



HOUSE BILL 344: System Development Fees Update.

2021-2022 General Assembly

Committee:	Senate Agriculture, Energy, and Environment.	Date:	June 8, 2021
	If favorable, re-refer to Finance. If favorable, re-refer to Rules and Operations of the Senate		
Introduced by:	Reps. Arp, Hardister, Hanig, Meyer	Prepared by:	Chris Saunders
Analysis of:	Second Edition		Committee Counsel

OVERVIEW: *House Bill 344 would do the following:*

- *Clarify certain minimum standards incorporated into the generally accepted accounting, engineering, and planning methodologies used to calculate system development fees imposed by local governments for public water and sewer systems.*
- *Provide that the fee also applies to service provided under a wholesale arrangement between a water and sewer authority and a local governmental unit.*

CURRENT LAW: A local governmental unit¹ may impose a system development fee on the owner of a new development within its territorial jurisdiction to fund the cost of water and sewer infrastructure necessitated by the new development, to recoup the costs of existing facilities serving the new development, or a combination of the two. A new development is defined as (1) the subdivision of land; (2) construction, or any change to an existing structure, that causes an increase in the need for service; or (3) any use or extension of the use of land which increases the need for service. The fee may not be assessed on an existing development.

A system development fee must be calculated based upon a written analysis prepared by either a qualified financial professional or professional engineer using either the buy-in, incremental cost, marginal cost, or combined cost methodology that calculates a final system development fee per service unit of new development covering a planning horizon of not less than 10 years nor more than 20 years. The local governmental unit must accept public comment on the written analysis and conduct a public hearing prior to adoption of the system development fee. Fees involving the subdivision of land are collected either at the time of plat recording or when the local government unit commits to providing water and sewer service; fees for any other type of development are collected at the time of service connection. A local governmental unit must update the system development fee analysis at least every five years.

BILL ANALYSIS:

Section 1 of House Bill 344 would clarify two things:

¹ For purposes of this fee, local governmental units are counties, cities, sanitary districts, water and sewer authorities, metropolitan water districts, metropolitan sewerage districts, metropolitan water and sewerage districts, and county water and sewer districts.

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- That for purposes of assessing a system development fee, the term "facility" is limited to a facility that provides a general benefit to the area that it serves and would not extend, for example, to infrastructure that is unrelated to or not required for making the water and sewer services available in the area. This would include facilities for the reuse or reclamation of water and any land associated with the facility.
- That the type of water and sewer service for which a system development fee may be assessed would include service provided pursuant to a wholesale arrangement between a water and sewer authority organized under Article 1 of Chapter 162A of the General Statutes and a local governmental unit.

Section 2 would require that the written analysis that serves as the basis for calculating a system development fee incorporate the gallons per day per service unit that the local governmental unit applies to its water or sewer system engineering or planning purposes for water or sewer. In other words, the amount of gallons per day per service unit that is used to determine the system's capacity must be the same amount used for purposes of establishing the fee.

Section 3 would make a technical change by deleting the phrase "water and sewer." The phrase is unnecessary because it is incorporated into the term "capital improvements" via the term "facility."

EFFECTIVE DATE: This act would become effective when it becomes law.

Trina Griffin, counsel to the House Finance Committee, substantially contributed to this summary.