

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2007

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SENATE DRS75541-LHf-285* (4/29)

Short Title: Local Water & Sewer Grants/Funds. (Public)

Sponsors: Senators Dalton, and Kerr.

Referred to:

A BILL TO BE ENTITLED

AN ACT TO APPROPRIATE FUNDS TO THE RURAL ECONOMIC DEVELOPMENT CENTER FOR LOCAL GOVERNMENT WATER AND SEWER GRANTS AND TO APPROPRIATE FUNDS TO THE DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES FOR WATER AND SEWER GRANTS TO LOCAL GOVERNMENTS AND NONPROFIT WATER CORPORATIONS.

The General Assembly of North Carolina enacts:

SECTION 1.(a) Appropriation. – There is appropriated from the General Fund to the Rural Economic Development Center, Inc. (Rural Center) the sum of one hundred thirty-five million dollars (\$135,000,000) for the 2008-2009 fiscal year to be used to provide grants to local government units for wastewater-related projects and for public water system-related projects as provided by this section.

SECTION 1.(b) Definitions. – The definitions in G.S. 159G-20 apply in this section, except that all census calculations are based on the most recent federal decennial census. In addition, the following definitions shall apply in this section unless otherwise provided:

- (1) Ability to pay. – An assessment of the ability of a local government unit to pay for a water infrastructure project as calculated annually by the Division of Community Assistance in the Department of Commerce.
- (2) Economically distressed area. – Any of the following:
 - a. An economically distressed county as defined in G.S. 143B-437.01.
 - b. That part of a county in which the poverty rate is at least one hundred fifty percent (150%) of the State poverty rate. The poverty rate is the percentage of the population whose income

1 is below the most recent federal poverty level set by the U.S.
2 Bureau of the Census.

3 c. If it is not a county, its ability to pay is less than fifty percent
4 (50%) of the ability to pay of the county in which it is located.

5 (3) Rural county. – A county with a population density of fewer than 250
6 people per square mile based on the most recent federal decennial
7 census.

8 **SECTION 1.(c)** Eligible Applicants; Eligible Projects. – A local government
9 unit is eligible for a grant under this section if it meets the eligibility requirements under
10 subsection (d) or subsection (e) of this section for the specific type of grant. The funds
11 appropriated under this section may be used to provide either a planning grant that
12 meets the requirements under subsection (d) of this section or a supplemental grant that
13 meets the requirements of subsection (e) of this section. The following projects are
14 eligible for receiving a grant under this section:

- 15 (1) Wastewater collection system.
- 16 (2) Wastewater treatment works.
- 17 (3) Public water system.
- 18 (4) Wastewater and drinking water infrastructure planning.
- 19 (5) Multijurisdictional wastewater, drinking water, water quality, and
20 stormwater planning.

21 **SECTION 1.(d)** Planning Grants. – A planning grant under this section is
22 available for the costs associated with preliminary planning for wastewater collection
23 system projects, wastewater treatment works projects, and public water system projects.
24 Preliminary planning includes developing a capital improvement plan, developing a
25 comprehensive land-use plan that provides for water quality protection, conducting a
26 feasibility study, developing a regional or multijurisdictional infrastructure or water
27 quality improvement plan, assembling a financing plan to carry out a project,
28 completing a grant application, and preparing a preliminary engineering report for a
29 proposed project. A planning grant is subject to the following restrictions:

- 30 (1) Eligibility. – A local government unit is eligible for a planning grant if it
31 meets the following criteria:
 - 32 a. It is a rural county or is located in one of these counties.
 - 33 b. It is an economically distressed county or is located in an
34 economically distressed county or an economically distressed
35 area.
 - 36 c. For purposes of this subsection, a regional council of
37 governments organized under G.S. 160A-460 or a regional
38 planning and development commission organized under
39 G.S. 153A-391 is considered a local government unit. A
40 regional council of governments or regional planning and
41 development commission is eligible for a grant if it serves a
42 rural county and is applying for a regional or multijurisdictional
43 planning project involving two or more units of local
44 government.

- 1 (2) Maximum. – A planning grant shall not exceed forty thousand dollars
2 (\$40,000) for each unit of local government.
- 3 (3) Matching funds. – A local government unit shall match a planning
4 grant on a dollar-for-dollar basis unless the unit meets one or more of
5 the following descriptions, in which instance the Rural Center may
6 require a match of fifty percent (50%) or less:
- 7 a. It is an economically distressed county or located in an
8 economically distressed county.
- 9 b. Its poverty rate is at least one hundred fifty percent (150%) of
10 the State poverty rate.
- 11 c. If it is not a county, its ability to pay is less than fifty percent
12 (50%) of the ability to pay of the county in which it is located.

13 **SECTION 1.(e) Supplemental Grants.** – A supplemental grant is available to
14 match other funds to be applied to the construction costs of an eligible project. Other
15 funds include federal funds, State funds, and local funds. A supplemental grant is
16 subject to the following restrictions:

- 17 (1) Eligibility. – A local government unit is eligible for a supplemental
18 grant if it meets the following criteria:
- 19 a. It is a rural county or is located in one of these counties.
- 20 b. It adopts a resolution to set the household user fee for water and
21 sewer service in the area served by the project at an amount that
22 equals or exceeds the high-unit-cost threshold.
- 23 (2) Maximum. – A supplemental grant shall not exceed five hundred
24 thousand dollars (\$500,000) unless the applicant meets one or more of
25 these descriptions:
- 26 a. It is an economically distressed county or is located in an
27 economically distressed county.
- 28 b. Its poverty rate is at least one hundred fifty percent (150%) of
29 the State poverty rate.
- 30 c. If it is not a county, its ability to pay is less than fifty percent
31 (50%) of the ability to pay of the county in which it is located.
- 32 The maximum supplemental grant for an applicant meeting at least one
33 of these descriptions is the lesser of one million dollars (\$1,000,000) or
34 twenty-five percent (25%) of the total project cost.
- 35 (3) Matching funds. – A local government unit shall match a supplemental
36 grant on a dollar-for-dollar basis unless the unit meets one or more of
37 the following descriptions, in which instance the Rural Center may
38 require a match of fifty percent (50%) or less:
- 39 a. It is an economically distressed county or is located in an
40 economically distressed county.
- 41 b. Its poverty rate is at least one hundred fifty percent (150%) of
42 the State poverty rate.
- 43 c. If it is not a county, its ability to pay is less than fifty percent
44 (50%) of the ability to pay of the county in which it is located.

1 A local government unit that meets one or more of these descriptions
2 may not provide less than a dollar-for-dollar match if the supplemental
3 grant amount requested exceeds five hundred thousand dollars
4 (\$500,000).

5 **SECTION 1.(f)** Criteria for Grants. – All projects must document a current
6 critical water or wastewater need affecting human health or the environment. The
7 criteria in G.S. 159G-23, the criteria set out in this section, and any other criteria
8 established by the Board of Directors of the Rural Center shall apply to a grant provided
9 under this section. An application for a project that serves an economically distressed
10 area shall have priority over a project that does not. The Board of Directors of the Rural
11 Center may determine that a crisis need exists that merits special consideration and may
12 establish a subcategory of this program to address one or more crisis applications.

13 **SECTION 1.(g)** Grant Applications. – Any application for a grant under this
14 section shall be submitted by the local government unit to the Rural Center. An
15 application shall be submitted on a form prescribed by the Rural Center and shall
16 contain the information required by the Rural Center. An applicant shall submit to the
17 Rural Center any additional information requested by the Rural Center to enable the
18 Rural Center to make a determination on the application. An application that does not
19 contain information required on the application or requested by the Rural Center is
20 incomplete and is not eligible for consideration. An applicant may submit an application
21 in as many categories as it is eligible for consideration under this section.

22 **SECTION 1.(h)** Environmental Assessment. – An application submitted
23 under this section for a supplemental grant shall state whether the project to be funded
24 by the grant requires an environmental assessment. If the application indicates that an
25 environmental assessment is not required, it must identify the exclusion in the North
26 Carolina Environmental Policy Act, Article 1 of Chapter 113A of the General Statutes,
27 that applies to the project. The Rural Center shall give the Department of Environment
28 and Natural Resources a copy of an application that indicates an environmental
29 assessment is not required. If the Department of Environment and Natural Resources
30 determines that the project requires an environmental assessment, the Department shall
31 notify the Rural Center, and the applicant, and the applicant shall submit the assessment
32 to the Department before the Center continues its review of the application. An
33 application that does not identify an exclusion in the North Carolina Environmental
34 Policy Act shall include the environmental assessment of the project's probable impacts
35 on the environment that was submitted to the Department of Environment and Natural
36 Resources. If the Department notifies the Rural Center that an environmental impact
37 statement is required, the Rural Center shall not award the applicant a grant until a final
38 environmental assessment impact statement has been completed and approved as
39 provided in the Environmental Policy Act.

40 **SECTION 1.(i)** Review of Applications and Award of Grant. – The Rural
41 Center shall review grant applications and award grants as provided by this subsection:

- 42 (1) Point assignment. – The Rural Center shall review all grant
43 applications submitted under this section for an application period, to
44 be determined by the Rural Center, and shall rank each application in

1 accordance with the points assigned to the evaluation criteria.
2 Applications addressing a crisis need may be ranked according to a
3 special set of criteria or be reviewed for a specifically determined
4 application period. The Rural Center shall make a written
5 determination of an application's rank and attach the determination to
6 the application. The Rural Center's determination of rank is
7 conclusive.

8 (2) Reconsideration. – When an application's rank is too low to receive an
9 award of a grant for the application period, the Rural Center may
10 reconsider an amended application, provided the application addresses
11 questions from the previous grant round.

12 (3) Notification of decision. – When the Rural Center determines that an
13 application's rank makes it eligible for an award of a grant, the Rural
14 Center shall send the applicant a letter of intent to award the grant. The
15 notice shall set out any conditions the applicant must meet to receive
16 an award of a grant. When the applicant satisfies the conditions set out
17 in the letter of intent, the Rural Center shall send the applicant an offer
18 to award a grant. The applicant shall give the Rural Center written
19 notice of whether it accepts or rejects the offer. A grant is considered
20 awarded the date the offer to award the grant is sent by the Rural
21 Center.

22 **SECTION 1.(j)** Disbursement of Grant. – A planning grant awarded under
23 this section shall be disbursed in two payments. Other grants awarded under this section
24 shall be disbursed in two or more payments based on the progress of the project for
25 which the grant was awarded. To obtain a payment, a grant recipient shall submit a
26 request for payment to the Rural Center and shall document the expenditures for which
27 the payment is requested. The Rural Center shall review the payment request for
28 compliance with all grant conditions.

29 **SECTION 1.(k)** Withdrawal of Grant. – An award for a supplemental grant
30 for a project is withdrawn if the applicant fails to enter into a construction contract for
31 the project within one year after the date of the award for supplemental grants under
32 subsection (e) of this section, unless the Board of Directors of the Rural Center finds
33 that the applicant has good cause for the failure. If the Rural Center finds good cause for
34 an applicant's failure, the Rural Center shall set a date by which the applicant must take
35 action or forfeit the grant. Planning grants may be withdrawn if there is insufficient
36 progress in meeting the scope of work within one year of the award date.

37 **SECTION 1.(l)** Inspection of Project. – The Rural Center may inspect a
38 project as provided by this subsection:

39 (1) Authority. – The Rural Center may inspect a project for which it
40 awards a grant under this section to determine the progress made on
41 the project and whether the construction of the project is consistent
42 with the project described in the grant application. The inspection may
43 be performed by personnel of the Rural Center or by a professional
44 engineer licensed under Chapter 89C of the General Statutes.

1 (2) Disqualification. – An individual may not perform an inspection of a
2 project under this section if the individual meets any of the following
3 criteria:

- 4 a. Is an officer or employee of the local government unit that
5 received the grant award for the project.
6 b. Is an owner, officer, employee, or agent of a contractor or
7 subcontractor engaged in the construction of the project for
8 which the grant was made.

9 **SECTION 1.(m)** Administration Costs. – The Rural Center may use a
10 portion of the funds appropriated under this section for administration, not to exceed
11 two percent (2%), for the life of the grant program created by this section.

12 **SECTION 1.(n)** Reporting Requirement. – The Rural Center shall report to
13 the Joint Legislative Commission on Governmental Operations on a quarterly basis
14 concerning the progress of the grant program created under this section. The first report
15 is due no later than December 1, 2008.

16 **SECTION 1.(o)** Separate Accounts. – Each grant that is provided under this
17 section shall be administered through a separate account.

18 **SECTION 1.(p)** Loans Prohibited. – The Rural Center shall not use the
19 funds appropriated under this section to make loans.

20 **SECTION 2.(a)** Appropriation to Department of Environment and Natural
21 Resources. – There is appropriated from the General Fund to the Department of
22 Environment and Natural Resources the sum of thirty million dollars (\$30,000,000) for
23 the 2008-2009 fiscal year to be deposited into the Water Infrastructure Fund established
24 by G.S. 159G-22 and allocated equally between the Wastewater Reserve established in
25 G.S. 159G-22(d) and the Drinking Water Reserve established in G.S. 159G-22(f).

26 **SECTION 2.(b)** Fund Use Restricted to Grants for Eligible Projects in
27 Urban Counties. – The funds appropriated by subsection (a) of this section shall be
28 awarded as provided by Article 2 of Chapter 159G of the General Statutes for grants
29 only and shall not be used for loans. In addition, notwithstanding Article 2 of Chapter
30 159G of the General Statutes, the grants awarded under this section shall be awarded
31 only to eligible projects located in the 15 urban counties.

32 **SECTION 2.(c)** Grant Subject to Administrative Fee. – A grant awarded
33 under this section is subject to a fee as provided by G.S. 159G-24. The fee is a
34 departmental receipt of the Department of Environment and Natural Resources and
35 must be applied to the Department's costs in administering grants from these reserves as
36 provided by G.S. 159G-24.

37 **SECTION 3.** This act becomes effective July 1, 2008.