



This Bill Analysis reflects the contents of the bill as it was presented in committee.

# HOUSE BILL 718: Study Rates and Transfers/Public Enterprises.

2017-2018 General Assembly

<b>Committee:</b>	House Energy and Public Utilities	<b>Date:</b>	April 25, 2017
<b>Introduced by:</b>	Rep. McGrady	<b>Prepared by:</b>	Jennifer McGinnis
<b>Analysis of:</b>	PCS to First Edition H718-CSST-14		Committee Counsel

**OVERVIEW:** *The Proposed Committee Substitute (PCS) for H718 would require the Legislative Research Commission (LRC) to study matters related to local governments' funding and maintenance of a public enterprise for water and sewer services.*

**CURRENT LAW:** Cities and counties are given authority under the General Statutes to:

- Own and operate public enterprises, which include water supply and distribution systems<sup>1</sup>.
- Finance the cost of public enterprises by levying taxes, borrowing money, and appropriating any other revenues.
- Establish and revise from time to time schedules of rents, rates, fees, charges, and penalties for the use of or the services furnished by any public enterprise. Schedules of rents, rates, fees, charges, and penalties may vary according to classes of service, and different schedules may be adopted for services provided outside the corporate limits of the city.

### BILL ANALYSIS:

The PCS for H718 would set forth the following findings related to local government provision of public enterprise services, particularly water and sewer services:

- A local government's ability to efficiently and effectively provide such services is challenged by that local government opting to use revenues of the public enterprise for purposes other than:
  - Paying the costs of operating the public enterprise.
  - Making debt service payments.
  - Investing in improvements to the infrastructure of that public enterprise.
  - Reimbursing the unit of local government for actual direct services provided to the public enterprise.
- Any excess net revenues should be used to lower rates, advance fund debt service, and fund infrastructure improvements of that public enterprise.

The PCS would direct the LRC to study and make recommendations on all the following matters:

<sup>1</sup> The term "public enterprise" also includes: wastewater collection, treatment, and disposal systems of all types, including septic tank systems or other on-site collection or disposal facilities or systems; solid waste collection and disposal systems and facilities; public transportation systems; and stormwater management programs, among other things.

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- Fee and charge setting by units of local government in the operation of a water or sewer system, including collection rates of those fees and charges.
- Proper accounting controls to ensure transparency in budgeting and accounting for expenditures and interfund transfers of public enterprise services by units of local government.
- Legislation that may be necessary to ensure proper funding of infrastructure maintenance and improvements for the provision of water and sewer services, including whether regionalization could facilitate financially healthy systems with lower fees and charges to customers.
- Legislation that may be necessary to ensure that units of local government monitor aging water and sewer infrastructure to ensure proper maintenance and repair, including how this responsibility impacts the financial health of the public enterprise.

In the conduct of the study, the PCS would require the LRC to:

- Consult with the Local Government Commission, the School of Government, the Department of Environmental Quality, the North Carolina League of Municipalities, the North Carolina County Commissioners Association, and others.
- Make an interim report to the General Assembly prior to its reconvening in 2018, and make a final report to the 2019 General Assembly.

**EFFECTIVE DATE:** This bill would be effective when it becomes law.