



HOUSE BILL 694: Reg'l Water Study/IBT Subbasin/TMDL.

2025-2026 General Assembly

Committee:	Senate Rules and Operations of the Senate	Date:	June 5, 2025
Introduced by:	Reps. Warren, Ross	Prepared by:	Aaron McGlothlin
Analysis of:	Second Edition		Staff Attorney

OVERVIEW: House Bill 694 would: (i) direct the Environmental Finance Center at the UNC School of Government to study water and wastewater regionalization, and to report its findings and recommendations to the House Oversight Committee, the Senate Committee on Regulatory Reform, and the Joint Legislative Commission on Governmental Operations by April 1, 2026; (ii) eliminate certain subbasin designations for the interbasin transfer (IBT) certificate process; and (iii) revise the 2020 Farm Act Total Maximum Daily Load (TMDL) transport factor calculation applicability.

CURRENT LAW & BILL ANALYSIS:

Study Water/Wastewater Regionalization

Section 1 of the bill would direct the Environmental Finance Center at the UNC School of Government to study and report on the benefits, costs, and obstacles to regionalization of water and wastewater infrastructure across the State. The report must include legislative recommendations about: (i) regulatory changes that would lead public water and wastewater systems to lead to more informed decision making on financial stability; (ii) the potential of various regionalization measures to address financial instability; and (iii) whether there are any particular public water or wastewater systems in the State that would benefit significantly from regionalization measures.

The Environmental Finance Center would be required to consult with at least the following stakeholders when compiling its report and recommendations: the State Water Infrastructure Authority, the Local Government Commission, the North Carolina League of Municipalities, and the North Carolina Association of County Commissioners.

The Environmental Finance Center would be required to submit its findings and recommendations to the House Oversight Committee, the Senate Committee on Regulatory Reform, and the Joint Legislative Commission on Governmental Operations by April 1, 2026.

Eliminate Subbasin Designations for IBT Process

In 1993, the General Assembly enacted [G.S. 143-215.22L](#) to regulate large surface water transfers between river basins by requiring a certificate from the [Environmental Management Commission](#) (EMC). Generally, a surface water transfer of 2,000,000 gallons of water per day or more requires an IBT certificate. [G.S. 143-215.22G](#) establishes 18 major river basins and 38 subbasins, as designated on the map entitled "Major River Basins and Sub-basins in North Carolina" and filed with the Secretary of State on April 16, 1991. Current law does not distinguish between major basins or subbasins for the purposes of requiring an IBT certificate, and transfers between subbasins within the same major river basin require an IBT certificate.

Section 2 would eliminate the subbasin designations for the Haw River and Deep River basins within the Cape Fear River major river basin, and the Contentnea Creek basin within the Neuse River major river

Kara McCraw
Director



* H 6 9 4 - S M C C - 3 8 E 2 - V - 1 *

Legislative Analysis
Division
919-733-2578

House Bill 694

Page 2

basin, allowing for the transfer of surface water between those subbasins within the same major river basin in any amount without first needing to obtain an IBT certificate from the EMC.

This section would become effective when it becomes law and apply to water withdrawals or transfers initiated on or after that date.

Revise 2020 Farm Act TMDL Transport Factor Calculation Applicability

Section 15 of S.L. 2020-18 ([NC Farm Act of 2019-2020](#)), as amended by Section 14 of S.L. 2023-137 ([Regulatory Reform Act of 2023](#)), provided that nutrient offset credits must be applied to a wastewater permit by applying the TMDL transport factor to the permitted wastewater discharge and to the nutrient offset credits as specified in the 1999 Phase I TMDL. These sections apply only to wastewater discharge permit applications for local governments located in the Neuse River Basin with a customer base of fewer than 15,000 connections.

This section also directed the Department of Environmental Quality to begin modeling necessary to determine new transport zones and delivery factors for the Neuse River Basin for point source discharges and nutrient offset credits. The EMC may use this modeling to adopt rules establishing new transport zones and delivery factors if the model had been validated by at least two qualified professionals.

Section 3 would amend the applicability of the TMDL transport factor provision so that all wastewater discharge permit applications for local governments in the Neuse River Basin would apply the transport factors as specified in the 1999 Phase I TMDL, regardless of the size of the customer base.

This section would also repeal language that made the EMC's authority to use the new watershed modeling for the Neuse River Basin contingent upon having at least two qualified professionals validate the modeling.

EFFECTIVE DATE: Except as otherwise provided, this bill would be effective when it becomes law.

** Kyle Evans, staff attorney with the Legislative Analysis Division, substantially contributed to this summary.*