

January 22, 2010

**MEMORANDUM**

TO: The Honorable Marc Basnight, Co-Chair  
The Honorable Joe Hackney, Co-Chair  
**Joint Legislative Commission on Government Operations**

The Honorable Lucy Allen, Co-Chair  
The Honorable Robert Atwater, Co-Chair  
The Honorable Dan Clodfelter, Co-Chair  
The Honorable Pryor Gibson, Co-Chair  
**Environmental Review Commission**

The Honorable Pricey Harrison, Chair  
The Honorable Garland Pierce, Chair  
The Honorable Floyd McKissick, Chair  
The Honorable Edith Warren, Chair  
**Subcommittees on Appropriations for Natural and  
Economic Resources**

Ms. Marilyn Chism, Director, Fiscal Research Division  
Ms. Kristen Walker, Fiscal Research Division  
**Division of Fiscal Research, North Carolina General  
Assembly**

FROM: Richard E. Rogers, Jr., Executive Director, CWMTF

Re: Clean Water Management Trust Fund's 2009 Annual Report

## **Introduction**

The Board of Trustees of the Clean Water Management Trust Fund (CWMTF) is writing to thank the members of the General Assembly of North Carolina for your continuing strong support for investments in clean water and to make our annual report to the General Assembly and the public pursuant to GS 113A-257.

## **Background**

The 1996 General Assembly created the Clean Water Management Trust Fund (CWMTF) (Chapter 113A Article 18 (GS 113A-251 et seq.)), "to clean up pollution in the State's surface waters and to protect and conserve those waters that are not yet polluted."

The CWMTF "shall be used to help finance projects that specifically address water pollution problems and focus on upgrading surface waters, eliminating pollution, and protecting and conserving unpolluted surface waters, including urban drinking water supplies" and "to build a network of riparian buffers and greenways for environmental, educational, and recreational benefit."

The CWMTF's non-regulatory, incentive-based programs complement North Carolina's environmental regulatory and educational programs and help ensure both a strong economy and healthy environment.

The CWMTF is an independent agency housed for administrative purposes in the Department of Environment and Natural Resources (DENR.) A 21-member board of trustees establishes criteria, allocates funds, reviews applications, approves grants, and hires the executive director. Seven members are appointed by the Governor; seven by the General Assembly upon the recommendation of the President Pro Tempore of the Senate; and seven by the General Assembly upon the recommendation of the Speaker of the House. An advisory council composed of the Commissioner of Agriculture, Chair of the Wildlife Resources Commission, Secretary of DENR, and Secretary of Commerce or their designees advises the board of trustees.

Local governments, state agencies, and nonprofit conservation organizations, such as land trusts, may apply for grants. The next deadline for applications is February 1, 2010.

Moneys from CWMTF may be used to acquire conservation easements or land in fee simple to preserve riparian buffers, wetlands, floodplains, and greenways; to restore riparian buffers, streams, and wetlands; to repair failing wastewater collection and treatment systems; to eliminate failing septic tanks and straight pipes; to prevent, reduce, collect and treat stormwater pollution; to plan water

quality projects; and for administration and staff. The board works through three principal committees: acquisitions, infrastructure/wastewater, and restoration/stormwater.

CWMTF application forms for grants, grant evaluation guidelines, enabling legislation, lists of the board of trustees, staff directory, news releases, and other reports and documents are available at [www.cwmtf.net](http://www.cwmtf.net).

The executive director, two deputy directors, real property counsel, wastewater infrastructure project manager, restoration and stormwater project manager, water quality advisor, administrative officer, public information officer, stewardship coordinator, paralegal, executive assistant, and office assistant are based in the central office in Raleigh. Five field representatives cover the coast, piedmont and mountain regions of the state

The Board of Trustees authorized an annual administrative budget of up to \$1.97 million for fiscal year 2009-2010 at its September 2009 meeting. This represents a 20 percent cut over CWMTF's 2008-2009 administrative budget.

In 2009, the Board of Trustees met six times –once in Durham and five times in Raleigh. Two of those meetings were special called as necessitated by the state's budget crisis. The board's regularly scheduled August and October meetings were cancelled in response to the budget crisis as well.

## **2009 Summary**

### **Budget Focus –Grant Awards**

In February 2009, CWMTF's budget was reduced by \$115 million as a result of the Governor's action to balance the budget in the face of the state's worst fiscal crisis in years.

In response, nearly all CWMTF grants approved in 2008 were placed on hold.

Since that time, CWMTF worked closely with its grantees on many levels to keep those water quality protection and improvement projects at the very least viable until the crisis subsides. Primarily, CWMTF was able to work to secure American Recovery and Reinvestment Act funds for eligible wastewater and stormwater grant projects. CWMTF was able to reduce its grant obligation by half for 11 of its funded infrastructure projects, saving the agency \$5.76 million.

The North Carolina General Assembly once again expressed its commitment to protecting water quality in the state by appropriating \$50 million to CWMTF during a time when many difficult budgetary decisions had to be made.

In September and November, CWMTF trustees prioritized the outstanding 2008 grants and reallocated \$44.2 million funds a total of 102 projects. Currently, 107 projects totaling \$40.9 million are without the funds promised to them during the 2008 grant cycle. (Appendices 1-3)

### **Budget Focus – Program Administration**

CWMTF reduced its annual operating budget by 20% for FY 2009-2010. The reduction included the elimination of two unfilled full time positions, 1.5 temporary positions, and 40% of an additional full-time position.

As a result, CWMTF also reorganized its management structure to continue to operate in an effective manner. (Appendix 3)

### **2010 Challenges**

North Carolina's water quality needs are as important now, as ever before as the state begins to recover from the economic crisis. Therefore, CWMTF will proceed with a grant cycle in the new year. The application deadline for the 2010 cycle is February 1. Among the needs that went unaddressed in 2009 are over \$262 million in grant requests received just prior to the reduction in CWMTF's FY 2008-2009 funding. Those requests were not considered for funding by the CWMTF board. Those applications will be reviewed along with new ones submitted on the February 1 deadline.

### **Accomplishments**

Since its creation in 1996, CWMTF has:

- preserved over 454,944 acres of land, thereby ensuring streams, rivers, lakes and shellfishing waters will be able to support their uses for drinking water, recreation, fisheries and other uses.
- protected over 4,859 miles of riparian buffers.
- invested more than \$506.3 million in land and water conservation.
- funded 159 riparian buffer, stream and wetland restoration projects totaling more than \$94.6 million.
- assisted local governments with 267 wastewater improvement projects, investing more than \$248.3 million to reduce discharges and more effectively treat wastewater so that fewer nutrients and other pollutants enter our rivers.

- funded 80 stormwater management projects totaling more than \$52.8 million to reduce pollution from urban runoff and decrease flooding.

### **CWMTF - Economically Essential to NC**

CWMTF projects play an important role in protecting North Carolina's economy. Its water quality grants help meet infrastructure needs, increase recreational opportunities and enhance the quality of life component critical for economic development.

CWMTF protects more than the state's natural resources. Its grants support North Carolina's:

- \$16.5 Billion Tourism Economy
- \$144 Million Fisheries Economy
- \$71 Billion Agriculture Economy
- \$6.1 Billion Forest Products Industry
- \$23 Billion Military Economy

Important tourism destinations like Chimney Rock and Grandfather Mountain would likely have been lost if for the availability of CWMTF dollars. Many of the state's important military bases could have been downsized if not for CWMTF partnerships to protect water quality and military installations from development pressure. CWMTF grants have restored thousands of acres of key wetlands to improve shellfishing waters and other important fisheries.

### **CWMTF - A Vital Resource for Local Government**

Increasing numbers of wastewater and stormwater grants and resulting competitiveness for funds shows that local governments depend on CWMTF. Communities need CWMTF to balance infrastructure needs with environmental protection.

### **Clean Water Equals a Healthy NC**

Sustainable water supplies are critical to the health of all North Carolinians. Increased recreational opportunities created by CWMTF projects, including park expansions, gameland additions and greenways, improve the health and well-being of citizens.



