

**NORTH CAROLINA GENERAL ASSEMBLY
LEGISLATIVE FISCAL NOTE**

BILL NUMBER: SB138 (Proposed Committee Substitute - PCS6855-RT/SB-002)

SHORT TITLE: Private Water Systems Loan/Dissolve Sanitary District

SPONSOR(S):

FISCAL IMPACT				
Yes ()	No (X)	No Estimate Available ()		
<u>FY 1998-99</u>	<u>FY 1999-00</u>	<u>FY 2000-01</u>	<u>FY2001-02</u>	<u>FY 2002-03</u>
Drinking Water Treatment Revolving Loan Fund Dissolution of Sanitary Districts		No Fiscal Impact See Assumptions and Methodology		
PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: Office of State Treasurer, Utilities Commission, the Division of Environmental Health in the Department of Environmental and Natural Resources, the Commission for Health Services and the Department of Health and Human Resources				
EFFECTIVE DATE: This act is effective when it becomes law.				

BILL SUMMARY: The first edition of Senate Bill 138, introduced by Senator Fountain Odom during the 1997 Regular Session, amended the North Carolina Drinking Water Act to conform with federal law. The House companion bill (HB 189) made identical changes to North Carolina Drinking Water Act and those conforming changes became law with enactment of House Bill 189 during the 1997 Regular Session. ¹

The proposed House committee substitute (PCS) for Senate Bill 138 makes the following principal changes to the first edition:

1. removes the original provisions of the bill;
2. amends the definition of “applicant” to the Drinking Water Treatment Revolving Loan Fund to include certain privately owned community water systems thereby allowing those systems to be eligible to apply for revolving loans and grants from the Drinking Water Treatment Revolving Loan Fund; and,
3. provides an alternative procedure for the dissolution of sanitary districts that have no indebtedness and which are located within or are coterminous with corporate limits of the city or town.

¹ Memo to House Committee on Environment dated July 15, 1998 from Jeff Hudson, Committee Counsel.

ASSUMPTIONS AND METHODOLOGY: The principal changes to the Drinking Water Treatment Revolving Loan Fund and to the procedures for the dissolution of a sanitary district should not cause an increase in costs to the departments affected or have a fiscal impact on the state General Fund.

Drinking Water Treatment Revolving Loan Fund

As part of the 1996 amendments to the federal Safe Drinking Water Act, Congress established and authorized a Drinking Water State Revolving Fund Program to provide loans for public water supply infrastructure improvements and expenditures associated with drinking water regulations and compliance. The state is required to provide a 20 percent match to receive assistance through this program. Federal funds received by the state are credited to the Drinking Water Treatment Revolving Loan Fund (the Fund) and are administered by the Division of Environmental Health in the Department of Environment and Natural Resources.

The effect of allowing privately owned community water systems to apply to the Fund is a potential increase in the number of applicants. According to the Utilities Commission there are approximately 1,500 privately owned community water systems in North Carolina owned by 225 different companies which are potential new applicants. However, an increase in applicants will have no fiscal impact on the Fund since the amount of funds to be distributed is determined by the amount of federal funds appropriated to the state irrespective of the number applicants eligible to apply.

The principal departments affected by this change to the Drinking Water Treatment Revolving Loan Fund are the Division of Environmental Health, the Office of State Treasurer and the Utilities Commission. Under existing law, the Division of Environmental Health reviews the applications to the revolving loan fund on technical merit. The Division anticipates that any increase in workload caused by reviewing additional applications can be absorbed by existing staff. Therefore, there is no fiscal impact on the state General Fund. Furthermore, the Division expects that number of new applicants will be limited due to the restrictions placed on the use of the funds by privately owned water systems. These restrictions include that funds be used only for projects that benefit a local government and which are consistent with an approved water supply plan.

After the applications are ranked on technical merit, current law directs the Local Government Commission to review applications submitted by local government units for financial risk. This PCS directs the State Treasurer, with assistance from the Utilities Commission, to develop and adopt similar debt instruments for use by applicants that are privately owned community water systems. Furthermore, the PCS directs the Utilities Commission to develop appropriate procedures for the delivery of these debt instruments. Finally, the Utilities Commission must approve privately owned community water systems' applications before those systems are eligible to receive funds. Neither the Office of State Treasurer nor the Utilities Commission anticipate that these activities will cause a substantial increase in their respective workloads. Consequently, there is no fiscal impact on either of these agencies as a result of this legislation.

Dissolution of Sanitary Districts

The addition of an alternative procedure for dissolution of a sanitary district should have no fiscal impact at the state level for the two departments affected by the change, specifically the Commission for Health Services and the Department of Health and Human Resources. Under existing law, 51 percent or more of the “resident freeholders” within a sanitary district may petition the board of county commissioners to dissolve the district. The alternative procedure provided for in this PCS would allow the board of the sanitary district, by unanimous vote, to petition the board of county commissioners in which the district is located to dissolve the district provided that the sanitary district meets the following conditions:

- 1) is located within a single county;
- 2) has no outstanding indebtedness;
- 3) was not located entirely within or coterminous with the corporate limits of a municipality when initially created;
- 4) has not provided water or sewer service for at least five years;
- 5) has not levied any ad valorem tax in the current year;
- 6) has been for at least five years located entirely within or coterminous with the corporate limits of a municipality; and,
- 7) has been annexed by and is located entirely within the corporate limits of a municipality that assumed all the assets and liabilities of the district.

The county commissioners must then notify both the governing body of the city or town and the Department of Health and Human Resources of the proposed dissolution. If the Commission for Health Services, the county board of commissioners and the municipality agree to the petition, the Commission will dissolve the district. Matters related to the sanitary district’s collection of taxes, property and causes of action will pass to the city or town.² The net effect of the dissolution is the transfer of these matters from the sanitary district to the municipality.

TECHNICAL CONSIDERATIONS: None

FISCAL RESEARCH DIVISION

733-4910

PREPARED BY: Jennifer Hoffmann

APPROVED BY: Tom Covington

DATE: July 20, 1998



Signed Copy Located in the NCGA Principal Clerk's Offices

² Memo to House Committee on Environment dated July 15, 1998 from Jeff Hudson, Committee Counsel.