

**GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2025**

**SESSION LAW 2025-77
HOUSE BILL 694**

AN ACT TO DIRECT THE ENVIRONMENTAL FINANCE CENTER AT THE SCHOOL OF GOVERNMENT AT THE UNIVERSITY OF NORTH CAROLINA AT CHAPEL HILL TO STUDY WATER AND WASTEWATER REGIONALIZATION, TO ELIMINATE CERTAIN SUBBASIN DESIGNATIONS AND REMOVE THE REQUIREMENT FOR AN INTERBASIN TRANSFER CERTIFICATE FOR WATER TRANSFERS BETWEEN THOSE CERTAIN SUBBASINS WITHIN THE SAME MAJOR RIVER BASIN, AND TO REVISE 2020 FARM ACT TMDL TRANSPORT FACTOR CALCULATION APPLICABILITY.

The General Assembly of North Carolina enacts:

STUDY WATER/WASTEWATER REGIONALIZATION

SECTION 1.(a) Legislative Findings. – The General Assembly makes the following findings:

- (1) North Carolina has a significant number of distressed water and wastewater systems, defined as systems that fail to generate sufficient revenues to adequately fund management and operations, personnel, appropriate levels of maintenance, and reinvestment that facilitate the provision of reliable water or wastewater services.
- (2) Significant factors contributing to distressed systems include service populations too small or too geographically dispersed, or the closure of major industrial or commercial customers, which results in systems much larger and more expensive to operate than is needed for the population they serve.
- (3) Competition among local governments to capture large industrial or commercial customers can lead to unnecessary facility duplication and result in short-term decisions that do not reflect a responsible and prudent approach to long-term infrastructure needs.
- (4) North Carolina's funding programs for water and wastewater infrastructure demonstrate preferences for regionalization of water and wastewater infrastructure solutions in order to create or sustain financial viability for systems with significant maintenance or upgrade needs or serving high poverty areas of the State.
- (5) There continue to be information gaps and lack of awareness on the part of local government officials and policymakers of the benefits and obstacles to regionalization and the information these officials and policymakers need to guide local decisions on regionalization and other infrastructure decisions, particularly with regard to economic development and growth-related infrastructure needs, water system efficiency measures, and costs related to the development of new water sources.

SECTION 1.(b) Study. – The Environmental Finance Center at the University of North Carolina at Chapel Hill School of Government (EFC) shall study and report on the benefits, costs, and financial, statutory, or regulatory obstacles to regionalization of water and wastewater



services across the State. In the report, the EFC shall provide recommendations regarding all of the following:

- (1) Legislative or regulatory changes in financial, auditing, or oversight requirements imposed on public water and wastewater systems that will lead to more informed decision making on financial stability of those systems, and the potential of various regionalization measures to address financial instability.
- (2) Particular public water or wastewater systems in the State that would benefit significantly from various regionalization measures.

SECTION 1.(c) Consultation. – In compiling its report and recommendations, the EFC shall consult with the State Water Infrastructure Authority, the Local Government Commission, the North Carolina League of Municipalities, the North Carolina Association of County Commissioners, and any other entity the EFC finds relevant to the issues it is studying.

SECTION 1.(d) Report. – The EFC shall report its findings and recommendations no later than April 1, 2026, to the chairs of the House Oversight Committee, the chairs of the Senate Committee on Regulatory Reform, and the Joint Legislative Commission on Governmental Operations.

SECTION 1.(e) Definitions. – For the purposes of this section, "public water system" has the same meaning as in G.S. 130A-313 and "wastewater system" has the same meaning as in G.S. 159G-20.

ELIMINATE SUBBASIN DESIGNATIONS FOR IBT PROCESS

SECTION 2.(a) Legislative Findings. – The General Assembly makes the following findings with respect to eliminating the Haw River, Deep River, and Contentnea Creek subbasin designations:

- (1) These subbasins serve rapidly growing areas facing urgent water supply and economic development pressures.
- (2) Flexibility in intrabasin transfers within the Neuse and Cape Fear major river basins strengthens drought resilience and supports emergency water management.
- (3) Reducing unnecessary regulatory barriers allows municipalities and utilities in these subbasins to better plan and finance regional water infrastructure, improving affordability for consumers.
- (4) Existing watershed planning and management systems within the Cape Fear River and Neuse River major river basins mitigate potential environmental impacts caused by intrabasin transfers.

SECTION 2.(b) G.S. 143-215.22G reads as rewritten:

"§ 143-215.22G. Definitions.

In addition to the definitions set forth in G.S. 143-212 and G.S. 143-213, the following definitions apply to this Part.

- ...
- (1b) "River basin" means any of the following river basins designated on the map entitled "Major River Basins and Sub-basins in North Carolina" and filed in the Office of the Secretary of State on 16 April 1991. The term "river basin" includes any portion of the river basin that extends into another state. Any area outside North Carolina that is not included in one of the river basins listed in this subdivision comprises a separate river basin.

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|---------------|----------------|------------------------|
| a. | 1-1 | Broad River. |
| b. | 2-1 | Haw River. |
| c. | 2-2 | Deep River. |

d.	2-3	Cape Fear River <u>River, which includes Haw River (2-1) and Deep River (2-2).</u>
e.	2-4	South River.
f.	2-5	Northeast Cape Fear River.
g.	2-6	New River.
h.	3-1	Catawba River.
i.	3-2	South Fork Catawba River.
j.	4-1	Chowan River.
k.	4-2	Meherrin River.
l.	5-1	Nolichucky River.
m.	5-2	French Broad River.
n.	5-3	Pigeon River.
o.	6-1	Hiwassee River.
p.	7-1	Little Tennessee River.
q.	7-2	Tuskasegee (Tuckasegee) River.
r.	8-1	Savannah River.
s.	9-1	Lumber River.
t.	9-2	Big Shoe Heel Creek.
u.	9-3	Waccamaw River.
v.	9-4	Shallotte River.
w.	10-1	Neuse River <u>River, which includes Contentnea Creek (10-2).</u>
x.	10-2	Contentnea Creek.
y.	10-3	Trent River.
z.	11-1	New River.
aa.	12-1	Albemarle Sound.
bb.	13-1	Ocoee River.
cc.	14-1	Roanoke River.
dd.	15-1	Tar River.
ee.	15-2	Fishing Creek.
ff.	15-3	Pamlico River and Sound.
gg.	16-1	Watauga River.
hh.	17-1	White Oak River.
ii.	18-1	Yadkin (Yadkin-Pee Dee) River.
jj.	18-2	South Yadkin River.
kk.	18-3	Uwharrie River.
ll.	18-4	Rocky River.

...."

SECTION 2.(c) This section is effective when it becomes law and applies to water withdrawals or transfers initiated or modified on or after that date.

REVISE 2020 FARM ACT TMDL TRANSPORT FACTOR CALCULATION APPLICABILITY

SECTION 3. Section 15 of S.L. 2020-18, as amended by Section 14 of S.L. 2023-137, reads as rewritten:

"**SECTION 15.(a)** Notwithstanding 15A NCAC 02B .0701 (Nutrient Strategies Definitions), 15A NCAC 02B .0703 (Nutrient Offset Credit Trading), and 15A NCAC 02B .0713 (Neuse Nutrient Strategy: Wastewater Discharge Requirements), nutrient offset credits shall 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.

"**SECTION 15.(b)** Subsection (a) of this section applies only to wastewater discharge permit applications for a local government located in the Neuse River ~~Basin with a customer base of fewer than 15,000 connections.~~Basin.

"**SECTION 15.(c)** The Department of Environmental Quality, in conjunction with affected parties, may begin the modeling necessary to determine new transport zones and delivery factors for the Neuse River Basin for point source discharges and nutrient offset credits. Once the Department has completed the watershed modeling, ~~it shall provide the Environmental Management Commission a list of qualified professionals from which the Commission shall select at least two to validate the modeling. If each of the professionals selected by the Commission validate the model,~~ the Commission may use the modeling and other information provided during the public comment period to adopt new transport zones and delivery factors, if warranted, by rule.

"**SECTION 15.(d)** This section is effective when it becomes law. Subsection (a) of this section shall expire when the rule required by subsection (c) of this section becomes effective."

EFFECTIVE DATE

SECTION 4. Except as otherwise provided, this act is effective when it becomes law.

In the General Assembly read three times and ratified this the 30th day of June, 2025.

s/ Phil Berger
President Pro Tempore of the Senate

s/ Donna McDowell White
Presiding Officer of the House of Representatives

s/ Josh Stein
Governor

Approved 10:04 a.m. this 9th day of July, 2025