

GENERAL ASSEMBLY OF NORTH CAROLINA  
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SENATE BILL DRS45404-MHa-172

Short Title: Water/Wastewater Public Enterprise Reform. (Public)

Sponsors: Senators Brown, Harrington, and B. Jackson (Primary Sponsors).

Referred to:

1 A BILL TO BE ENTITLED  
2 AN ACT TO IMPROVE VIABILITY OF THE WATER AND WASTEWATER SYSTEMS OF  
3 CERTAIN UNITS OF LOCAL GOVERNMENT BY REQUIRING LOCAL  
4 GOVERNMENT COMMISSION APPROVAL OF GRANT APPLICATIONS; TO  
5 REQUIRE CERTAIN WATER AND WASTEWATER SYSTEMS TO UNDERGO A  
6 REVIEW OF INFRASTRUCTURE MANAGEMENT, ORGANIZATIONAL  
7 MANAGEMENT, AND FINANCIAL MANAGEMENT; TO CREATE THE VIABLE  
8 UTILITY RESERVE TO PROVIDE GRANT MONEY FOR LOCAL GOVERNMENT  
9 UNITS; TO PROVIDE A STATUTORY PROCESS FOR MERGER AND DISSOLUTION  
10 OF WATER AND WASTEWATER SYSTEMS ESTABLISHED UNDER CHAPTER  
11 162A OF THE GENERAL STATUTES; TO PROMOTE THE IMPORTANCE OF  
12 INTERLOCAL AGREEMENTS TO THE OPERATION OF WATER AND  
13 WASTEWATER SYSTEMS; AND TO STUDY SUBBASIN TRANSFERS AND  
14 HISTORICAL CHARTERS.

15 The General Assembly of North Carolina enacts:

16  
17 **PART I. REFORM OF WATER AND WASTEWATER PUBLIC ENTERPRISES**

18 **SECTION 1.(a)** G.S. 159G-20 reads as rewritten:

19 **"§ 159G-20. Definitions.**

20 The following definitions apply in this Chapter:

21 ...

22 (4a) Distressed unit. – A public water system or wastewater system operated by a  
23 local government unit exhibiting signs of failure to identify or address those  
24 financial or operating needs necessary to enable that system to become or to  
25 remain a local government unit generating sufficient revenues to adequately  
26 fund management and operations, personnel, appropriate levels of  
27 maintenance, and reinvestment that facilitate the provision of reliable water  
28 or wastewater services.

29 ...

30 (13) Local government unit. – Any of the following:

- 31 a. A city as defined in G.S. 160A-1.  
32 b. A county.  
33 c. A consolidated city-county as defined in G.S. 160B-2.  
34 d. ~~A county water and sewer district created pursuant to Article 6 of~~  
35 ~~Chapter 162A of the General Statutes.~~Any of the following entities  
36 created pursuant to Chapter 162A of the General Statutes:



\* D R S 4 5 4 0 4 - M H A - 1 7 2 \*

- 1                                   1.     A water and sewer authority created pursuant to Article 1.
- 2                                   2.     A metropolitan water district created pursuant to Article 4.
- 3                                   3.     A metropolitan sewerage district created pursuant to Article 5.
- 4                                   4.     A metropolitan water and sewerage district created pursuant to
- 5   Article 5A.
- 6                                   5.     A county water and sewer district created pursuant to Article
- 7   6.
- 8                                   e.     ~~A metropolitan sewerage district or a metropolitan water district~~
- 9   ~~created pursuant to Article 4 of Chapter 162A of the General Statutes.~~
- 10                                  f.     ~~A water and sewer authority created under Article 1 of Chapter 162A~~
- 11   ~~of the General Statutes.~~
- 12                                  g.     A sanitary district created pursuant to Part 2 of Article 2 of Chapter
- 13   130A of the General Statutes.
- 14                                  h.     A joint agency created pursuant to Part 1 or Part 5 of Article 20 of
- 15   Chapter 160A of the General Statutes.
- 16                                  i.     A joint agency that was created by agreement between two cities and
- 17   towns to operate an airport pursuant to G.S. 63-56 and that provided
- 18   drinking water and wastewater services off the airport premises before
- 19   1 January 1995.

20                                   ...

21                                  (22a) Viable Utility Reserve. – The Viable Utility Reserve established in

22   G.S. 159G-22 as an account in the Water Infrastructure Fund.

23                                   ...."

24                                  **SECTION 1.(b)** G.S. 159G-22 is amended by adding two new subsections to read:

25                                  "(h) Viable Utility Reserve. – The Viable Utility Reserve is established as an account

26   within the Water Infrastructure Fund. The account is established to receive appropriated State

27   funds to be used for grants to local government units for those purposes authorized under this

28   Article. Revenue credited to the Viable Utility Reserve is neither received from the federal

29   government nor provided as a match for federal funds.

30                                  (i) Viable Utility Accounts. – The Department is directed to establish accounts within

31   the Viable Utility Reserve to administer grants for public water systems or wastewater systems

32   owned by local government units."

33                                  **SECTION 1.(c)** G.S. 159G-30 reads as rewritten:

34                                  "**§ 159G-30. Department's responsibility.**

35   The Department, through the ~~Division of Water Infrastructure,~~ Division, administers ~~loans~~

36   the following:

- 37                                   (1)   Loans and grants made from the CWSRF, the DWSRF, the Wastewater
- 38   Reserve, and the Drinking Water Reserve and shall administer the Reserve.
- 39                                   (2)   The award of funds by the ~~State Water Infrastructure~~ Authority from the
- 40   Community Development Block Grant program to local government units for
- 41   infrastructure projects.
- 42                                   (3)   Grants made from the Viable Utility Reserve."

43                                  **SECTION 1.(d)** G.S. 159G-31 is amended by adding a new subsection to read:

44                                  "(d) A local government unit is eligible to apply for a grant from the Viable Utility

45   Reserve."

46                                  **SECTION 1.(e)** G.S. 159G-32 is amended by adding a new subsection to read:

47                                  "(d) Viable Utility Reserve. – The Department is authorized to make grants from the

48   Viable Utility Reserve to do any of the following:

- 49                                   (1)   Provide physical interconnection and extension of public water or wastewater
- 50   infrastructure to provide regional service.
- 51                                   (2)   Rehabilitate existing public water or wastewater infrastructure.

- 1           (3)    Decentralize an existing public water system or wastewater system into  
2            smaller viable parts.
- 3           (4)    Fund a study of any one or more of the following:  
4            a.     Rates.  
5            b.     Asset inventory and assessment.  
6            c.     Merger and regionalization options.
- 7           (5)    Fund other options deemed feasible which result in local government units  
8            generating sufficient revenues to adequately fund management and  
9            operations, personnel, appropriate levels of maintenance, and reinvestment  
10           that facilitate the provision of reliable water or wastewater services."

11           **SECTION 1.(f)** Article 2 of Chapter 159G of the General Statutes is amended by  
12 adding a new section to read:

13           "**§ 159G-34.5. Grant types available from Viable Utility Reserve.**

14           (a)    The Department is authorized to make the following types of grants from the Viable  
15           Utility Reserve:

- 16           (1)    Asset assessment and rate study grant. – An asset inventory and assessment  
17            grant is available to inventory the existing public water or wastewater system,  
18            or both, document the condition of the inventoried infrastructure, and conduct  
19            a rate study to determine a rate structure sufficient to prevent the local  
20            government unit from becoming a distressed unit.
- 21           (2)    Merger/regionalization feasibility grant. – A merger/regionalization grant is  
22            available to determine the feasibility of consolidating the management of  
23            multiple water or wastewater systems into a single operation or to provide  
24            regional treatment or water supply and the best way of carrying out the  
25            consolidation or regionalization. The Department shall not make a grant under  
26            this subdivision for a merger or regionalization proposal that would result in  
27            a new surface water transfer regulated under G.S. 143-215.22L.
- 28           (3)    Project grant. – A project grant is available for a portion of the costs of a public  
29            water system or wastewater system project as defined in G.S. 159G-32(d).

30           (b)    A grant awarded from the Viable Utility Reserve may be awarded to a regional  
31            council of government created under Part 2 of Article 20 of Chapter 160A of the General Statutes  
32            or to a regional planning commission created under Article 19 of Chapter 153A of the General  
33            Statutes, if the Department and the Local Government Commission determine it is in the best  
34            interest of the local government unit.

35           (c)    Each type of grant must be administered through a separate account within the Viable  
36            Utility Reserve."

37           **SECTION 1.(g)** G.S. 159G-35 reads as rewritten:

38           "**§ 159G-35. Criteria for loans and grants.**

39           (a)    CWSRF and DWSRF. – Federal law determines the criteria for awarding a loan or  
40 grant from the CWSRF or the DWSRF. An award of a loan or grant from one of these accounts  
41 must meet the criteria set under federal law. The Department is directed to establish through  
42 negotiation with the United States Environmental Protection Agency the criteria for evaluating  
43 applications for loans and grants from the CWSRF and the DWSRF and the priority assigned to  
44 the criteria. The Department must incorporate the negotiated criteria and priorities in the  
45 Capitalization Grant Operating Agreement between the Department and the United States  
46 Environmental Protection Agency. The criteria and priorities incorporated in the Agreement  
47 apply to a loan or grant from the CWSRF or the DWSRF. The priority considerations in  
48 G.S. 159G-23 do not apply to a loan or grant from the CWSRF or the DWSRF.

49           (b)    Certain Reserves. – The priority considerations in G.S. 159G-23 apply to a loan or  
50 grant from the Wastewater Reserve or the Drinking Water Reserve. The Department may

1 establish by rule other criteria that apply to a loan or grant from the Wastewater Reserve or the  
2 Drinking Water Reserve.

3 (c) Viable Utility Reserve. – The Local Government Commission and the Authority shall  
4 jointly develop evaluation criteria for grants from the Viable Utility Reserve. These evaluation  
5 criteria shall be used to review applications and award grants as provided in G.S. 159G-39."

6 **SECTION 1.(h)** G.S. 159G-36 reads as rewritten:

7 "**§ 159G-36. Limits on loans and grants.**

8 (a) CWSRF and DWSRF. – Federal law governs loans and grants from the CWSRF and  
9 the DWSRF. An award of a loan or grant from one of these accounts must be consistent with  
10 federal law.

11 (b) Certain Reserve Cost Limit. – The amount of a loan or grant from the Wastewater  
12 Reserve or the Drinking Water Reserve may not exceed the construction costs of a project. A  
13 loan or grant from one of these Reserves is available only to the extent that other funding sources  
14 are not reasonably available to the applicant.

15 (b1) Viable Utility Reserve Cost Limit. – The amount of a grant from the Viable Utility  
16 Reserve shall not exceed the construction costs of a project. A grant from this Reserve is available  
17 only to the extent that other funding sources are not reasonably available to the applicant.

18 (c) Certain Reserve Recipient Limit. – The following limits apply to the loan or grant  
19 types made from the Wastewater Reserve or the Drinking Water Reserve to the same local  
20 government unit or nonprofit water corporation:

21 (1) The amount of loans awarded for a fiscal year may not exceed three million  
22 dollars (\$3,000,000).

23 (2) The amount of loans awarded for three consecutive fiscal years for targeted  
24 interest rate projects may not exceed three million dollars (\$3,000,000).

25 (3) The amount of project grants awarded for three consecutive fiscal years may  
26 not exceed three million dollars (\$3,000,000).

27 (4) The amount of merger/regionalization feasibility grants awarded for three  
28 consecutive fiscal years may not exceed fifty thousand dollars (\$50,000).

29 (5) The amount of asset inventory and assessment grants awarded for three  
30 consecutive fiscal years may not exceed one hundred fifty thousand dollars  
31 (\$150,000).

32 (d) Viable Utility Reserve Recipient Limit. – Grants under the Viable Utility Reserve  
33 shall not exceed fifteen million dollars (\$15,000,000) to any single local government unit. Where  
34 two or more local government units are merging into a single utility, the total grant awarded shall  
35 not exceed thirty million dollars (\$30,000,000)."

36 **SECTION 1.(i)** G.S. 159G-37 reads as rewritten:

37 "**§ 159G-37. Application to CWSRF, Wastewater Reserve, DWSRF, ~~and Drinking Water~~**  
38 **Reserve, Reserve, and Viable Utility Reserve.**

39 (a) Application. – An application for a loan or grant from the CWSRF, the Wastewater  
40 Reserve, the DWSRF, or the Drinking Water ~~Reserve~~ Reserve, or a grant from the Viable Utility  
41 Reserve, must be filed with the ~~Division of Water Infrastructure of the Department~~ Division. An  
42 application must be submitted on a form prescribed by the Division and must contain the  
43 information required by the Division. An applicant must submit to the Division any additional  
44 information requested by the Division to enable the Division to make a determination on the  
45 application. An application that does not contain information required on the application or  
46 requested by the Division is incomplete and is not eligible for consideration. An applicant may  
47 submit an application in as many categories as it is eligible for consideration under this Article.

48 (b) Certification. – ~~The Division of Water Infrastructure~~ shall require all local  
49 governments applying for loans or grants for water or wastewater purposes to certify that no  
50 funds received from water or wastewater utility operations have been transferred to the local  
51 government's general fund for the purpose of supplementing the resources of the general fund.

1 The prohibition in this section shall not be interpreted to include payments made to the local  
2 government to reimburse the general fund for expenses paid from that fund that are reasonably  
3 allocable to the regular and ongoing operations of the utility, including, but not limited to, rent  
4 and shared facility costs, engineering and design work, plan review, and shared personnel costs."

5 **SECTION 1.(j)** G.S. 159G-39 is amended by adding a new subsection to read:

6 "(e) Viable Utility Reserve Terms. – The Department shall not award a grant from the  
7 Viable Utility Reserve Fund unless the Local Government Commission approves the award of  
8 the grant and the terms of the grant. The Department and the Local Government Commission  
9 may, in their discretion, impose specific performance measures or conditions on any grant  
10 awarded from the Viable Utility Reserve."

11 **SECTION 1.(k)** Article 2 of Chapter 159G of the General Statutes is amended by  
12 adding a new section to read:

13 **"§ 159G-45. Assessment of local government units; assistance.**

14 (a) The Authority and the Local Government Commission shall develop criteria to  
15 determine how local government units should be assessed and reviewed in accordance with this  
16 section, and these criteria shall address at least all of the following:

- 17 (1) Whether the public water or wastewater system serves less than 10,000  
18 customers.
- 19 (2) Whether the public water or wastewater system has an established,  
20 operational, and adequately funded program for its repair, maintenance, and  
21 management.
- 22 (3) Whether the annual debt service is disproportionate to the public water or  
23 wastewater system's annual revenue.
- 24 (4) Whether the local government unit has appropriated funds from its utility or  
25 public service enterprise fund in accordance with G.S. 159-13(b)(14) in two  
26 or more of the preceding five fiscal years without maintaining a reserve fund  
27 sufficient to provide for operating expenses, capital outlay, and debt service.
- 28 (5) Whether the local government unit has appropriated funds to supplement the  
29 operating expenses, capital outlay, or debt service on outstanding utility or  
30 enterprise bonds or notes in excess of the user fees collected in two or more  
31 of the preceding five fiscal years.

32 (b) Utilizing the assessment and review process, the Authority and Local Government  
33 Commission shall identify distressed units. Each distressed unit identified under this subsection  
34 shall do all of the following:

- 35 (1) Conduct an asset assessment and rate study, as directed and approved by the  
36 Authority and the Local Government Commission.
- 37 (2) Participate in a training and educational program approved by the Authority  
38 and the Local Government Commission for that distressed unit. Attendance  
39 shall be mandatory for any governing board members and staff whose  
40 participation is required by the Authority and Local Government Commission.  
41 The scope of training and education, and its method of delivery, shall be at the  
42 discretion of the Authority and Local Government Commission.
- 43 (3) Develop an action plan, taking into consideration all of the following:
  - 44 a. A short-term and a long-term plan for infrastructure repair,  
45 maintenance, and management.
  - 46 b. Continuing education of the governing board and system operating  
47 staff.
  - 48 c. Long-term financial management to ensure the public water system or  
49 wastewater system will generate sufficient revenue to adequately fund  
50 management and operations, personnel, appropriate levels of

1 maintenance, and reinvestment that facilitate the provision of reliable  
2 water or wastewater services.

3 d. Any other matters identified by the Authority or the Local Government  
4 Commission.

5 (c) Once an identified distressed unit has completed all of the requirements of subsection  
6 (b) of this section, that unit shall no longer be identified as a distressed unit for the remainder of  
7 that assessment and review cycle.

8 (d) The Authority and the Local Government Commission shall establish the frequency  
9 of the cycle for assessment and review of local government units under this section, which shall  
10 be no less than every two years."

11 **SECTION 2.** Chapter 162A of the General Statutes is amended by adding a new  
12 Article to read:

13 "Article 10.

14 "Dissolution and Merger of Units.

15 **"§ 162A-850. "Unit" defined.**

16 For purposes of this Article, the term "unit" means any of the following entities created  
17 pursuant to this Chapter:

18 (1) A water and sewer authority created pursuant to Article 1.

19 (2) A metropolitan water district created pursuant to Article 4.

20 (3) A metropolitan sewerage district created pursuant to Article 5.

21 (4) A metropolitan water and sewerage district created pursuant to Article 5A.

22 (5) A county water and sewer district created pursuant to Article 6.

23 **"§ 162A-855. Information needed to merge or dissolve.**

24 (a) Prior to any action by the Environmental Management Commission under this  
25 Article, for any unit to merge or dissolve, all of the following information must be supplied to  
26 the Environmental Management Commission:

27 (1) The name of the unit or units to be merged or dissolved.

28 (2) The names of the district board members of the unit or units to be merged or  
29 dissolved.

30 (3) The proposed date of the merger or dissolution.

31 (4) A map or description of the jurisdiction of the unit or units to be merged or  
32 dissolved.

33 (5) The name of the entity with whom the unit or units will be merged, if  
34 applicable.

35 (6) The names of the governing board members or district board members of the  
36 entity with which the unit is proposed to be merged, if applicable.

37 (7) A map or description of the jurisdiction of the entity with which the unit is  
38 proposed to be merged.

39 (8) Resolutions adopted by each district board or governing board requesting the  
40 merger or dissolution.

41 (9) A request from each chair of a district board requesting a merger or dissolution  
42 that a representative of the Environmental Management Commission hold a  
43 public hearing in that district to discuss the proposed merger or dissolution  
44 and to receive public comment. The date, time, and place of the public hearing  
45 shall be mutually agreed to by the chair of the Environmental Management  
46 Commission and the chair of each requesting district board.

47 (10) A copy of the most recent audit performed in accordance with G.S. 159-34 for  
48 the unit to be merged or dissolved.

49 (11) A copy of any permits issued by the Department of Environmental Quality to  
50 the unit or units to be merged or dissolved.

- 1           (12) A copy of any grant awarded under Article 2 of this Chapter involving the unit  
2           or units to be merged or dissolved and any conditions thereof, if applicable.  
3           (13) Any other information deemed necessary by the Department of Environmental  
4           Quality, the Local Government Commission, or the Environmental  
5           Management Commission.

6           (b) Upon receipt of a request to dissolve or merge, the Environmental Management  
7           Commission shall provide a copy of all information submitted in accordance with this section to  
8           the Department of Environmental Quality and the Local Government Commission.

9           (c) Upon confirmation of the time and place of the public hearing, each district board of  
10           an affected unit and any other governing board affected shall do all of the following:

- 11           (1) Cause notice of the public hearing to be posted, at least 30 days prior to the  
12           hearing, at the courthouse in any county within which the affected unit lies.  
13           (2) Publish the notice at least once a week for four successive weeks in a  
14           newspaper having general circulation in the affected unit, the first publication  
15           to be at least 30 days prior to the public hearing.  
16           (3) Publish notice in any other manner required by the Environmental  
17           Management Commission.

18           **§ 162A-860. Merger of units.**

19           (a) Any unit may merge with any other unit, any county, any city, any consolidated  
20           city-county, any sanitary district created pursuant to Part 2 of Article 2 of Chapter 130A of the  
21           General Statutes, any joint agency created pursuant to Part 1 or Part 5 of Article 20 of Chapter  
22           160A of the General Statutes, or any joint agency that was created by agreement between two  
23           cities and towns to operate an airport pursuant to G.S. 63-56 and that provided drinking water  
24           and wastewater services off the airport premises before January 1, 1995, if the merger is a  
25           condition of receiving a grant from the Viable Utility Reserve as provided in Article 2 of Chapter  
26           159G of the General Statutes. The Environmental Management Commission shall adopt a  
27           resolution transferring the assets, liabilities, and other obligations to the entity with which the  
28           unit is being merged and dissolving the unit as provided for in this Article.

29           (b) Any unit may merge with any other unit, any county, any city, any consolidated  
30           city-county, any sanitary district created pursuant to Part 2 of Article 2 of Chapter 130A of the  
31           General Statutes, any joint agency created pursuant to Part 1 or Part 5 of Article 20 of Chapter  
32           160A of the General Statutes, or any joint agency that was created by agreement between two  
33           cities and towns to operate an airport pursuant to G.S. 63-56 and that provided drinking water  
34           and wastewater services off the airport premises before January 1, 1995, on approval by the  
35           Environmental Management Commission, upon consultation with the Department of  
36           Environmental Quality and the Local Government Commission. The Environmental  
37           Management Commission may adopt a resolution transferring the assets, liabilities, and other  
38           obligations to the entity with which the unit is being merged and dissolving the unit as provided  
39           for in this Article, if the Environmental Management Commission deems the merger in the best  
40           interest of the people of the State.

41           (c) The Environmental Management Commission shall adopt a resolution dissolving a  
42           unit and transferring the assets, liabilities, and other obligations of the unit to another unit when  
43           the procedures set forth in G.S. 162A-855 have been completed and all of the following apply:

- 44           (1) Both units are created pursuant to Article 5 of this Chapter.  
45           (2) Both units are located in the same county.  
46           (3) The jurisdiction of the units is contiguous.  
47           (4) The unit to be merged and dissolved does not directly provide sewerage  
48           services to any customers.  
49           (5) The unit to be merged and dissolved leases its assets to the unit with which it  
50           is proposed to be merged.  
51           (6) The unit to be merged and dissolved has no outstanding debts.

**"§ 162A-865. Dissolution of units.**

(a) Any unit may be dissolved if the dissolution is a condition of a grant from the Viable Utility Reserve as provided in Article 2 of Chapter 159G of the General Statutes. The Environmental Management Commission shall adopt a resolution transferring the assets, liabilities, and other obligations as provided for in the grant conditions imposed under Article 2 of Chapter 159G of the General Statutes.

(b) Any unit may be dissolved in order to merge that unit with any other unit, any county, any city, any consolidated city-county, any sanitary district created pursuant to Part 2 of Article 2 of Chapter 130A of the General Statutes, any joint agency created pursuant to Part 1 or Part 5 of Article 20 of Chapter 160A of the General Statutes, or any joint agency that was created by agreement between two cities and towns to operate an airport pursuant to G.S. 63-56 and that provided drinking water and wastewater services off the airport premises before January 1, 1995, and establish a new entity created under the General Statutes, on approval by the Environmental Management Commission, upon consultation with the Department of Environmental Quality and the Local Government Commission. The Environmental Management Commission may adopt a resolution transferring the assets, liabilities, and other obligations to the new entity and dissolving the unit as provided for in this Article, if the Environmental Management Commission deems the merger in the best interest of the people of the State.

**"§ 162A-870. Effective date of merger or dissolution.**

Upon the adoption of a resolution of merger or dissolution by the Environmental Management Commission as provided in this Article, the effective date for merger and dissolution shall be fixed as of June 30 following the adoption of the resolution or the second June 30 following the adoption of the resolution.

**"§ 162A-875. Effect of merger or dissolution.**

(a) Upon adoption of the resolution of merger or dissolution by the Environmental Management Commission, all of the following shall apply on the effective date set forth in the resolution:

- (1) All property, real, personal, and mixed, including accounts receivable, belonging to the dissolving unit shall be transferred, disposed of, or otherwise accounted for as provided in the resolution of merger or dissolution.
- (2) All judgments, liens, rights of liens, and causes of action of any nature in favor of the dissolving unit shall vest in and remain and inure to the benefit of the merged district.
- (3) All taxes, assessments, sewer charges, and any other debts, charges, or fees owing to the dissolving unit shall be owed to and collected as provided in the resolution of merger or dissolution.
- (4) All actions, suits, and proceedings pending against, or having been instituted by, the dissolving unit shall not be abated by merger, but all such actions, suits, and proceedings shall be continued and completed in the same manner as if merger had not occurred, and the merged entity shall be a party to all such actions, suits, and proceedings in the place and stead of the dissolving unit and shall pay or cause to be paid any judgments rendered against the dissolving unit in any such actions, suits, or proceedings. No new process is required to be served in any such action, suit, or proceeding.
- (5) All obligations of the dissolving unit, including outstanding indebtedness, shall be assumed as provided in the resolution of merger or dissolution, and all such obligations and outstanding indebtedness shall constitute obligations and indebtedness as provided in the resolution of merger or dissolution.
- (6) All ordinances, rules, regulations, and policies of the dissolving unit shall continue in full force and effect until repealed or amended by the governing body of the merged entity.



1           (7)    The dissolving unit shall be abolished and shall no longer be constituted a  
2           public body or a body politic and corporate, except for purposes of carrying  
3           into effect the provisions and intent of this section.

4           (8)    Governance of the district shall be as specified in the resolution of merger or  
5           dissolution, which may be amended by the Environmental Management  
6           Commission, as needed.

7           (b)    All governing boards and district boards are authorized to take the actions and execute  
8           the documents necessary to effectuate the provisions and intent of this section."

9           **SECTION 3.** Article 20 of Chapter 160A of the General Statutes is amended by  
10          adding a new Part to read:

11                                   "Part 5. Water and Wastewater Systems.

12          "**§ 160A-481.1. Definitions.**

13           The words defined in this section shall have the meanings indicated when used in this Part:

14           (1)    Local government unit. – Defined in G.S. 159G-20.

15           (2)    Undertaking. – Defined in G.S. 160A-460.

16           (3)    Unit of local government. – Defined in G.S. 160A-460.

17          "**§ 160A-481.2. Interlocal cooperation authorized.**

18           Interlocal cooperation, as provided in Part 1 of this Article, is authorized between any local  
19           government unit and any other unit of local government in this State for any purpose. When two  
20           or more local government units agree to contract for one or more undertakings under this Part,  
21           the provisions of Part 1 of this Article apply."

22          **SECTION 4.** The Department of Environmental Quality shall study the statutes and  
23          rules governing subbasin transfers and make recommendations as to whether the statutes and  
24          rules should be amended. The study shall specifically examine whether transfers of water  
25          between subbasins within the same major river basin should continue to be required to comply  
26          with all of the same requirements under G.S. 143-215.22L as transfers of water between major  
27          river basins. In conducting this study, the Department shall consider whether the costs of  
28          complying with specific requirements, including financial costs and time, are justified by the  
29          benefits of the requirements, including the production of useful information and public notice  
30          and involvement. No later than October 1, 2020, the Department of Environmental Quality shall  
31          report its findings and recommendations to the Environmental Review Commission.

32          **SECTION 5.** The Department of State Treasurer shall study and make  
33          recommendations as to the feasibility of authorizing historical charters for units of local  
34          government that have become, or are on the brink of becoming, defunct. The study shall  
35          specifically examine whether these historical charters are needed, the impact of these charters on  
36          the bond rating of the State and its political subdivisions, and the consequences of these historical  
37          charters. No later than December 1, 2020, the Department of State Treasurer shall report its  
38          findings and recommendations to the General Assembly.

39          **SECTION 6.** If Senate Bill 553, 2019 Regular Session, becomes law, then Section  
40          14 of that act is repealed.

41  
42          **PART II. FUNDING**

43          **SECTION 7.** There is appropriated from the General Fund to the Department of  
44          Environmental Quality sufficient funds on a recurring basis for the 2020-2021 fiscal year for the  
45          Viable Utility Reserve established by this act.

46  
47          **PART III. GENERAL PROVISIONS**

48  
49          **STATE BUDGET ACT APPLIES**

1           **SECTION 8.** The provisions of the State Budget Act, Chapter 143C of the General  
2 Statutes, are reenacted and shall remain in full force and effect and are incorporated in this act  
3 by reference.  
4

5 **ADDITIONAL LIMITATIONS AND DIRECTIONS**

6           **SECTION 9.** Except where expressly repealed or amended by this act, the provisions  
7 of any other legislation enacted during the 2019 Regular Session of the General Assembly  
8 expressly appropriating funds to an agency, a department, or an institution covered under this  
9 act, shall remain in effect.  
10

11 **PART IV. EFFECTIVE DATE**

12           **SECTION 10.** Sections 1 through 3 of this act become effective October 1, 2020.  
13 Sections 7 through 9 of this act become effective July 1, 2020. The remainder of this act is  
14 effective when it becomes law.