  
20 G.S. 159G-34.5(a)(4)."

21 **SECTION 1.(f)** Article 2 of Chapter 159G of the General Statutes is amended by  
22 adding a new section to read:

23 "**§ 159G-34.5. Grant types available from Viable Utility Reserve.**

24 (a) The Department is authorized to make the following types of grants from the Viable  
25 Utility Reserve:

- 26 (1) Asset assessment and rate study grant. – An asset inventory and assessment  
27 grant is available to inventory the existing public water or wastewater system,  
28 or both, document the condition of the inventoried infrastructure, and conduct  
29 a rate study to determine a rate structure sufficient to prevent the local  
30 government unit from becoming a distressed unit.
- 31 (2) Merger/regionalization feasibility grant. – A merger/regionalization grant is  
32 available to determine the feasibility of consolidating the management of  
33 multiple water or wastewater systems into a single operation or to provide  
34 regional treatment or water supply and the best way of carrying out the  
35 consolidation or regionalization. The Department shall not make a grant under  
36 this subdivision for a merger or regionalization proposal that would result in  
37 a new surface water transfer regulated under G.S. 143-215.22L.
- 38 (3) Project grant. – A project grant is available for a portion of the costs of a public  
39 water system or wastewater system project as defined in G.S. 159G-32(d).
- 40 (4) Emergency grant for operating deficit. – An emergency grant for operating  
41 deficits is available for distressed units if the Local Government Commission  
42 has exercised its powers under G.S. 159-181 to assume full or partial control  
43 over the affairs of the public water or wastewater system or of the local  
44 government unit or public authority that owns or operates the public water or  
45 wastewater system.

46 (b) A grant awarded from the Viable Utility Reserve may be awarded to a regional  
47 council of government created under Part 2 of Article 20 of Chapter 160A of the General Statutes  
48 or to a regional planning commission created under Article 19 of Chapter 153A of the General  
49 Statutes, if the Department and the Local Government Commission determine it is in the best  
50 interest of the local government unit.

1 (c) Each type of grant must be administered through a separate account within the Viable  
2 Utility Reserve."

3 **SECTION 1.(g)** G.S. 159G-35 reads as rewritten:

4 "**§ 159G-35. Criteria for loans and grants.**

5 (a) CWSRF and DWSRF. – Federal law determines the criteria for awarding a loan or  
6 grant from the CWSRF or the DWSRF. An award of a loan or grant from one of these accounts  
7 must meet the criteria set under federal law. The Department is directed to establish through  
8 negotiation with the United States Environmental Protection Agency the criteria for evaluating  
9 applications for loans and grants from the CWSRF and the DWSRF and the priority assigned to  
10 the criteria. The Department must incorporate the negotiated criteria and priorities in the  
11 Capitalization Grant Operating Agreement between the Department and the United States  
12 Environmental Protection Agency. The criteria and priorities incorporated in the Agreement  
13 apply to a loan or grant from the CWSRF or the DWSRF. The priority considerations in  
14 G.S. 159G-23 do not apply to a loan or grant from the CWSRF or the DWSRF.

15 (b) Certain Reserves. – The priority considerations in G.S. 159G-23 apply to a loan or  
16 grant from the Wastewater Reserve or the Drinking Water Reserve. The Department may  
17 establish by rule other criteria that apply to a loan or grant from the Wastewater Reserve or the  
18 Drinking Water Reserve.

19 (c) Viable Utility Reserve. – The Local Government Commission and the Authority shall  
20 jointly develop evaluation criteria for grants from the Viable Utility Reserve. These evaluation  
21 criteria shall be used to review applications and award grants as provided in G.S. 159G-39."

22 **SECTION 1.(h)** G.S. 159G-36 reads as rewritten:

23 "**§ 159G-36. Limits on loans and grants.**

24 (a) CWSRF and DWSRF. – Federal law governs loans and grants from the CWSRF and  
25 the DWSRF. An award of a loan or grant from one of these accounts must be consistent with  
26 federal law.

27 (b) Certain Reserve Cost Limit. – The amount of a loan or grant from the Wastewater  
28 Reserve or the Drinking Water Reserve may not exceed the construction costs of a project. A  
29 loan or grant from one of these Reserves is available only to the extent that other funding sources  
30 are not reasonably available to the applicant.

31 (b1) Viable Utility Reserve Cost Limit. – The amount of a grant from the Viable Utility  
32 Reserve shall not exceed the construction costs of a project. A grant from this Reserve is available  
33 only to the extent that other funding sources are not reasonably available to the applicant.

34 (c) Certain Reserve Recipient Limit. – The following limits apply to the loan or grant  
35 types made from the Wastewater Reserve or the Drinking Water Reserve to the same local  
36 government unit or nonprofit water corporation:

- 37 (1) The amount of loans awarded for a fiscal year may not exceed three million  
38 dollars (\$3,000,000).
- 39 (2) The amount of loans awarded for three consecutive fiscal years for targeted  
40 interest rate projects may not exceed three million dollars (\$3,000,000).
- 41 (3) The amount of project grants awarded for three consecutive fiscal years may  
42 not exceed three million dollars (\$3,000,000).
- 43 (4) The amount of merger/regionalization feasibility grants awarded for three  
44 consecutive fiscal years may not exceed fifty thousand dollars (\$50,000).
- 45 (5) The amount of asset inventory and assessment grants awarded for three  
46 consecutive fiscal years may not exceed one hundred fifty thousand dollars  
47 (\$150,000).

48 (d) Viable Utility Reserve Recipient Limit. – Grants under the Viable Utility Reserve are  
49 limited as follows:

- 50 (1) Grants for the purposes set forth in subdivisions (1) through (5) of  
51 G.S. 159-32(d) shall not exceed fifteen million dollars (\$15,000,000) to any

1 single local government unit. Where two or more local government units are  
2 merging into a single utility, the total grant awarded shall not exceed thirty  
3 million dollars (\$30,000,000).

- 4 (2) Grants for the purpose set forth in G.S. 159-32(d)(6) to any single local  
5 government unit shall not (i) exceed seven hundred fifty thousand dollars  
6 (\$750,000) in any fiscal year and (ii) be awarded for more than three  
7 consecutive fiscal years."

8 **SECTION 1.(i)** G.S. 159G-37 reads as rewritten:

9 **"§ 159G-37. Application to CWSRF, Wastewater Reserve, DWSRF, and Drinking Water**  
10 **Reserve, Reserve, and Viable Utility Reserve.**

11 (a) Application. – An application for a loan or grant from the CWSRF, the Wastewater  
12 Reserve, the DWSRF, or the Drinking Water Reserve-Reserve, or a grant from the Viable Utility  
13 Reserve, must be filed with the Division of Water Infrastructure of the Department-Division. An  
14 application must be submitted on a form prescribed by the Division and must contain the  
15 information required by the Division. An applicant must submit to the Division any additional  
16 information requested by the Division to enable the Division to make a determination on the  
17 application. An application that does not contain information required on the application or  
18 requested by the Division is incomplete and is not eligible for consideration. An applicant may  
19 submit an application in as many categories as it is eligible for consideration under this Article.

20 (b) Certification. – The Division of Water Infrastructure shall require all local  
21 governments applying for loans or grants for water or wastewater purposes to certify that no  
22 funds received from water or wastewater utility operations have been transferred to the local  
23 government's general fund for the purpose of supplementing the resources of the general fund.  
24 The prohibition in this section shall not be interpreted to include payments made to the local  
25 government to reimburse the general fund for expenses paid from that fund that are reasonably  
26 allocable to the regular and ongoing operations of the utility, including, but not limited to, rent  
27 and shared facility costs, engineering and design work, plan review, and shared personnel costs."

28 **SECTION 1.(j)** G.S. 159G-39 is amended by adding a new subsection to read:

29 "(e) Viable Utility Reserve Terms. – The Department shall not award a grant from the  
30 Viable Utility Reserve Fund unless the Local Government Commission approves the award of  
31 the grant and the terms of the grant. Any emergency grant application submitted under  
32 G.S. 159G-31(e) shall be deemed approved by the Local Government Commission upon  
33 submission. The Department and the Local Government Commission may, in their discretion,  
34 impose specific performance measures or conditions on any grant awarded from the Viable  
35 Utility Reserve, including any grant submitted under G.S. 159G-31(e)."

36 **SECTION 1.(k)** Article 2 of Chapter 159G of the General Statutes is amended by  
37 adding a new section to read:

38 **"§ 159G-45. Assessment of local government units; assistance.**

39 (a) The Authority and the Local Government Commission shall develop criteria to  
40 determine how local government units should be assessed and reviewed in accordance with this  
41 section, and these criteria shall address at least all of the following:

- 42 (1) Whether the public water or wastewater system serves less than 10,000  
43 customers.  
44 (2) Whether the public water or wastewater system has an established,  
45 operational, and adequately funded program for its repair, maintenance, and  
46 management.  
47 (3) Whether the annual debt service is disproportionate to the public water or  
48 wastewater system's annual revenue.  
49 (4) Whether the local government unit has appropriated funds from its utility or  
50 public service enterprise fund in accordance with G.S. 159-13(b)(14) in two

1 or more of the preceding five fiscal years without maintaining a reserve fund  
2 sufficient to provide for operating expenses, capital outlay, and debt service.  
3 (5) Whether the local government unit has appropriated funds to supplement the  
4 operating expenses, capital outlay, or debt service on outstanding utility or  
5 enterprise bonds or notes in excess of the user fees collected in two or more  
6 of the preceding five fiscal years.

7 (b) Utilizing the assessment and review process, the Authority and Local Government  
8 Commission shall identify distressed units. Each distressed unit identified under this subsection  
9 shall do all of the following:

10 (1) Conduct an asset assessment and rate study, as directed and approved by the  
11 Authority and the Local Government Commission.

12 (2) Participate in a training and educational program approved by the Authority  
13 and the Local Government Commission for that distressed unit. Attendance  
14 shall be mandatory for any governing board members and staff whose  
15 participation is required by the Authority and Local Government Commission.  
16 The scope of training and education, and its method of delivery, shall be at the  
17 discretion of the Authority and Local Government Commission.

18 (3) Develop an action plan, taking into consideration all of the following:

19 a. A short-term and a long-term plan for infrastructure repair,  
20 maintenance, and management.

21 b. Continuing education of the governing board and system operating  
22 staff.

23 c. Long-term financial management to ensure the public water system or  
24 wastewater system will generate sufficient revenue to adequately fund  
25 management and operations, personnel, appropriate levels of  
26 maintenance, and reinvestment that facilitate the provision of reliable  
27 water or wastewater services.

28 d. Any other matters identified by the Authority or the Local Government  
29 Commission.

30 (c) Once an identified distressed unit has completed all of the requirements of subsection  
31 (b) of this section, that unit shall no longer be identified as a distressed unit for the remainder of  
32 that assessment and review cycle.

33 (d) The Authority and the Local Government Commission shall establish the frequency  
34 of the cycle for assessment and review of local government units under this section, which shall  
35 be no less than every two years."

36 **SECTION 2.** Chapter 162A of the General Statutes is amended by adding a new  
37 Article to read:

38 "Article 10.

39 "Dissolution and Merger of Units.

40 "**§ 162A-850. "Unit" defined.**

41 For purposes of this Article, the term "unit" means any of the following entities created  
42 pursuant to this Chapter:

43 (1) A water and sewer authority created pursuant to Article 1.

44 (2) A metropolitan water district created pursuant to Article 4.

45 (3) A metropolitan sewerage district created pursuant to Article 5.

46 (4) A metropolitan water and sewerage district created pursuant to Article 5A.

47 (5) A county water and sewer district created pursuant to Article 6.

48 "**§ 162A-855. Information needed to merge or dissolve.**

49 (a) Prior to any action by the Environmental Management Commission under this  
50 Article, for any unit to merge or dissolve, all of the following information must be supplied to  
51 the Environmental Management Commission:

- 1           (1)    The name of the unit or units to be merged or dissolved.
- 2           (2)    The names of the district board members of the unit or units to be merged or  
3           dissolved.
- 4           (3)    The proposed date of the merger or dissolution.
- 5           (4)    A map or description of the jurisdiction of the unit or units to be merged or  
6           dissolved.
- 7           (5)    The name of the entity with whom the unit or units will be merged, if  
8           applicable.
- 9           (6)    The names of the governing board members or district board members of the  
10          entity with which the unit is proposed to be merged, if applicable.
- 11          (7)    A map or description of the jurisdiction of the entity with which the unit is  
12          proposed to be merged.
- 13          (8)    Resolutions adopted by each district board or governing board requesting the  
14          merger or dissolution.
- 15          (9)    A request from each chair of a district board requesting a merger or dissolution  
16          that a representative of the Environmental Management Commission hold a  
17          public hearing in that district to discuss the proposed merger or dissolution  
18          and to receive public comment. The date, time, and place of the public hearing  
19          shall be mutually agreed to by the chair of the Environmental Management  
20          Commission and the chair of each requesting district board.
- 21          (10)   A copy of the most recent audit performed in accordance with G.S. 159-34 for  
22          the unit to be merged or dissolved.
- 23          (11)   A copy of any permits issued by the Department of Environmental Quality to  
24          the unit or units to be merged or dissolved.
- 25          (12)   A copy of any grant awarded under Article 2 of this Chapter involving the unit  
26          or units to be merged or dissolved and any conditions thereof, if applicable.
- 27          (13)   Any other information deemed necessary by the Department of Environmental  
28          Quality, the Local Government Commission, or the Environmental  
29          Management Commission.

30          (b)    Upon receipt of a request to dissolve or merge, the Environmental Management  
31          Commission shall provide a copy of all information submitted in accordance with this section to  
32          the Department of Environmental Quality and the Local Government Commission.

33          (c)    Upon confirmation of the time and place of the public hearing, each district board of  
34          an affected unit and any other governing board affected shall do all of the following:

- 35               (1)    Cause notice of the public hearing to be posted, at least 30 days prior to the  
36               hearing, at the courthouse in any county within which the affected unit lies.
- 37               (2)    Publish the notice at least once a week for four successive weeks in a  
38               newspaper having general circulation in the affected unit, the first publication  
39               to be at least 30 days prior to the public hearing.
- 40               (3)    Publish notice in any other manner required by the Environmental  
41               Management Commission.

42          "**§ 162A-860. Merger of units.**"

43               (a)    Any unit may merge with any other unit, any county, any city, any consolidated  
44               city-county, any sanitary district created pursuant to Part 2 of Article 2 of Chapter 130A of the  
45               General Statutes, any joint agency created pursuant to Part 1 or Part 5 of Article 20 of Chapter  
46               160A of the General Statutes, or any joint agency that was created by agreement between two  
47               cities and towns to operate an airport pursuant to G.S. 63-56 and that provided drinking water  
48               and wastewater services off the airport premises before January 1, 1995, if the merger is a  
49               condition of receiving a grant from the Viable Utility Reserve as provided in Article 2 of Chapter  
50               159G of the General Statutes. The Environmental Management Commission shall adopt a

1 resolution transferring the assets, liabilities, and other obligations to the entity with which the  
2 unit is being merged and dissolving the unit as provided for in this Article.

3 (b) Any unit may merge with any other unit, any county, any city, any consolidated  
4 city-county, any sanitary district created pursuant to Part 2 of Article 2 of Chapter 130A of the  
5 General Statutes, any joint agency created pursuant to Part 1 or Part 5 of Article 20 of Chapter  
6 160A of the General Statutes, or any joint agency that was created by agreement between two  
7 cities and towns to operate an airport pursuant to G.S. 63-56 and that provided drinking water  
8 and wastewater services off the airport premises before January 1, 1995, on approval by the  
9 Environmental Management Commission, upon consultation with the Department of  
10 Environmental Quality and the Local Government Commission. The Environmental  
11 Management Commission may adopt a resolution transferring the assets, liabilities, and other  
12 obligations to the entity with which the unit is being merged and dissolving the unit as provided  
13 for in this Article, if the Environmental Management Commission deems the merger in the best  
14 interest of the people of the State.

15 (c) The Environmental Management Commission shall adopt a resolution dissolving a  
16 unit and transferring the assets, liabilities, and other obligations of the unit to another unit when  
17 the procedures set forth in G.S. 162A-855 have been completed and all of the following apply:

18 (1) Both units are created pursuant to Article 5 of this Chapter.

19 (2) Both units are located in the same county.

20 (3) The jurisdiction of the units is contiguous.

21 (4) The unit to be merged and dissolved does not directly provide sewerage  
22 services to any customers.

23 (5) The unit to be merged and dissolved leases its assets to the unit with which it  
24 is proposed to be merged.

25 (6) The unit to be merged and dissolved has no outstanding debts.

26 **"§ 162A-865. Dissolution of units.**

27 (a) Any unit may be dissolved if the dissolution is a condition of a grant from the Viable  
28 Utility Reserve as provided in Article 2 of Chapter 159G of the General Statutes. The  
29 Environmental Management Commission shall adopt a resolution transferring the assets,  
30 liabilities, and other obligations as provided for in the grant conditions imposed under Article 2  
31 of Chapter 159G of the General Statutes.

32 (b) Any unit may be dissolved in order to merge that unit with any other unit, any county,  
33 any city, any consolidated city-county, any sanitary district created pursuant to Part 2 of Article  
34 2 of Chapter 130A of the General Statutes, any joint agency created pursuant to Part 1 or Part 5  
35 of Article 20 of Chapter 160A of the General Statutes, or any joint agency that was created by  
36 agreement between two cities and towns to operate an airport pursuant to G.S. 63-56 and that  
37 provided drinking water and wastewater services off the airport premises before January 1, 1995,  
38 and establish a new entity created under the General Statutes, on approval by the Environmental  
39 Management Commission, upon consultation with the Department of Environmental Quality and  
40 the Local Government Commission. The Environmental Management Commission may adopt a  
41 resolution transferring the assets, liabilities, and other obligations to the new entity and dissolving  
42 the unit as provided for in this Article, if the Environmental Management Commission deems the  
43 merger in the best interest of the people of the State.

44 **"§ 162A-870. Effective date of merger or dissolution.**

45 Upon the adoption of a resolution of merger or dissolution by the Environmental  
46 Management Commission as provided in this Article, the effective date for merger and  
47 dissolution shall be fixed as of June 30 following the adoption of the resolution or the second  
48 June 30 following the adoption of the resolution.

49 **"§ 162A-875. Effect of merger or dissolution.**



1       (a) Upon adoption of the resolution of merger or dissolution by the Environmental  
2 Management Commission, all of the following shall apply on the effective date set forth in the  
3 resolution:

- 4       (1) All property, real, personal, and mixed, including accounts receivable,  
5 belonging to the dissolving unit shall be transferred, disposed of, or otherwise  
6 accounted for as provided in the resolution of merger or dissolution.  
7       (2) All judgments, liens, rights of liens, and causes of action of any nature in favor  
8 of the dissolving unit shall vest in and remain and inure to the benefit of the  
9 merged district.  
10       (3) All taxes, assessments, sewer charges, and any other debts, charges, or fees  
11 owing to the dissolving unit shall be owed to and collected as provided in the  
12 resolution of merger or dissolution.  
13       (4) All actions, suits, and proceedings pending against, or having been instituted  
14 by, the dissolving unit shall not be abated by merger, but all such actions,  
15 suits, and proceedings shall be continued and completed in the same manner  
16 as if merger had not occurred, and the merged entity shall be a party to all  
17 such actions, suits, and proceedings in the place and stead of the dissolving  
18 unit and shall pay or cause to be paid any judgments rendered against the  
19 dissolving unit in any such actions, suits, or proceedings. No new process is  
20 required to be served in any such action, suit, or proceeding.  
21       (5) All obligations of the dissolving unit, including outstanding indebtedness,  
22 shall be assumed as provided in the resolution of merger or dissolution, and  
23 all such obligations and outstanding indebtedness shall constitute obligations  
24 and indebtedness as provided in the resolution of merger or dissolution.  
25       (6) All ordinances, rules, regulations, and policies of the dissolving unit shall  
26 continue in full force and effect until repealed or amended by the governing  
27 body of the merged entity.  
28       (7) The dissolving unit shall be abolished and shall no longer be constituted a  
29 public body or a body politic and corporate, except for purposes of carrying  
30 into effect the provisions and intent of this section.  
31       (8) Governance of the district shall be as specified in the resolution of merger or  
32 dissolution, which may be amended by the Environmental Management  
33 Commission, as needed.

34       (b) All governing boards and district boards are authorized to take the actions and execute  
35 the documents necessary to effectuate the provisions and intent of this section."

36       **SECTION 3.** Article 20 of Chapter 160A of the General Statutes is amended by  
37 adding a new Part to read:

38                       "Part 5. Water and Wastewater Systems.

39       **§ 160A-481.1. Definitions.**

40       The words defined in this section shall have the meanings indicated when used in this Part:

- 41       (1) Local government unit. – Defined in G.S. 159G-20 and G.S. 160A-460.  
42       (2) Undertaking. – Defined in G.S. 160A-460.

43       **§ 160A-481.2. Interlocal cooperation authorized.**

44       Interlocal cooperation, as provided in Part 1 of this Article, is authorized between any local  
45 government units in this State for any purpose. When two or more local government units agree  
46 to contract for one or more undertakings under this Part, the provisions of Part 1 of this Article  
47 apply."

48       **SECTION 4.** The Department of Environmental Quality shall study the statutes and  
49 rules governing subbasin transfers and make recommendations as to whether the statutes and  
50 rules should be amended. The study shall specifically examine whether transfers of water  
51 between subbasins within the same major river basin should continue to be required to comply

1 with all of the same requirements under G.S. 143-215.22L as transfers of water between major  
2 river basins. In conducting this study, the Department of Environmental Quality shall consider  
3 whether the costs of complying with specific requirements, including financial costs and time,  
4 are justified by the benefits of the requirements, including the production of useful information  
5 and public notice and involvement. No later than January 15, 2021, the Department of  
6 Environmental Quality shall report its findings and recommendations to the Environmental  
7 Review Commission.

8 **SECTION 5.** The Department of State Treasurer shall study and make  
9 recommendations as to the feasibility of authorizing historical charters for units of local  
10 government that have become, or are on the brink of becoming, defunct. The study shall  
11 specifically examine whether these historical charters are needed, the impact of these charters on  
12 the bond rating of the State and its political subdivisions, and the consequences of these historical  
13 charters. No later than January 15, 2021, the Department of State Treasurer shall report its  
14 findings and recommendations to the General Assembly.

15 **SECTION 6.** If Senate Bill 553, 2019 Regular Session, becomes law, then Section  
16 14 of that act is repealed.

## 17 18 **PART II. FUNDING**

19 **SECTION 7.(a)** No later than August 15, 2020, the Department of Commerce shall  
20 transfer the sum of nine million dollars (\$9,000,000) in nonrecurring funds for the 2020-2021  
21 fiscal year from the One North Carolina Fund (Budget Code: 24609; Fund Code: 2560) to the  
22 Water Infrastructure Fund administered by the Department of Environmental Quality's Division  
23 of Water Infrastructure (Budget Code: 24327).

24 **SECTION 7.(b)** The funds transferred by this section are appropriated to the Viable  
25 Utility Reserve established by G.S. 159G-22, as amended by this act, to be used for the purposes  
26 set forth in G.S. 159G-32, as amended by this act.

## 27 28 **PART III. GENERAL PROVISIONS**

### 29 30 **STATE BUDGET ACT APPLIES**

31 **SECTION 8.** The provisions of the State Budget Act, Chapter 143C of the General  
32 Statutes, are reenacted and shall remain in full force and effect and are incorporated in this act  
33 by reference.

### 34 35 **ADDITIONAL LIMITATIONS AND DIRECTIONS**

36 **SECTION 9.** Except where expressly repealed or amended by this act, the provisions  
37 of any other legislation enacted during the 2019 Regular Session of the General Assembly  
38 expressly appropriating funds to an agency, a department, or an institution covered under this act  
39 shall remain in effect.

### 40 41 **PART IV. EFFECTIVE DATE**

42 **SECTION 10.** Sections 1 through 3 of this act become effective October 1, 2020.  
43 Sections 7 through 9 of this act become effective July 1, 2020. The remainder of this act is  
44 effective when it becomes law.