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Short Title: Rural Infrastructure Bonds.

(Public)

Sponsors:

Referred to:

May 27, 1998

A BILL TO BE ENTITLED

AN ACT TO AUTHORIZE THE ISSUANCE OF GENERAL OBLIGATION BONDS OF THE STATE, SUBJECT TO A VOTE OF THE QUALIFIED VOTERS OF THE STATE, TO ADDRESS STATEWIDE RURAL INFRASTRUCTURE NEEDS BY PROVIDING FUNDS (1) FOR GRANTS AND LOANS TO LOCAL GOVERNMENT UNITS FOR WATER SUPPLY SYSTEMS, WASTEWATER COLLECTION SYSTEMS, WASTEWATER TREATMENT WORKS, AND WATER CONSERVATION AND WATER REUSE PROJECTS AND (2) FOR GRANTS, LOANS, OR OTHER FINANCING TO PUBLIC OR PRIVATE ENTITIES FOR CONSTRUCTION OF NATURAL GAS FACILITIES.

The General Assembly of North Carolina enacts:

Section 1. Short title. This act shall be known as the "Rural Infrastructure Bond Act of 1998".

Section 2. Purpose. It is the intent of the General Assembly by this act to provide for the issuance of general obligation bonds of the State and to provide that the proceeds realized from the sale of the bonds shall be allocated as follows:

(a) Clean Water Bonds.

(1) \$465,000,000 to provide State matching funds required to receive federal wastewater or water supply assistance funds and to provide additional funding for the Clean Water Revolving Loan and Grant

Fund established in Chapter 159G of the General Statutes or to provide funding by grants to local government units for wastewater treatment and water supply and distribution needs;

- (2) \$320,000,000 to provide loans to local government units to finance all or a portion of the cost of construction, improvements, enlargements, extensions, and reconstruction of water supply and distribution systems, wastewater collection systems, wastewater treatment works, water conservation projects, and water reuse projects.

The funds to be derived from the sale of the Clean Water Bonds authorized by this act are sufficient to meet no more than a fraction of the needs that now exist and will arise in the immediate future. For this reason, although public necessity, the criteria established by Chapter 159G of the General Statutes, and the guidelines established by the United States Environmental Protection Agency Hardship Grants Program shall be the primary consideration in granting and loaning funds, great emphasis shall also be placed on the creation of efficient systems of regional wastewater disposal and regional water supply, on the willingness and ability of local government units to meet their responsibilities through sound fiscal policies, creative planning, and efficient operation and management, and on having a capital improvement plan.

(b) Natural Gas Bonds.

\$215,000,000 to provide grants, loans, or other financing to natural gas local distribution companies, persons seeking natural gas distribution franchises, State or local government agencies, or other entities for construction of natural gas facilities.

Section 3. Definitions. As used in this act, unless the context otherwise requires:

- (1) " Bond rating" means the numerical rating of a unit of local government developed by the NCMC. The rating formula is based on 100 being a theoretically "perfect" unit of local government and is an assessment of the creditworthiness of the unit. Units of local government with a rating below 75 or with no ratings have limited, if any, access to the private markets for financing water and sewer or other debt.
- (2) " Bonds" means bonds issued under this act.
- (3) " Capacity grant" means a grant awarded by the Rural Economic Development Center to a local government unit to pay all or a portion of the cost associated with the planning and writing of a grant or loan application, a capital improvement plan, or other efforts that support growth and development of rural areas.
- (4) " Capital improvement plan" means a report that identifies water and sewer infrastructure and capital needs that address planned and strategic growth. It shall include an assessment of current water and

1 wastewater systems and a projection of those infrastructure needs over
2 a 20-year horizon. The report shall take into consideration government
3 mandates, usefulness of the improvements to the community and the
4 effect on both short and long-term operation and maintenance of the
5 scheduled improvements and identifies alternatives for meeting the
6 identified need including regionalization, consolidation and system
7 mergers, water reuse and conservation.

8 (5) " Clean Water Revolving Loan and Grant Act" means Chapter 796 of
9 the 1987 Session Laws, as amended from time to time, codified as
10 Chapter 159G of the General Statutes.

11 (6) " Clean Water Revolving Loan and Grant Fund" means the Clean
12 Water Revolving Loan and Grant Fund as defined in the Clean Water
13 Revolving Loan and Grant Act.

14 (7) " Cost" means, without intending thereby to limit or restrict any proper
15 definition of this term in financing the cost of facilities or purposes
16 authorized by this act:

17 a. The cost of constructing, reconstructing, enlarging, acquiring,
18 and improving facilities, and acquiring equipment and land
19 therefor,

20 b. The cost of engineering, architectural, and other consulting
21 services as may be required,

22 c. Administrative expenses and charges,

23 d. Finance charges and interest prior to and during construction
24 and, if deemed advisable by the State Treasurer, for a period not
25 exceeding two years after the estimated date of completion of
26 construction,

27 e. The cost of bond insurance, investment contracts, credit
28 enhancement and liquidity facilities, interest-rate swap
29 agreements or other derivative products, financial and legal
30 consultants, and related costs of bond and note issuance, to the
31 extent and as determined by the State Treasurer,

32 f. The cost of reimbursing the State for any payments made for
33 any cost described above, and

34 g. Any other costs and expenses necessary or incidental to the
35 purposes of this act.

36 Allocations in this act of proceeds of bonds to the costs of a project or
37 undertaking in each case may include allocations to pay the costs set
38 forth in items c., d., e., f., and g. in connection with the issuance of
39 bonds for the project or undertaking.

40 (8) " Credit facility" means an agreement entered into by the State
41 Treasurer on behalf of the State with a bank, savings and loan
42 association, or other banking institution, an insurance company,
43 reinsurance company, surety company, or other insurance institution, a
44 corporation, investment banking firm, or other investment institution,

1 or any financial institution or other similar provider of a credit facility,
2 which provider may be located within or without the United States of
3 America, such agreement providing for prompt payment of all or any
4 part of the principal or purchase price (whether at maturity,
5 presentment or tender for purchase, redemption, or acceleration),
6 redemption premium, if any, and interest on any bonds or notes
7 payable on demand or tender by the owner, in consideration of the
8 State agreeing to repay the provider of the credit facility in accordance
9 with the terms and provisions of such agreement.

10 (9) " Economically depressed area" means any of the following:

- 11 a. An economically distressed county as defined in G.S. 143B-
12 437.01.
- 13 b. That part of a rural county whose poverty rate is at least one
14 hundred fifty percent (150%) of the State poverty rate. For the
15 purpose of this section, the poverty rate is the percentage of the
16 population with income below the latest annual federal poverty
17 guidelines issued by the United States Department of Health
18 and Human Resources.
- 19 c. That part of a rural county that experiences an actual or
20 imminent loss of manufacturing jobs in a number that is equal
21 to or exceeds five percent (5%) of the total number of
22 manufacturing jobs in the part.

23 (10) " Local government units" means local government units as defined in
24 the Clean Water Revolving Loan and Grant Act.

25 (11) " NCMC" means the North Carolina Municipal Council, Inc., a
26 nonprofit North Carolina corporation which provides bond ratings, or
27 any successor thereto. In the event such corporation dissolves or no
28 longer performs the functions contemplated herein, such term shall
29 mean that comparable corporation designated by the State Treasurer.

30 (12) " Notes" means notes issued under this act.

31 (13) " Par formula" means any provision or formula adopted by the State to
32 provide for the adjustment, from time to time, of the interest rate or
33 rates borne by any bonds or notes, including:

- 34 a. A provision providing for such adjustment so that the purchase
35 price of such bonds or notes in the open market would be as
36 close to par as possible,
- 37 b. A provision providing for such adjustment based upon a
38 percentage or percentages of a prime rate or base rate, which
39 percentage or percentages may vary or be applied for different
40 periods of time, or
- 41 c. Such other provision as the State Treasurer may determine to be
42 consistent with this act and will not materially and adversely
43 affect the financial position of the State and the marketing of
44 bonds or notes at a reasonable interest cost to the State.

- 1 (14) " Rural county" means a county with a density of fewer than 200
2 people per square mile based on the United States census.
- 3 (15) " Rural Economic Development Center" means the Rural Economic
4 Development Center, Inc., a nonprofit North Carolina corporation, or
5 any successor thereto. In the event such corporation dissolves or no
6 longer performs the functions contemplated herein, such term shall
7 mean that comparable corporation designated by the Governor.
- 8 (15a) " Rural school" means a school that is located in a rural county or a
9 school that is located outside the corporate limits of any municipality
10 located in a county that is not a rural county.
- 11 (15b) " School water or wastewater project" means a project to provide clean
12 water or wastewater treatment for a school by upgrading, replacing, or
13 constructing school water or wastewater facilities.
- 14 (16) " State" means the State of North Carolina.
- 15 (17) " Supplemental grant" means a grant awarded by the Rural Economic
16 Development Center to a local government unit to assist in financing
17 wastewater collection systems, wastewater treatment works, water
18 conservation projects, water reuse projects, or water supply systems.
19 Supplemental grant funds shall supplement other funding and shall not
20 represent more than fifty percent (50%) of the total costs of the
21 wastewater collection systems, wastewater treatment works, water
22 conservation projects, water reuse projects, or water supply systems
23 financed.
- 24 (18) " Unsewered communities" means those communities lacking
25 centralized, publicly owned wastewater collection systems and
26 wastewater treatment works.
- 27 (19) " Wastewater collection systems" means wastewater collection
28 systems as defined in the Clean Water Revolving Loan and Grant Act.
- 29 (20) " Wastewater treatment works" means wastewater treatment works as
30 defined in the Clean Water Revolving Loan and Grant Act.
- 31 (21) " Water conservation projects" include, but are not limited to, any
32 construction, repair, renovation, expansion, replacement of
33 components, or other capital improvement, including related
34 equipment and land acquisition, designed to:
- 35 a. Eliminate the wasteful or unnecessary use or loss of water in the
36 operations of a wastewater collection system, wastewater
37 treatment works, or water supply system; or
- 38 b. Enhance the operation of a wastewater collection system,
39 wastewater treatment works, or water supply system to provide
40 a more efficient use of water.
- 41 (22) " Water Pollution Control Revolving Fund" means the fund described
42 by G.S. 159G-4(a) and G.S. 159G-5(c).

1 (23) " Water reuse" means the actual use or application of treated
2 wastewater in or on areas which require water but do not require
3 potable water quality.

4 (24) " Water supply systems" means water supply systems as defined in the
5 Clean Water Revolving Loan and Grant Act.

6 Section 4. Authorization of bonds and notes. (a) Clean Water Bonds. Subject
7 to a favorable vote of a majority of the qualified voters of the State who vote on the
8 question of issuing Clean Water Bonds in the election called and held as provided in
9 this act, the State Treasurer is hereby authorized, by and with the consent of the Council
10 of State, to issue and sell, at one time or from time to time, general obligation bonds of
11 the State to be designated "State of North Carolina Clean Water Bonds", with any
12 additional designations as may be determined to indicate the issuance of bonds from
13 time to time, or notes of the State as provided in this act, in an aggregate principal
14 amount not exceeding seven hundred eighty-five million dollars (\$785,000,000) for the
15 purpose of providing funds, with any other available funds, for the purposes authorized
16 in this act.

17 (b) Natural Gas Bonds. Subject to a favorable vote of a majority of the
18 qualified voters of the State who vote on the question of issuing Natural Gas Bonds in
19 the election called and held as provided in this act, the State Treasurer is hereby
20 authorized, by and with the consent of the Council of State, to issue and sell, at one time
21 or from time to time, general obligation bonds of the State to be designated "State of
22 North Carolina Natural Gas Bonds", with any additional designations as may be
23 determined to indicate the issuance of bonds from time to time, or notes of the State as
24 provided in this act, in an aggregate principal amount not exceeding two hundred fifteen
25 million dollars (\$215,000,000) for the purpose of providing funds, with any other
26 available funds, for the purposes authorized in this act.

27 Section 5. Uses of bond and note proceeds. (a) Clean Water Bonds. The
28 proceeds of Clean Water Bonds and notes shall be used for the purpose of making loans
29 and grants to local governments as follows:

30 (1) The proceeds of three hundred fifty-five million dollars
31 (\$355,000,000) of Clean Water Bonds shall be used by the Department
32 of Environment and Natural Resources to provide State matching
33 funds required to receive federal wastewater or water supply assistance
34 funds, for grants to local government units for the same purposes for
35 which funds in the Clean Water Revolving Loan and Grant Fund may
36 be used, and for grants to fund hardship projects in accordance with
37 the guidelines established by the United States Environmental
38 Protection Agency Hardship Grants Program. The grants shall be made
39 for the purpose of paying the cost of water supply systems, wastewater
40 collection systems, and wastewater treatment works, water
41 conservation projects, water reuse projects, and school water or
42 wastewater projects.

1 Of the proceeds of the three hundred fifty-five million dollars
2 (\$355,000,000) referred to in this Section 5(a)(1), the sum of three
3 hundred million dollars (\$300,000,000) shall be allocated as follows:

4 a. High-Unit Cost Wastewater Account

5 1. Reserved for grants to local government units
6 whose bond rating is less than 75 or who have no bond
7 rating \$70,000,000

8 2. Reserved for grants to local government units whose
9 bond rating is 75 or greater \$80,000,000

10 b. High-Unit Cost Water Supply Account

11 1. Reserved for grants to local government units
12 whose bond rating is less than 75 or who have no bond
13 rating \$70,000,000

14 2. Reserved for grants to local government units whose
15 bond rating is 75 or greater \$80,000,000

16 The proceeds may be (i) transferred directly to the Clean Water
17 Revolving Loan and Grant Fund to make grants, (ii) used to make
18 grants directly to the appropriate local government qualifying for a
19 grant from the Clean Water Revolving Loan and Grant Fund, (iii) used
20 for any combination of (i) and (ii), or (iv) used in such other manner as
21 shall effectuate the clean water purposes of this act.

22 A county may apply for a grant or loan on behalf of a rural school
23 located in the county for a school water or wastewater project.

24 The funds to be derived from the sale of the Clean Water Bonds
25 authorized by this act are sufficient to meet no more than a fraction of
26 the needs that now exist and will arise in the immediate future. For
27 this reason, although public necessity, the criteria established by
28 Chapter 159G of the General Statutes, and the guidelines established
29 by the United States Environmental Protection Agency Hardship
30 Grants Program shall be the primary consideration in granting and
31 loaning funds, great emphasis shall also be placed on the creation of
32 efficient systems of regional wastewater disposal and regional water
33 supply, on the willingness and ability of local government units to
34 meet their responsibilities through sound fiscal policies, creative
35 planning, and efficient operation and management, and on having a
36 capital improvement plan.

37 Of the proceeds of the three hundred fifty-five million dollars
38 (\$355,000,000) referred to in this Section 5(a)(1), the sum of thirty-
39 five million dollars (\$35,000,000) shall be used to provide State funds
40 necessary for the 1999-2000, 2000-2001, 2001-2002, 2002-2003, and
41 2003-2004 fiscal years to match the federal wastewater or water
42 supply assistance funds deposited in the Water Pollution Control
43 Revolving Fund or another fund that is used to pay the cost of water
44 supply systems, wastewater collection systems, or wastewater

1 treatment works and is eligible to receive federal matching funds,
2 unless the General Assembly has provided the required match through
3 other sources, in which event this priority shall cease to exist to the
4 extent of the availability of the other sources. The Department of
5 Environment and Natural Resources shall certify to the State Treasurer
6 the amount of funds required for the State match for each of the fiscal
7 years ending June 30, 1999, June 30, 2000, June 30, 2001, June 30,
8 2002, June 30, 2003, and June 30, 2004, and the extent to which the
9 General Assembly has provided other funds for this purpose. Upon
10 certification each year of the amount of funds required for the State
11 match for that fiscal year, the State Treasurer may issue from the
12 thirty-five million dollars (\$35,000,000) the amount certified up to
13 thirty-five million dollars (\$35,000,000). Upon certification for the
14 State match required for the fiscal year ending June 30, 2004, the State
15 Treasurer may issue the remaining balance of the thirty-five million
16 dollars (\$35,000,000) of the Clean Water Bonds authorized by this
17 subdivision for the purpose of funding the State match for that fiscal
18 year and for any other purposes authorized by this subdivision. The
19 proceeds of the bonds necessary for the State match for each fiscal
20 year shall be deposited in the Water Pollution Control Revolving Fund
21 or another appropriate fund or account determined by the State
22 Treasurer.

23 Of the proceeds of the three hundred fifty-five million dollars
24 (\$355,000,000) referred to in this Section 5(a)(1), the sum of twenty
25 million dollars (\$20,000,000) shall be used to provide hardship grants
26 to eligible local government units to assist with wastewater treatment
27 works and wastewater collection systems. Such grants shall be
28 awarded and administered by the Department of Environment and
29 Natural Resources in accordance with the guidelines established by the
30 United States Environmental Protection Agency Hardship Grants
31 Program.

32 Although public necessity, the criteria established by Chapter 159G
33 of the General Statutes, and the guidelines established by the United
34 States Environmental Protection Agency Hardship Grants Program
35 shall be the primary consideration in granting and loaning funds, great
36 emphasis shall also be placed on the creation of efficient systems of
37 regional wastewater disposal and regional water supply, on the
38 willingness and ability of local government units to meet their
39 responsibilities through sound fiscal policies, creative planning, and
40 efficient operation and management, and on having a capital
41 improvement plan.

- 42 (2) The proceeds of sixty million dollars (\$60,000,000) of Clean Water
43 Bonds shall be used for the purpose of making grants to local
44 government units to pay the cost of clean water projects in connection

1 with the location of industry to, and expansion of industry in, the State.
2 These grants shall be awarded and administered by the Department of
3 Commerce. These funds shall be applied to pay the costs of grants
4 awarded in the same manner as funds in the Industrial Development
5 Fund created in G.S. 143B-437.01(a), for use in accordance with G.S.
6 143B-437.01(a), subject to the further limitations on the provisions of
7 G.S. 143B-437.01(a) set forth below, and shall be applied to pay the
8 costs of grants awarded in the same manner as funds in the Utility
9 Account of the Industrial Development Fund created in G.S. 143B-
10 437.01(b1), for use in accordance with G.S. 143B-437.01(b1), subject
11 to the further limitations on the provisions of G.S. 143B-437.01(b1)
12 set forth below. In applying the provisions of G.S. 143B-437.01(a) or
13 G.S. 143B-437.01(b1), as the case may be, the following exceptions
14 shall apply:

- 15 a. The funds shall be used only for grants to local governments,
16 not for loans.
- 17 b. Grants shall be awarded only to projects the Secretary of
18 Commerce finds will have a favorable impact on the clean
19 water objectives of the State.
- 20 c. The only purposes for which grants may be made are
21 construction of or improvements to new or existing water or
22 sewer distribution lines or equipment, construction of or
23 improvements to new or existing wastewater treatment works,
24 or improvements that will expand the capacity of existing
25 wastewater treatment works or water supply systems.
- 26 d. The projects may be located only in counties that are
27 economically distressed as defined in G.S. 143B-437.01 or have
28 a population of less than 50,000.
- 29 e. Grants may be made with respect to the following industries as
30 defined in G.S. 105-129.2: manufacturing and processing, and
31 warehousing and wholesale trades.
- 32 f. No match is required for the grants.
- 33 g. The provisions of G.S. 143B-437.01(a) or G.S. 143B-
34 437.01(b1), as the case may be, that limit the expenditure of
35 funds to costs of utility lines or facilities located on the site of
36 the new or proposed industrial building or that are directly
37 related to the operation of the specific industrial activity at the
38 building, shall not apply if the utility lines or facilities being
39 provided will further the clean water objectives of the State.

40 The General Assembly finds that the purpose of providing water
41 and sewer distribution lines and wastewater treatment works in
42 economically distressed counties is to provide clean water in North
43 Carolina in several different ways. First, these projects will reduce
44 industrial reliance on wells, septic tanks, and other similar facilities.

1 Second, when a distribution line is extended to an industrial facility in
2 an area not otherwise served by water and sewer infrastructure,
3 residents, other businesses, and local governments can hook into the
4 distribution line, bringing clean water, wastewater treatment, or both to
5 the unserved area. Also, the installation and expansion of water supply
6 and wastewater treatment facilities to provide water supply and
7 wastewater treatment in connection with new or expanding industry
8 will result in additional water supply and treatment facilities available
9 to the residents, other businesses, and local governments in the area
10 where the installation or expansion occurs.

11 The proceeds of the Clean Water Bonds, issued for the purpose
12 described in this Section 5(a)(2), shall be held in the Clean Water
13 Bonds Fund until needed for expenditure by the grantee for the
14 payment of the cost for the purpose for which the grant is made. The
15 Department of Commerce shall maintain records that document the
16 timing and purpose for which each expenditure of proceeds of a grant
17 is made.

- 18 (3) The proceeds of fifty million dollars (\$50,000,000) of Clean Water
19 Bonds shall be used to provide supplemental and capacity grants to
20 eligible local government units to match federal, State, and other grant
21 or loan program funds to plan or improve needed water and sewer
22 projects in economically depressed areas of North Carolina. Such
23 grants shall be awarded and administered by the Rural Economic
24 Development Center. Those proceeds shall be allocated as follows:

- 25 a. Supplemental Grants \$40,000,000
26 b. Capacity Grants \$10,000,000

27 The Rural Economic Development Center shall certify to the State
28 Treasurer the amount of funds required, not to exceed eight million
29 dollars (\$8,000,000) for supplemental grants, not to exceed two
30 million dollars (\$2,000,000) for capacity grants, and not to exceed a
31 total of ten million dollars (\$10,000,000) in supplemental and capacity
32 grants, for each of the fiscal years ending June 30, 1999, June 30,
33 2000, June 30, 2001, June 30, 2002, June 30, 2003, and June 30, 2004.
34 Upon certification each year of the amount of funds required for that
35 fiscal year, the State Treasurer may issue the amount certified up to ten
36 million dollars (\$10,000,000). Upon certification for the fiscal year
37 ending June 30, 2004, the State Treasurer may issue the remaining
38 balance of the fifty million dollars (\$50,000,000) of the Clean Water
39 Bonds authorized by this subdivision for any other purposes authorized
40 by this subdivision.

41 Grants made from the proceeds of this fifty million dollars
42 (\$50,000,000) for supplemental grants shall be based on the following
43 criteria:

- 44 a. The applicant shall be a local government unit.

- 1 b. The applicant shall be a rural county or a local government unit
2 located in a rural county.
- 3 c. First priority shall be given to a water supply system,
4 wastewater collection system, or wastewater treatment work
5 that creates or retains jobs. A water supply system, wastewater
6 collection system, or wastewater treatment work shall also
7 receive funding priority if the project is located in an
8 economically distressed county as defined by G.S. 143B-
9 437.01.
- 10 d. A water supply system, wastewater collection system, or
11 wastewater treatment work that is proposed in a nondistressed
12 county must meet at least one of the following criteria: (i) be
13 located in that part of a rural nondistressed county where the
14 poverty rate is at least one hundred fifty percent (150%) of the
15 State poverty rate, (ii) be located in that part of a rural
16 nondistressed county where the unemployment rate is at least
17 double the State unemployment rate for the most recent
18 reporting period available, or (iii) be located in that part of a
19 rural nondistressed county that experiences an actual or
20 imminent loss of jobs in a number that equals or exceeds five
21 percent (5%) of the total number of jobs in that part of the
22 county. Any grant awarded for a water supply system,
23 wastewater collection system, or wastewater treatment work in
24 a nondistressed county shall be matched on a dollar-for-dollar
25 basis in the amount of the grant awarded.

26 A county may apply for a grant or loan on behalf of a rural
27 school located in the county for a school water or wastewater
28 project.

29 Although public necessity and the criteria listed above shall
30 be the primary consideration in granting and loaning funds,
31 great emphasis shall also be placed on the creation of efficient
32 systems of regional wastewater disposal and regional water
33 supply, on the willingness and ability of local government units
34 to meet their responsibilities through sound fiscal policies,
35 creative planning, and efficient operation and management, and
36 on having a capital improvement plan. However, funds shall
37 not be expended for the repair or replacement of low-pressure
38 pipe wastewater systems.

39 The Rural Economic Development Center shall award
40 grants to units of local government for the purposes authorized
41 by this Section 5(a)(2) in accordance with the criteria set forth
42 above. When the Rural Economic Development Center
43 authorizes a grant, the Rural Economic Development Center
44 shall notify the State Treasurer of the authorization and shall

1 submit to the State Treasurer the grant application and records
2 relevant to the grant's authorization. The State Treasurer shall
3 review the grant and relevant documents to verify that the grant
4 complies with the requirements of this act. The State Treasurer
5 shall complete the review no later than 30 days after the receipt
6 of the grant application and relevant records from the Rural
7 Economic Development Center, and shall notify the Rural
8 Economic Development Center that the review has been
9 completed and of the State Treasurer's findings.

10 The proceeds of the Clean Water Bonds issued for the
11 purpose described in this section shall be held in the Clean
12 Water Bonds Fund until needed for expenditure by the grantee
13 for the payment of costs for the purposes for which the grant is
14 made. The Rural Economic Development Center shall maintain
15 records that document the timing and purpose for which each
16 expenditure of proceeds of a grant is made and shall furnish
17 such records to the State Treasurer at the time a request for
18 payment to or on behalf of a grantee is to be made.

19 At the end of each fiscal year, the Rural Economic
20 Development Center shall provide to the State Treasurer any
21 records that document the timing and purposes of the
22 expenditures by the grantee units of local government of the
23 proceeds of the grants funded from the proceeds of the Clean
24 Water Bonds during that fiscal year that have not already been
25 provided to the State Treasurer.

- 26 (4) The proceeds of three hundred twenty million dollars (\$320,000,000)
27 of Clean Water Bonds shall be used for the purpose of making loans to
28 local government units to pay the cost of water supply systems, water
29 conservation projects, water reuse projects, wastewater collection
30 systems, and wastewater treatment works. The proceeds shall be
31 allocated as follows:
- 32 a. Wastewater collection systems and wastewater treatment works.
 - 33 1. Reserved for loans to local government units whose
34 bond rating is less than 75 or who have no bond rating
35 \$10,000,000
 - 36 2. Reserved for loans to local government units whose
37 bond rating is 75 or more \$150,000,000
 - 38 b. Water supply and distribution systems and water conservation
39 projects.
 - 40 1. Reserved for loans to local government units whose
41 bond rating is less than 75 or who have no bond rating...
42 \$10,000,000

1 the federal tax law and shall be expended and disbursed therefrom
2 under the direction and supervision of the Director of the Budget.

3 (5) If bond proceeds remain unspent, five years from the date on which the
4 bonds were issued, then the General Assembly may at any session
5 after that five-year period of time increase or decrease the allocations
6 of the proceeds of the Clean Water Bonds set forth in (1), (2), (3), (4),
7 and (5) above, so long as the aggregate amount of the allocations does
8 not exceed seven hundred eighty-five million dollars (\$785,000,000).

9 (6) To the extent otherwise authorized by law, and to the extent the use
10 otherwise accomplishes the clean water objectives of the State, this act
11 does not prohibit a local government unit from using the proceeds of
12 Clean Water Bonds for projects that accomplish the clean water
13 objectives of this State through contracts or other arrangements with
14 private entities.

15 (b) Natural Gas Bonds. The proceeds of Natural Gas Bonds and notes shall
16 be used for the purpose of providing grants, loans, or other financing to natural gas local
17 distribution companies, persons seeking natural gas distribution franchises, State or
18 local government agencies, or other entities for the costs of constructing natural gas
19 facilities, including pipelines, compressors, interests in real property, and related
20 equipment for the delivery of natural gas in order to facilitate the expansion of natural
21 gas facilities to unserved areas of the State in accordance with the findings of the
22 General Assembly described in Section 15 of this act.

23 Section 6. Allocation of proceeds. (a) Clean Water Bonds. The proceeds of
24 Clean Water Bonds and notes, including premium thereon, if any, except the proceeds
25 of bonds the issuance of which has been anticipated by bond anticipation notes or the
26 proceeds of refunding bonds or notes, shall be placed by the State Treasurer in a special
27 fund to be designated "Clean Water Bonds Fund", which may include such appropriate
28 special accounts therein as may be determined by the State Treasurer and shall be
29 disbursed as provided in this act. Moneys in the Clean Water Bonds Fund shall be
30 allocated and expended as provided in this act.

31 Any additional moneys which may be received by means of a grant or grants
32 from the United States of America or any agency or department thereof or from any
33 other source for deposit to the Clean Water Bonds Fund may be placed in the Clean
34 Water Bonds Fund or in a separate account or fund and shall be disbursed, to the extent
35 permitted by the terms of the grant or grants, without regard to any limitations imposed
36 by this act.

37 Moneys in the Clean Water Bonds Fund or any separate clean water fund or
38 account established under this act may be invested from time to time by the State
39 Treasurer in the same manner permitted for investment of moneys belonging to the
40 State or held in the State treasury, except with respect to grant money to the extent
41 otherwise directed by the terms of the grant. Investment earnings, except investment
42 earnings with respect to grant moneys to the extent otherwise directed or restricted by
43 the terms of the grant, may be (i) credited to the Clean Water Bonds Fund or any
44 separate clean water fund or account established under this act, (ii) used to pay debt

1 service on the bonds authorized by this act, (iii) used to satisfy compliance with
2 applicable requirements of the federal tax law, or (iv) transferred to the General Fund of
3 the State.

4 The proceeds of bonds and notes may be used with any other moneys made
5 available by the General Assembly for making grants and loans authorized by this act,
6 including the proceeds of any other State bond issues, whether heretofore made
7 available or which may be made available at the session of the General Assembly at
8 which this act is ratified or any subsequent sessions. The proceeds of bonds and notes
9 shall be expended and disbursed under the direction and supervision of the Director of
10 the Budget. The funds provided by this act shall be disbursed for the purposes provided
11 in this act upon warrants drawn on the State Treasurer by the State Controller, which
12 warrants shall not be drawn until requisition has been approved by the Director of the
13 Budget and which requisition shall be approved only after full compliance with the
14 Executive Budget Act, Article 1 of Chapter 143 of the General Statutes.

15 (b) Natural Gas Bonds. The proceeds of Natural Gas Bonds and notes,
16 including premium thereon, if any, except the proceeds of bonds the issuance of which
17 has been anticipated by bond anticipation notes or the proceeds of refunding bonds or
18 notes, shall be placed by the State Treasurer in a special fund to be designated "Natural
19 Gas Bonds Fund", which may include such appropriate special accounts therein as may
20 be determined by the State Treasurer, and shall be disbursed as provided in this act.
21 Moneys in the Natural Gas Bonds Fund shall be allocated and expended as provided in
22 this act. The proceeds may be used in accordance with G.S. 62-159 or may be
23 distributed in accordance with the provisions of legislation enacted by the General
24 Assembly in 1998 or later providing for the allocation of the bond proceeds for the
25 purposes provided in this act.

26 Any additional moneys which may be received by means of a grant or grants
27 from the United States of America or any agency or department thereof or from any
28 other source to aid in financing the cost of any natural gas grants authorized by this act
29 may be placed by the State Treasurer in the Natural Gas Bonds Fund or in a separate
30 account or fund and shall be disbursed, to the extent permitted by the terms of the grant
31 or grants, without regard to any limitations imposed by this act.

32 Moneys in the Natural Gas Bonds Fund or any separate natural gas fund or
33 account established under this act may be invested from time to time by the State
34 Treasurer in the same manner permitted for investment of moneys belonging to the
35 State or held in the State treasury, except with respect to grant money to the extent
36 otherwise directed by the terms of the grant. Investment earnings, except investment
37 earnings with respect to grant money to the extent otherwise directed or restricted by the
38 terms of the grant, may be (i) credited to the Natural Gas Bonds Fund or any separate
39 natural gas fund or account established under this act; (ii) used to pay debt service on
40 the Natural Gas Bonds authorized by this act; (iii) used to satisfy compliance with
41 applicable requirements of the federal tax law; or (iv) transferred to the General Fund of
42 the State.

43 The proceeds of Natural Gas Bonds and notes may be used with any other
44 moneys made available by the General Assembly for providing grants, loans, or other

1 financing in accordance with this act, including the proceeds of any other State bond
2 issues, whether heretofore made available or which may be made available at the
3 session of the General Assembly at which this act is ratified or any subsequent sessions.
4 The proceeds of Natural Gas Bonds and notes shall be expended and disbursed under
5 the direction and supervision of the Director of the Budget. The funds provided by this
6 act for construction of natural gas facilities shall be disbursed for the purposes provided
7 in this act upon warrants drawn on the State Treasurer by the State Controller, which
8 warrants shall not be drawn until requisition has been approved by the Director of the
9 Budget and which requisition shall be approved only after full compliance with the
10 Executive Budget Act, Article 1 of Chapter 143 of the General Statutes.

11 The North Carolina Utilities Commission shall provide quarterly reports to
12 the Joint Legislative Commission on Governmental Operations, the Chairs of the Senate
13 and House of Representatives Appropriations Committees, and the Fiscal Research
14 Division on the expenditure of moneys from the Natural Gas Bonds Fund.

15 (c) Costs. Allocations to the costs of a capital improvement or undertaking in
16 each case may include allocations to pay the costs set forth in Section 3(7)c., d., e., f.,
17 and g. of this act in connection with the issuance of bonds for that capital improvement
18 or undertaking.

19 Section 7. Election. The questions of the issuance of the bonds authorized by
20 this act shall be submitted to the qualified voters of the State at an election to be held on
21 the first Tuesday after the first Monday of November 1998. Any other primary,
22 election, or referendum validly called or scheduled by law at the time the election on the
23 bond question provided for in this section is held may be held as called or scheduled.
24 Notice of the election shall be given in the manner and at the times required by G.S.
25 163-33(8). The election and the registration of voters therefor shall be held under and in
26 accordance with the general laws of the State. Absentee ballots shall be authorized in
27 the election.

28 The State Board of Elections shall reimburse the counties of the State for all
29 necessary expenses incurred in holding the election that are in addition to those that
30 would have otherwise been incurred, the same to be paid out of the Contingency and
31 Emergency Fund or other funds available to the State Board of Elections.

32 Ballots, voting systems authorized by Article 14 of Chapter 163 of the
33 General Statutes, or both may be used in accordance with rules prescribed by the State
34 Board of Elections. The bond questions to be used in the ballots or voting systems shall
35 be in substantially the following form:

36 "[] FOR [] AGAINST

37 the issuance of seven hundred eighty-five million dollars (\$785,000,000) State of North
38 Carolina Clean Water Bonds constituting general obligation bonds of the State secured
39 by a pledge of the faith and credit and taxing power of the State for the purpose of
40 providing funds, with any other available funds, to make loans and grants to local
41 government units to pay all or a portion of the cost of clean water projects."

42 "[] FOR [] AGAINST

43 the issuance of two hundred fifteen million dollars (\$215,000,000) State of North
44 Carolina Natural Gas Bonds constituting general obligation bonds of the State secured

1 by a pledge of the faith and credit and taxing power of the State for the purpose of
2 providing funds, with any other available funds, to provide grants, loans, or other
3 financing to public or private entities for construction of natural gas facilities in order
4 to facilitate the expansion of natural gas facilities to unserved portions of the State."

5 If a majority of those voting on a bond question in the election vote in favor
6 of the issuance of the bonds described in the question, those bonds may be issued as
7 provided in this act. If a majority of those voting on a bond question in the election vote
8 against the issuance of the bonds described in the question, those bonds shall not be
9 issued.

10 The results of the election shall be canvassed and declared as provided by law
11 for elections for State officers; the results of the election shall be certified by the State
12 Board of Elections to the Secretary of State, in the manner and at the time provided by
13 the general election laws of the State.

14 Section 8. Issuance of bonds and notes. (a) Terms and Conditions. Bonds or notes
15 may bear such date or dates, may be serial or term bonds or notes, or any combination
16 thereof, may mature in such amounts and at such time or times, not exceeding 40 years
17 from their date or dates, may be payable at such place or places, either within or without
18 the United States of America, in such coin or currency of the United States of America
19 as at the time of payment is legal tender for payment of public and private debts, may
20 bear interest at such rate or rates, which may vary from time to time, and may be made
21 redeemable before maturity, at the option of the State or otherwise as may be provided
22 by the State, at such price or prices, including a price less than the face amount of the
23 bonds or notes, and under such terms and conditions, all as may be determined by the
24 State Treasurer, by and with the consent of the Council of State.

25 (b) Signatures; Form and Denomination; Registration. Bonds or notes may be
26 issued as certificated or uncertificated obligations. If issued as certificated obligations,
27 bonds or notes shall be signed on behalf of the State by the Governor or shall bear his
28 facsimile signature, shall be signed by the State Treasurer or shall bear his facsimile
29 signature, and shall bear the Great Seal of the State or a facsimile thereof shall be
30 impressed or imprinted thereon. If bonds or notes bear the facsimile signatures of the
31 Governor and the State Treasurer, the bonds or notes shall also bear a manual signature
32 which may be that of a bond registrar, trustee, paying agent, or designated assistant of
33 the State Treasurer. Should any officer whose signature or facsimile signature appears
34 on bonds or notes cease to be such officer before the delivery of the bonds or notes, the
35 signature or facsimile signature shall nevertheless have the same validity for all
36 purposes as if the officer had remained in office until delivery, and bonds or notes may
37 bear the facsimile signatures of persons who at the actual time of the execution of the
38 bonds or notes shall be the proper officers to sign any bond or note although at the date
39 of the bond or note such persons may not have been such officers. The form and
40 denomination of bonds or notes, including the provisions with respect to registration of
41 the bonds or notes and any system for their registration, shall be as the State Treasurer
42 may determine in conformity with this act; provided, however, that nothing in this act
43 shall prohibit the State Treasurer from proceeding, with respect to the issuance and form

1 of the bonds or notes, under the provisions of Chapter 159E of the General Statutes, the
2 Registered Public Obligations Act, as well as under this act.

3 (c) Manner of Sale; Expenses. Subject to determination by the Council of State
4 as to the manner in which bonds or notes shall be offered for sale, whether at public or
5 private sale, whether within or without the United States of America, and whether by
6 publishing notices in certain newspapers and financial journals, mailing notices, inviting
7 bids by correspondence, negotiating contracts of purchase or otherwise, the State
8 Treasurer is authorized to sell bonds or notes at one time or from time to time at such
9 rate or rates of interest, which may vary from time to time, and at such price or prices,
10 including a price less than the face amount of the bonds or the notes, as the State
11 Treasurer may determine. All expenses incurred in preparation, sale, and issuance of
12 bonds or notes shall be paid by the State Treasurer from the proceeds of bonds or notes
13 or other available moneys.

14 (d) Notes; Repayment.

15 (1) By and with the consent of the Council of State, the State Treasurer is
16 hereby authorized to borrow money and to execute and issue notes of
17 the State for the same, but only in the following circumstances and
18 under the following conditions:

- 19 a. For anticipating the sale of bonds to the issuance of which the
20 Council of State shall have given consent, if the State Treasurer shall
21 deem it advisable to postpone the issuance of the bonds;
22 b. For the payment of interest on or any installment of principal of
23 any bonds then outstanding, if there shall not be sufficient funds in the
24 State treasury with which to pay the interest or installment of principal
25 as they respectively become due;
26 c. For the renewal of any loan evidenced by notes herein authorized;
27 d. For the purposes authorized in this act; and
28 e. For refunding bonds or notes as herein authorized.

29 (2) Funds derived from the sale of bonds or notes may be used in the
30 payment of any bond anticipation notes issued under this act. Funds
31 provided by the General Assembly for the payment of interest on or
32 principal of bonds shall be used in paying the interest on or principal
33 of any notes and any renewals thereof, the proceeds of which shall
34 have been used in paying interest on or principal of the bonds.

35 (e) Refunding Bonds and Notes. By and with the consent of the Council of
36 State, the State Treasurer is authorized to issue and sell refunding bonds and notes
37 pursuant to the provisions of the State Refunding Bond Act for the purpose of refunding
38 bonds or notes issued pursuant to this act. The refunding bonds and notes may be
39 combined with any other issues of State bonds and notes similarly secured.

40 (f) Tax Exemption. Bonds and notes shall be exempt from all State, county,
41 and municipal taxation or assessment, direct or indirect, general or special, whether
42 imposed for the purpose of general revenue or otherwise, excluding inheritance and gift
43 taxes, income taxes on the gain from the transfer of bonds and notes, and franchise
44 taxes. The interest on bonds and notes shall not be subject to taxation as to income.

1 (g) Investment Eligibility. Bonds and notes are hereby made securities in
2 which all public officers, agencies, and public bodies of the State and its political
3 subdivisions, all insurance companies, trust companies, investment companies, banks,
4 savings banks, savings and loan associations, credit unions, pension or retirement funds,
5 other financial institutions engaged in business in the State, executors, administrators,
6 trustees, and other fiduciaries may properly and legally invest funds, including capital in
7 their control or belonging to them. Bonds and notes are hereby made securities which
8 may properly and legally be deposited with and received by any officer or agency of the
9 State or political subdivision of the State for any purpose for which the deposit of
10 bonds, notes, or obligations of the State or any political subdivision is now or may
11 hereafter be authorized by law.

12 (h) Faith and Credit. The faith and credit and taxing power of the State are
13 hereby pledged for the payment of the principal of and the interest on bonds and notes.
14 In addition to the State's right to amend any provision of this act to the extent it does not
15 impair any contractual right of a bond owner, the State expressly reserves the right to
16 amend any provision of this act with respect to the making and repayment of loans, the
17 disposition of any repayments of loans, and any intercept provisions relating to the
18 failure of a local government unit to repay a loan, the bonds not being secured in any
19 respect by loans, any repayments thereof, or any intercept provisions with respect
20 thereto.

21 Section 9. Variable interest rates. In fixing the details of bonds and notes,
22 the State Treasurer may provide that any of the bonds or notes may:

- 23 (1) Be made payable from time to time on demand or tender for purchase
24 by the owner thereof provided a credit facility supports the bonds or
25 notes, unless the State Treasurer specifically determines that a credit
26 facility is not required upon a finding and determination by the State
27 Treasurer that the absence of a credit facility will not materially or
28 adversely affect the financial position of the State and the marketing of
29 the bonds or notes at a reasonable interest cost to the State;
- 30 (2) Be additionally supported by a credit facility;
- 31 (3) Be made subject to redemption or a mandatory tender for purchase
32 prior to maturity;
- 33 (4) Bear interest at a rate or rates that may vary for such period or periods
34 of time, all as may be provided in the proceedings providing for the
35 issuance of the bonds or notes, including, without limitation, such
36 variations as may be permitted pursuant to a par formula; and
- 37 (5) Be made the subject of a remarketing agreement whereby an attempt is
38 made to remarket bonds or notes to new purchasers prior to their
39 presentment for payment to the provider of the credit facility or to the
40 State.

41 If the aggregate principal amount repayable by the State under a credit facility
42 is in excess of the aggregate principal amount of bonds or notes secured by the credit
43 facility, whether as a result of the inclusion in the credit facility of a provision for the
44 payment of interest for a limited period of time or the payment of a redemption

1 premium or for any other reason, then the amount of authorized but unissued bonds or
2 notes during the term of such credit facility shall not be less than the amount of such
3 excess, unless the payment of such excess is otherwise provided for by agreement of the
4 State executed by the State Treasurer.

5 Section 10. Special provisions governing clean water loans. (a) Scope. The
6 provisions of this section shall apply to loans being made from the proceeds of bonds
7 authorized by this act for clean water projects, other than from funds deposited in the
8 Clean Water Revolving Loan and Grant Fund.

9 (b) Clean Water Bonds Loan Account. There is established in the Department of
10 State Treasurer a special account to be known as the Clean Water Bonds Loan Account,
11 which may include any special or segregated accounts the State Treasurer considers
12 appropriate. There shall be deposited in the Clean Water Bonds Loan Account proceeds
13 of the Clean Water Bonds and notes to be used to make loans, other than loans to be
14 made through the Clean Water Revolving Loan and Grant Fund, to local government
15 units for clean water projects as provided in this act.

16 Except as otherwise permitted by Section 6 of this act with respect to the use
17 of investment earnings, all moneys accruing to the credit of the Clean Water Bonds
18 Loan Account other than funds set aside for administrative expenses, including
19 expenses related to determining compliance with applicable requirements of the federal
20 tax law and costs of issuance, shall be used to make loans for the purposes provided in
21 this act. The State Treasurer shall be responsible for making and administering all loans
22 pursuant to the provisions of this section.

23 (c) Application for Loans; Hearings.

24 (1) Eligibility/Initial Hearing.

25 a. Prior to filing an application for a loan, a local government unit
26 shall hold a public hearing. A notice of the public hearing shall be
27 published once at least 10 days before the date fixed for the hearing.

28 b. All applications for loans shall be filed with the Department of
29 Environment and Natural Resources. The form of the application shall
30 be prescribed by the Department and shall require any information
31 necessary to determine the eligibility for a loan under the provisions of
32 this section. All applications approved by the Department of
33 Environment and Natural Resources shall be filed with the Local
34 Government Commission. Each applicant shall furnish to the
35 Department of Environment and Natural Resources and the Local
36 Government Commission information in addition or supplemental to
37 the information contained in its application, upon request.

38 c. A local government unit shall not be eligible for a loan unless it
39 demonstrates to the satisfaction of the Department of Environment and
40 Natural Resources and the Local Government Commission that:

- 41 1. The applicant is a local government unit;
- 42 2. The applicant has the financial capacity to pay the
43 principal of and interest on its proposed loan as

- 1 evidenced by the approval of the Local Government
2 Commission;
- 3 3. The applicant has substantially complied or will
4 substantially comply with all applicable laws, rules,
5 regulations, and ordinances, whether federal, State, or
6 local; and
- 7 4. The applicant has agreed by official resolution to adopt
8 and place into effect a schedule of fees and charges or
9 the application of other sources of revenue which will
10 provide adequate funds for proper operation,
11 maintenance, and administration of the project and
12 repayment of all principal and interest on the loan.
- 13 (2) Assessment. The Department of Environment and Natural Resources
14 may require any applicant to file with its application an assessment of
15 the impact the project for which the funds are sought will have upon
16 meeting the facility needs of the area within which the project is to be
17 located.
- 18 (3) Hearing by the Department of Environment and Natural Resources or
19 the Local Government Commission. A public hearing may be held by
20 the Department of Environment and Natural Resources or the Local
21 Government Commission at any time on any application. Public
22 hearings may also be held by the Department of Environment and
23 Natural Resources in its discretion upon written request from any
24 citizen or taxpayer who is a resident of the county or counties in which
25 the project is to be located or a resident of the local government unit
26 that proposes to borrow moneys under this act, if it appears that the
27 public interest will be served by the hearing. The written request shall
28 set forth each objection to the proposed project or other reason for
29 requesting a hearing on the application and shall contain the name and
30 address of the persons submitting it. In deciding whether to grant a
31 request for a hearing on an application, the Department of
32 Environment and Natural Resources may consider the application, the
33 written objections to the proposed project, and the facility needs and
34 shall determine if the public interest will be served by a hearing. The
35 determination by the Department of Environment and Natural
36 Resources shall be conclusive, and all written requests for a hearing
37 shall be retained as a permanent part of the records pertaining to the
38 application.
- 39 (4) Petition for Vote. A petition, demanding that the question of whether
40 to enter into a loan agreement with the State under this act be
41 submitted to voters, may be filed with the clerk of the local
42 government unit applying for the loan within 15 days after the public
43 hearing required by this section. The petition's sufficiency shall be
44 determined and a referendum, if any, shall be conducted according to

1 the standards, procedures, and limitations set out in G.S. 159-60
2 through G.S. 159-62.

3 (d) Priorities.

4 (1) Determination. Determination of priorities to be assigned each eligible
5 project shall be made semiannually by the Department of Environment
6 and Natural Resources during each fiscal year. Every eligible project
7 shall be considered by the Department of Environment and Natural
8 Resources with every other project eligible during this same priority
9 period.

10 (2) Priority Factors. All applications for loans under this act shall be
11 assigned a priority by the Department of Environment and Natural
12 Resources. The Department of Environment and Natural Resources
13 shall establish other priority factors criteria by rule.

14 (3) Assignment of Priority. A written statement relative to each priority
15 assigned shall be prepared by the Department of Environment and
16 Natural Resources and shall be attached to the application. The
17 priority assigned shall be conclusive.

18 (4) Failure to Qualify. If an application does not qualify for a loan as of
19 the prior period in which the application was eligible for consideration
20 by reason of the priority assigned, the application shall be considered
21 during the next succeeding priority period upon request of the
22 applicant. If the application again fails to qualify for a loan during the
23 second priority period by reason of the priority assigned, the
24 application shall receive no further consideration. An applicant may
25 file a new application at any time and may amend any pending
26 application to include additional data or information.

27 (5) Withdrawal of Commitment. Failure of an applicant within one year
28 after the date of acceptance of the loan to arrange for necessary
29 financing of the proposed project or award of the contract of the
30 construction of the proposed project shall constitute sufficient cause
31 for withdrawal of the commitment. Prior to withdrawal of a
32 commitment, the Department of Environment and Natural Resources
33 shall give due consideration to any extenuating circumstances
34 presented by the applicant as reasons for failure to arrange necessary
35 financing or to award a contract, and the commitment may be extended
36 for an additional period of time if, in the judgment of the Department
37 of Environment and Natural Resources, the extension is justified.

38 (e) Disbursement. To be eligible to receive the loans provided for in this
39 section, a local government unit must arrange to borrow the amounts necessary pursuant
40 to rules adopted by the Local Government Commission. No funds shall be disbursed
41 until the Department of Environment and Natural Resources gives a certificate of
42 eligibility to the effect that the applicant meets all eligibility criteria and that all
43 procedural requirements of this act have been met. The maximum principal amount of a
44 loan shall be one hundred percent (100%) of the cost of any eligible project.

1 (f) Intercept. The governing body of a local government unit shall by
2 resolution authorize to be included in its loan agreement a provision authorizing the
3 State Treasurer, upon failure of the local government unit to make a scheduled
4 repayment of the loan, to withhold from the local government unit any State funds that
5 would otherwise be distributed to the local government unit in an amount sufficient to
6 pay all sums then due and payable to the State as a repayment of the loan. In such
7 event, notwithstanding any other provision of law, the State Treasurer is authorized to
8 withhold and apply such funds to the repayment of the loan, except that such funds shall
9 not be withheld if (i) before the execution of the loan agreement, such funds have been
10 legally pledged to secure special obligation bonds or other obligations of the local
11 government unit, or (ii) after the execution of the loan agreement, such funds are legally
12 pledged to secure special obligation bonds or other obligations of the local government
13 unit as authorized in this subsection. After the execution of a loan agreement, all or any
14 portion of the State funds specified in the loan agreement to be so withheld may be
15 pledged to secure special obligation bonds or other obligations of the local government
16 unit only with the prior written consent of the State Treasurer.

17 The State Treasurer shall notify the Secretary of Revenue and the State
18 Controller of the amount to be withheld from the local government unit, and the
19 Secretary of Revenue and the State Controller shall transfer to the State Treasurer the
20 amount so requested to be applied by the State Treasurer to the repayment of the loan.

21 (g) Inspection. Inspection of a project for which a loan has been made under
22 this act may be performed by qualified personnel of the Department of Environment and
23 Natural Resources or may be performed by qualified engineers registered in this State
24 approved by the Department of Environment and Natural Resources. No person shall
25 be approved to perform inspections who is an officer employed by the local government
26 unit to which the loan was made or who is an owner, officer, employer, or agent of a
27 contractor or subcontractor engaged in the construction of the project for which the loan
28 was made. For the purpose of payment of inspection fees, inspection services shall be
29 included in the term "cost" as used in this act.

30 (h) Rules. The State Treasurer, the Local Government Commission, and the
31 Department of Environment and Natural Resources may adopt, modify, and repeal rules
32 necessary for the administration of their respective duties under this act. Uniform rules
33 may be jointly adopted where feasible and desirable, and no rule, jointly adopted, may
34 be modified or revoked except upon concurrence of all agencies involved.

35 (i) Federal Grants and Loans. In order to carry out the purposes of this act to
36 secure the greatest possible benefits to the citizens of this State of the funds
37 appropriated, the State Treasurer, the Local Government Commission, and the
38 Department of Environment and Natural Resources shall adopt rules and criteria, not
39 inconsistent with provisions of this act, as are necessary and appropriate to conform to
40 regulations for federal grants and loans for any of the purposes set forth in this act.

41 (j) Report by Department of Environment and Natural Resources. The
42 Department of Environment and Natural Resources shall prepare and file each year on
43 or before July 31 with the Joint Legislative Commission on Governmental Operations
44 and the Fiscal Research Division a report for the preceding fiscal year concerning the

1 allocation and making of loans authorized by this act. The report shall set forth for the
2 preceding fiscal year:

- 3 (1) Itemized and total allocations of loans authorized and unallocated
4 funds for the loan program as of the end of the preceding fiscal year;
- 5 (2) Identification of each loan agreement entered into by the State during
6 the preceding fiscal year and the total amount of loans authorized by
7 such loan agreements;
- 8 (3) The amount disbursed to each local government unit pursuant to such
9 loan agreements during the preceding fiscal year and the total amount
10 of such disbursements;
- 11 (4) The loan repayments made by each local government unit pursuant to
12 such loan agreements and the total amount of such loan repayments
13 during the preceding fiscal year; and
- 14 (5) A summary for the five preceding years of the information required by
15 subdivisions (1) through (4) of this subsection.

16 The report shall be signed by the Secretary of Environment and Natural Resources.

17 (k) Local Government Commission.

18 (1) Local government units may execute debt instruments payable to the
19 State in order to obtain loans provided for in this act. Local
20 government units shall pledge or agree to apply as security for such
21 obligations:

22 a. Any available source of revenues of the local government unit,
23 including revenues from benefitted facilities or systems, provided that
24 (i) the local government unit has not otherwise pledged the revenues as
25 security for, or contractually agreed to apply the revenues to, the
26 payment of any other obligations of the local government unit, (ii) the
27 use of the revenues is not otherwise restricted by law, or (iii) the
28 revenues are not derived from the exercise of the local government
29 unit's taxing power; or

30 b. Their faith and credit; or

31 c. Any combination of a. or b. above.

32 The faith and credit of a local government unit shall not be pledged
33 or be deemed to have been pledged unless the requirements of Article
34 4 of Chapter 159 of the General Statutes have been met. The State
35 Treasurer, with the assistance of the Local Government Commission,
36 shall develop and adopt appropriate debt instruments for use under this
37 act.

38 (2) Nothing contained in this act shall prohibit any local government unit
39 from applying any funds of the local government unit not otherwise
40 restricted as to use by law to the payment of any debt instrument
41 payable to the State incurred pursuant to the provisions of this act.

42 (3) The Local Government Commission shall review and approve
43 proposed loans to local government units under this act under the
44 provisions of Articles 4 and 5 of Chapter 159 of the General Statutes.

1 The Local Government Commission in considering the ability of a
2 local government unit to repay a loan may regard as a source of
3 revenue for repayment of a loan revenue sources that may not be
4 available other than on an annual discretionary basis and that may not
5 be subject to a pledge or agreement to apply. Loans under this act
6 shall be outstanding debts for the purposes of Article 10 of Chapter
7 159 of the General Statutes.

- 8 (4) The State Treasurer shall annually certify to the General Assembly the
9 financial condition of the loan program and identify existing
10 delinquencies.

11 Section 11. Reports. (a) The Rural Economic Development Center shall
12 prepare and file each year on or before July 31 with the Joint Legislative Commission
13 on Governmental Operations and the Fiscal Research Division a report for the preceding
14 fiscal year concerning the allocation and making of grants authorized by this act. The
15 report shall be signed by the Chair of the Board of Directors of the Rural Economic
16 Development Center. The report shall set forth for the preceding fiscal year:

- 17 (1) Itemized and total allocations of grants authorized and unallocated
18 funds for the grant program as of the end of the preceding fiscal year;
19 (2) Identification of each grant agreement entered into by the Rural
20 Economic Development Center during the preceding fiscal year and
21 the total amount of grants authorized by the grant agreements;
22 (3) The amount disbursed to each local government unit pursuant to the
23 grant agreements during the preceding fiscal year and the total amount
24 of the disbursements; and
25 (4) A summary for the five preceding years of the information required by
26 subdivisions (1) through (3) of this subsection.

27 (b) The Department of Environment and Natural Resources shall prepare and file
28 each year on or before July 31 with the Joint Legislative Commission on Governmental
29 Operations and the Fiscal Research Division a report for the preceding fiscal year
30 concerning the allocation and making of grants authorized by this act. The report shall
31 be signed by the Secretary of Environment and Natural Resources. The report shall set
32 forth for the preceding fiscal year:

- 33 (1) Itemized and total allocations of grants authorized and unallocated
34 funds for the grant program as of the end of the preceding fiscal year;
35 (2) Identification of each grant agreement entered into by the Department
36 of Environment and Natural Resources during the preceding fiscal year
37 and the total amount of grants authorized by the grant agreements;
38 (3) The amount disbursed to each local government unit pursuant to the
39 grant agreements during the preceding fiscal year and the total amount
40 of the disbursements; and
41 (4) A summary for the five preceding years of the information required by
42 subdivisions (1) through (3) of this subsection.

43 (c) The Department of Commerce shall prepare and file each year on or before
44 July 31 with the Joint Legislative Commission on Governmental Operations and the

1 Fiscal Research Division a report for the preceding fiscal year concerning the allocation
2 and making of grants authorized by this act. The report shall be signed by the Secretary
3 of Commerce. The report shall set forth for the preceding fiscal year:

- 4 (1) Itemized and total allocations of grants authorized and unallocated
5 funds for the grant program as of the end of the preceding fiscal year;
- 6 (2) Identification of each grant agreement entered into by the Department
7 of Commerce during the preceding fiscal year and the total amount of
8 grants authorized by the grant agreements;
- 9 (3) The amount disbursed to each local government unit pursuant to the
10 grant agreements during the preceding fiscal year and the total amount
11 of the disbursements; and
- 12 (4) A summary for the five preceding years of the information required by
13 subdivisions (1) through (3) of this subsection.

14 Section 12. Minority business participation. The goals set by G.S. 143-128
15 for participation in projects by minority businesses apply to projects funded by the
16 proceeds of bonds or notes issued under this act. The Department of Environment and
17 Natural Resources, the Department of Commerce, and the Rural Economic
18 Development Center shall monitor compliance with this requirement and shall report to
19 the General Assembly by January 1 of each year on the participation by minority
20 businesses in these projects.

21 Section 13. Interpretation of act. (a) Additional Method. The foregoing sections of
22 this act shall be deemed to provide an additional and alternative method for the doing of
23 the things authorized thereby and shall be regarded as supplemental and additional to
24 powers conferred by other laws, and shall not be regarded as in derogation of any
25 powers now existing.

26 (b) Statutory References. References in this act to specific sections or Chapters
27 of the General Statutes or to specific acts are intended to be references to these sections,
28 Chapters, or acts as they may be amended from time to time by the General Assembly.

29 (c) Broad Construction. This act, being necessary for the health and welfare of
30 the people of the State, shall be broadly construed to effect the purposes thereof.

31 (d) Inconsistent Provisions. Insofar as the provisions of this act are inconsistent
32 with the provisions of any general laws, or parts thereof, the provisions of this act shall
33 be controlling.

34 (e) Severability. If any provision of this act or the application thereof to any
35 person or circumstance is held invalid, such invalidity shall not affect other provisions
36 or applications of the act which can be given effect without the invalid provision or
37 application, and to this end the provisions of this act are declared to be severable.

38 Section 14. G.S. 159G-6 reads as rewritten:

39 **"§ 159G-6. Distribution of funds.**

40 (a) Revolving loans and grants.

- 41 (1) All funds appropriated or accruing to the Clean Water Revolving Loan
42 and Grant Fund, other than funds set aside for administrative expenses,
43 shall be used for revolving loans and grants to local government units
44 for construction costs of wastewater treatment works, wastewater

1 collection systems and water supply systems and other assistance as
2 provided in this Chapter.

3 (2) The maximum principal amount of a revolving loan or a grant may be
4 one hundred percent (100%) of the nonfederal share of the
5 construction costs of any eligible project. The maximum principal
6 amount of revolving loans made to any one local government unit
7 during any fiscal year shall be ~~three~~ five million dollars (~~\$3,000,000~~;
8 \$5,000,000). The maximum principal amount of grants made to any
9 one local government unit during any fiscal year shall be ~~one~~ two
10 million dollars (~~\$1,000,000~~); (\$2,000,000).

11 (3) The State Treasurer shall be responsible for investing and distributing
12 all funds appropriated or accruing to the Clean Water Revolving Loan
13 and Grant Fund for revolving loans and grants under this Chapter. In
14 fulfilling his responsibilities under this section, the State Treasurer
15 shall make a written request to the Department of Environment and
16 Natural Resources to arrange for the appropriated funds to be (i)
17 transferred from the appropriate accounts to a local government unit to
18 provide funds for one or more revolving loans or grants or (ii) invested
19 as authorized by this Chapter with the interest on and the principal of
20 such investments to be transferred to the local government unit to
21 provide funds for one or more revolving loans or grants.

22 (b) Wastewater Accounts. – The sums allocated in G.S. 159G-4 and accruing to
23 the various Wastewater Accounts in each fiscal year shall be used to make revolving
24 loans and grants to local government units as provided below. The Department of
25 Environment and Natural Resources shall disburse no funds from the Wastewater
26 Accounts except upon receipt of written approval of the disbursement from the
27 Environmental Management Commission.

28 (1) General Wastewater Revolving Loan and Grant Account. – The funds
29 in the General Wastewater Revolving Loan and Grant Account shall
30 be used exclusively for the purpose of providing for revolving
31 construction loans or grants in connection with approved wastewater
32 treatment work or wastewater collection system projects.

33 (2) High-Unit Cost Wastewater Account. – The funds in the High-Unit
34 Cost Wastewater Account shall be available for grants to applicants for
35 high-unit cost wastewater projects. Eligibility of an applicant for such
36 a grant shall be determined by comparing estimated average household
37 user fees for water and sewer service, for debt service and operation
38 and maintenance costs, to one and one-half percent (1.5%) of the
39 median household income in the ~~county~~ local government unit in which
40 the project is located. The projects which would require estimated
41 average household water and sewer user fees greater than one and one-
42 half percent (1.5%) of the median household income are defined as
43 high-unit cost wastewater projects and will be eligible for a grant equal

1 to the excess cost, subject to the limitations in ~~subsection~~ subdivision
2 (a)(2) of this section.

3 (3) Emergency Wastewater Revolving Loan Account. – The funds in the
4 Emergency Wastewater Revolving Loan Account shall be available for
5 revolving emergency loans to applicants in the event the
6 Environmental Management Commission certifies that a serious public
7 health hazard, related to the inadequacy of existing wastewater
8 facilities, is present or imminent in a community.

9 (c) Water Supply Accounts. – The sums allocated in G.S. 159G-4 and accruing
10 to the various Water Supply Accounts in each fiscal year shall be used to provide
11 revolving loans and grants to local government units as provided below. The
12 Department of Environment and Natural Resources shall disburse no funds from the
13 Water Supply Accounts except upon receipt of written approval of the disbursement
14 from the Division of Environmental Health.

15 (1) General Water Supply Revolving Loan and Grant Account. – The
16 funds in the General Water Supply Revolving Loan and Grant Account
17 shall be used exclusively for the purpose of providing for revolving
18 construction loans and grants in connection with water supply systems
19 generally and not upon a county allotment basis.

20 (2) High-Unit Cost Water Supply Account. – The funds in the High-Unit
21 Cost Water Supply Account shall be available for grants to applicants
22 for high-unit cost water supply systems, on the same basis as provided
23 in G.S. 159G-6(b)(2) for high-unit cost wastewater projects.

24 (3) Emergency Water Supply Revolving Loan Account. – The funds in the
25 Emergency Water Supply Revolving Loan Account shall be available
26 for revolving emergency loans to applicants in the event the Division
27 of Environmental Health certifies that a serious public health hazard,
28 related to the water supply system, is present or imminent in a
29 community.

30 (d) Repealed by Session Laws 1991, c. 186, s. 4.

31 (e) Notwithstanding any other provision of this Chapter, funds in the Water
32 Pollution Control Revolving Fund shall not be available as grants except to the extent
33 permitted by Title VI of the Federal Water Quality Act of 1987 and the regulations
34 thereunder."

35 Section 15. The General Assembly finds that:

36 (1) The General Assembly has previously found that it is the policy of this
37 State to facilitate the extension of natural gas facilities to unserved
38 areas of the State; and

39 (2) The extension of natural gas facilities to unserved areas of the State is
40 necessary for the health of the people and of the environment; and

41 (3) The extension of natural gas facilities to unserved areas of the State
42 will aid and encourage the location of manufacturing enterprises and
43 industrial facilities in those areas of the State, will encourage new
44 construction, homes, and other businesses in those areas of the State,

- 1 will increase the population, taxable property, agricultural industries,
2 and business prospects in the State; and
- 3 (4) The 1989 General Assembly in Chapter 338 of the 1989 Session Laws
4 directed the North Carolina Utilities Commission to require the
5 franchised natural gas local distribution companies to file reports with
6 the Commission detailing their plans for providing natural gas service
7 in areas of the State where natural gas service is not available, and
8 directed the Commission and the Public Staff to provide independent
9 analyses and summaries of those reports together with status reports of
10 natural gas service in the State to the Joint Legislative Utility Review
11 Committee; and
- 12 (5) The reports of the utilities, the Commission, and the Public Staff
13 indicate that the construction of facilities and the extension of natural
14 gas service in some areas of the State may not be economically
15 feasible with traditional funding methods; and
- 16 (6) The 1991 General Assembly enacted G.S. 62-158 and G.S. 62-2(9)
17 authorizing special funding methods, including the use of supplier
18 refunds and customer surcharges, to facilitate the expansion of natural
19 gas service; and
- 20 (7) While the 1991 legislation has been successful in providing some
21 natural gas service to previously unserved areas of the State, that
22 legislation has not been sufficient to facilitate the extension of service
23 that is necessary and in the public interest, and there are still counties
24 with no gas service or virtually no gas service; and
- 25 (8) It is therefore necessary to authorize additional funding methods,
26 including appropriations from the General Assembly and the proceeds
27 of general obligation bonds, to further facilitate the expansion of
28 natural gas service.

29 Section 16. Chapter 62 of the General Statutes is amended by adding a new
30 section to read:

31 "**§ 62-159. Additional funding for natural gas expansion.**

32 (a) In order to facilitate the construction of facilities in and the extension of
33 natural gas service to unserved areas, the Commission may provide funding through
34 appropriations from the General Assembly or the proceeds of general obligation bonds
35 as provided in this section to either (i) an existing natural gas local distribution company
36 or (ii) a person or a gas district awarded a new franchise for the construction of natural
37 gas facilities that it otherwise would not be economically feasible for the company or
38 person to construct.

39 (b) The use of funds provided under this section shall be pursuant to an order of
40 the Commission after a public hearing. The Commission shall ensure that all projects
41 for which funds are provided under this section are consistent with the intent of this
42 section and G.S. 62-2(9). In determining whether to approve the use of funds for a
43 particular project pursuant to this section, the Commission shall consider the scope of a
44 proposed project, including the number of unserved counties and the number of

1 anticipated customers that would be served, the total cost of the project, the extent to
2 which the project is considered feasible, and other relevant factors affecting the public
3 interest. In determining economic feasibility, the Commission shall employ the net
4 present value method of analysis on a project specific basis. Only those projects with a
5 negative net present value shall be determined to be economically infeasible for the
6 company, person, or gas district to construct. In no event shall the Commission provide
7 funding under this section of an amount greater than the negative net present value of
8 any proposed project as determined by the Commission. If at any time a project is
9 determined by the Commission to have become economically feasible, the Commission
10 shall require the recipient of funding to remit to the Commission appropriate funds
11 related to the project, and the Commission may order those funds to be returned with
12 interest in a reasonable amount to be determined by the Commission. Funds returned,
13 together with interest, shall be deposited with the State Treasurer to be used for other
14 expansion projects pursuant to the provisions of this section. A utility plant acquired
15 with expansion funds shall be included in the local distribution company's rate base at
16 zero cost except to the extent such funds have been remitted by the company pursuant to
17 order of the Commission. In the event a gas district wishes to sell or otherwise dispose
18 of facilities financed with funds received under this section, it must first notify the
19 Commission which shall determine the method of repayment or accounting for those
20 funds.

21 (c) To the extent that one or more of the counties included in a proposed
22 project to be funded pursuant to this section are counties affected by the loss of
23 exclusive franchise rights provided for in G.S. 62-36A(b), the Commission may
24 conclude that the public interest requires that the person obtaining the franchise or
25 funding pursuant to this section be given an exclusive franchise and that the existing
26 franchise be canceled. Any new exclusive franchise granted under this subsection shall
27 be subject to the provisions of G.S. 62-36A(b). This subsection does not apply to gas
28 districts formed under Article 28 of Chapter 160A of the General Statutes.

29 (d) The Commission, after hearing, shall adopt rules to implement this section as
30 soon as practicable. The Commission and Public Staff shall report to the Joint
31 Legislative Utility Review Committee on the use of funding provided under this section
32 in conjunction with the reports required under G.S. 62-36A."

33 Section 17. G.S. 62-2 reads as rewritten:

34 **"§ 62-2. Declaration of policy.**

35 (a) Upon investigation, it has been determined that the rates, services and
36 operations of public utilities as defined herein, are affected with the public interest and
37 that the availability of an adequate and reliable supply of electric power and natural gas
38 to the people, economy and government of North Carolina is a matter of public policy.
39 It is hereby declared to be the policy of the State of North Carolina:

- 40 (1) To provide fair regulation of public utilities in the interest of the
41 public;
- 42 (2) To promote the inherent advantage of regulated public utilities;
- 43 (3) To promote adequate, reliable and economical utility service to all of
44 the citizens and residents of the State;

- 1 (3a) To assure that resources necessary to meet future growth through the
2 provision of adequate, reliable utility service include use of the entire
3 spectrum of demand-side options, including but not limited to
4 conservation, load management and efficiency programs, as additional
5 sources of energy supply and/or energy demand reductions. To that
6 end, to require energy planning and fixing of rates in a manner to
7 result in the least cost mix of generation and demand-reduction
8 measures which is achievable, including consideration of appropriate
9 rewards to utilities for efficiency and conservation which decrease
10 utility bills;
- 11 (4) To provide just and reasonable rates and charges for public utility
12 services without unjust discrimination, undue preferences or
13 advantages, or unfair or destructive competitive practices and
14 consistent with long-term management and conservation of energy
15 resources by avoiding wasteful, uneconomic and inefficient uses of
16 energy;
- 17 (4a) To assure that facilities necessary to meet future growth can be
18 financed by the utilities operating in this State on terms which are
19 reasonable and fair to both the customers and existing investors of
20 such utilities; and to that end to authorize fixing of rates in such
21 a manner as to result in lower costs of new facilities and lower rates over
22 the operating lives of such new facilities by making provisions in the
23 rate-making process for the investment of public utilities in plants
24 under construction;
- 25 (5) To encourage and promote harmony between public utilities, their
26 users and the environment;
- 27 (6) To foster the continued service of public utilities on a well-planned
28 and coordinated basis that is consistent with the level of energy needed
29 for the protection of public health and safety and for the promotion of
30 the general welfare as expressed in the State energy policy;
- 31 (7) To seek to adjust the rate of growth of regulated energy supply
32 facilities serving the State to the policy requirements of statewide
33 development;
- 34 (8) To cooperate with other states and with the federal government in
35 promoting and coordinating interstate and intrastate public utility
36 service and reliability of public utility energy supply; and
- 37 (9) To facilitate the construction of facilities in and the extension of
38 natural gas service to unserved areas in order to promote the public
39 welfare throughout the State and to that end to authorize the creation
40 of ~~an expansion fund~~ funds for each ~~natural gas local distribution~~
41 ~~company~~ companies or gas districts to be administered under the
42 supervision of the North Carolina Utilities Commission.
- 43 (b) To these ends, therefore, authority shall be vested in the North Carolina
44 Utilities Commission to regulate public utilities generally, their rates, services and

1 operations, and their expansion in relation to long-term energy conservation and
2 management policies and statewide development requirements, and in the manner and
3 in accordance with the policies set forth in this Chapter. Nothing in this Chapter shall be
4 construed to imply any extension of Utilities Commission regulatory jurisdiction over
5 any industry or enterprise that is not subject to the regulatory jurisdiction of said
6 Commission.

7 Because of technological changes in the equipment and facilities now available and
8 needed to provide telephone and telecommunications services, changes in regulatory
9 policies by the federal government, and changes resulting from the court-ordered
10 divestiture of the American Telephone and Telegraph Company, competitive offerings
11 of certain types of telephone and telecommunications services may be in the public
12 interest. Consequently, authority shall be vested in the North Carolina Utilities
13 Commission to allow competitive offerings of local exchange, exchange access, and
14 long distance services by public utilities defined in G.S. 62-3(23)a.6. and certified in
15 accordance with the provisions of G.S. 62-110, and the Commission is further
16 authorized after notice to affected parties and hearing to deregulate or to exempt from
17 regulation under any or all provisions of this Chapter: (i) a service provided by any
18 public utility as defined in G.S. 62-3(23)a.6. upon a finding that such service is
19 competitive and that such deregulation or exemption from regulation is in the public
20 interest; or (ii) a public utility as defined in G.S. 62-3(23)a.6., or a portion of the
21 business of such public utility, upon a finding that the service or business of such public
22 utility is competitive and that such deregulation or exemption from regulation is in the
23 public interest.

24 The policy and authority stated in this section shall be applicable to common carriers
25 of passengers by motor vehicle and their regulation by the North Carolina Utilities
26 Commission only to the extent that they are consistent with the provisions of the Bus
27 Regulatory Reform Act of 1985.

28 The North Carolina Utilities Commission may develop regulatory policies to govern
29 the provision of telecommunications services to the public which promote efficiency,
30 technological innovation, economic growth, and permit telecommunications utilities a
31 reasonable opportunity to compete in an emerging competitive environment, giving due
32 regard to consumers, stockholders, and maintenance of reasonably affordable local
33 exchange service and long distance service."

34 Section 18. Effective date. Section 14 of this act becomes effective only if
35 the voters approve the issuance of the Clean Water Bonds authorized by this act in the
36 election required by Section 7 of this act. The remaining sections of this act are
37 effective when the act becomes law, and the Utilities Commission shall begin
38 immediately the rule-making process mandated by G.S. 62-159(d), as enacted by
39 Section 16 of this act.