



# SENATE BILL 320: Regional Water Systems and State Grants.

2019-2020 General Assembly

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| <b>Committee:</b>     |                   | <b>Date:</b>        | December 11, 2019 |
| <b>Introduced by:</b> | Sen. J. Alexander | <b>Prepared by:</b> | Jennifer McGinnis |
| <b>Analysis of:</b>   | Ratified          |                     | Staff Attorney    |

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**OVERVIEW:** *Senate Bill 320 would amend requirements governing disbursement of water/wastewater infrastructure grants or loans to recipients engaged in regionalization to, in certain circumstances, require a written agreement between a recipient and local government units purchasing treated or untreated water from the recipient, stating the current rates of purchase and any anticipated increases over the term of the agreement, or a resolution approved by the governing board of the purchasing local government unit stating that it waives its option to establish such a written agreement. The bill also establishes a process for the Local Government Commission (LGC) to assist in resolving any disputes between local government units prior to execution of a written agreement. If the parties fail to reach an agreement, the bill would prohibit the Department of Environmental Quality (DEQ) from disbursing any loan or grant to either local government unit until the dispute is resolved to the satisfaction of the LGC.*

*Senate Bill 320 was vetoed by the Governor on August 2, 2019, has not been overridden by the General Assembly, and, therefore, has not become law.*

**CURRENT LAW/BACKGROUND:** Chapter 159G of the General Statutes governs a number of water infrastructure loan and grant funds administered by the Department of Environmental Quality (DEQ) established to meet the water infrastructure needs of the State, including the following:

- The Clean Water State Revolving Fund -- The account receives federal funds for wastewater projects and the State funds required to match the federal funds.
- The Drinking Water State Revolving Fund -- The account receives federal funds for public water systems and the State funds required to match the federal funds.
- The Wastewater Reserve -- The account is established to receive State funds that are to be used for loans and grants for wastewater systems.
- The Drinking Water Reserve -- The account is established to receive State funds that are to be used for loans and grants for public water systems.

Current law requires that the proceeds of a loan or grant must be disbursed to a recipient in a series of payments based on the progress of the project for which the loan or grant was awarded. In addition, in order to obtain a payment, a loan or grant recipient must submit a request for payment to DEQ and document the expenditures for which the payment is requested.

**BILL ANALYSIS:** The bill would require that, prior to any disbursement of a loan or grant to a recipient that is engaged in regionalization or initiating regionalization with the loan or grant, DEQ must ensure that the recipient has one of the following with respect to each local government unit that serves a customer

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base of over 5,000 and that purchases treated or untreated water from the recipient at the time of the loan, or is anticipated to be served within the 30 years following the disbursement of the loan or grant:

- A written agreement approved by the governing board of the recipient and the governing board of the local government unit stating the current rates of purchase and any anticipated increases over the term of the agreement.
- A resolution approved by the governing board of the purchasing local government unit stating the local government unit waives its option to establish such a written agreement.

In addition, the bill provides that in developing such agreements, either local government unit may request that the LGC assist in resolving any disputes between the local government units prior to execution of the written agreement. In such cases, the LGC would be required to assist and provide recommendations within 90 days of the request. If the parties fail to agree, or fail to adopt the recommendations of the LGC upon disagreement between the parties, the bill would prohibit DEQ from disbursing any loan or grant to either local government unit until the dispute is resolved to the satisfaction of the LGC.

The bill provides, however, that these requirements would only apply to disbursements of a loan or grant where the disbursement is for regionalization and the recipient or a beneficiary of the disbursement withdraws water from a reservoir owned by the United States Army Corps of Engineers lying in at least two states with a dam located outside North Carolina.

**EFFECTIVE DATE:** The bill would be effective when it becomes law and apply to disbursements under Chapter 159G of the General Statutes on or after that date.