

***Recommendations to Governor Michael F. Easley
and Members of the General Assembly of North Carolina***

From

The North Carolina State Water Infrastructure Commission

The State Water Infrastructure Commission was created by act of the North Carolina General Assembly in 2005. The purpose of the Commission is to identify the State's water infrastructure needs, develop a plan to meet those needs, and monitor implementation of the plan. The Commission is comprised of 13 members representing State agencies and non-profits, organizations representing North Carolina local governments and members of the water infrastructure and water resources professions.

In its work thus far, the Commission has examined how water, wastewater and stormwater infrastructure is funded and developed today in North Carolina and in several other states faced with this same crunch. The Commission submitted a report on November 1, 2006 to the Governor and the members of the General Assembly that provides a careful assessment of what the Commission views as its most important near-term tasks - to understand the needs for infrastructure financing in the State and to make recommendations to the members of the General Assembly on potential solutions to those funding needs. The report calls for near term actions on part of the State of North Carolina and establishes a work agenda for the State Water Infrastructure Commission for the next several years.

Excerpt from report and recommendations:

Water is a resource we use daily. Yet, we rarely give a thought to where it comes from and where it goes to be disposed of in this State. Our complacency has grown because of the protections afforded by federal and State regulations. We expect safe drinking water and environmentally sound disposal of our wastewater. We also expect that business, those already in our State or those considering our State as a location, will find clean and plentiful water for their operations, thus enabling needed job creation and retention.

Yet, the reality is that North Carolinians face significant challenges to our environment and public health, and to our ability to create and retain jobs. These come in the form of a growing population, concentration of that growth in certain regions of the State, increased demand for water and growing volumes of wastewater for disposal. When coupled with complacency, we risk missing crucial opportunities to manage our water resource and infrastructure needs with time still on our side.

There are a wide range of water infrastructure needs facing the State of North Carolina. The Water 2030 Initiative, a recent study of the State's infrastructure capital needs, estimated we will need \$16.6 billion between 2005 and 2030 to develop new treatment facilities and upgrade

those already existing, to improve operations and maintenance capacities, to provide much needed technical assistance and training for owners and managers, and to adequately plan for a sustainable water future.

Owners and operators of these systems know well the challenges they face as they work every day to produce safe drinking water and protect the environment from the degradation that can be caused by inadequate control and disposal of wastewater and stormwater. Costs of construction and maintenance, however, continue to rise. Systems across the State struggle to keep pace with inflation and only the most financially secure are prepared to address today's escalating construction cost overruns pushed by global forces such as increases in petroleum and material prices that affect the cost of water and wastewater pipe.

To adequately address the financing challenge will require that we put new ideas to work in North Carolina such as finding ways for our water and wastewater funds now available to work more effectively together, dedication of a permanent source of funding and encouraging systems to price water, wastewater and storm water services to customers to cover all costs associated with the provision of clean water. Customers of local systems must pay their fair share of these costs through their rates.

Drafters of our State's constitution found that protection and conservation of the State's natural resources were essential to create a sustainable future and provide for a rich quality of life in this State. The members of the State Water Infrastructure Commission believe it is our challenge to continue this tradition. We must continue to develop ways to effectively and efficiently provide for water, wastewater and stormwater infrastructure development. We must also ensure that these services are provided equitably and sustainably because every citizen of this State has a basic right to safe drinking water and adequate disposal of waste.

It shall be the policy of this State to conserve and protect its lands and waters for the benefit of all its citizenry, and to this end it shall be a proper function of the State of North Carolina and its political subdivisions to acquire and preserve park, recreational, and scenic areas, to control and limit the pollution of our air and water, to control excessive noise, and in every other appropriate way to preserve as a part of the common heritage of this State its forests, wetlands, estuaries, beaches, historical sites, openlands, and places of beauty. Article XIV, Section 5, North Carolina State Constitution

Recommendations to the Governor and the members of the North Carolina General Assembly are:

Establish new and stable State funding for water, wastewater and stormwater improvements

To ensure that North Carolina can protect human health, preserve its water resources for the future and sustain economic growth the Commission's first priority is to recommend that the Governor and the 2007 General Assembly provide stable, new state funding for drinking water, wastewater and stormwater infrastructure of at least \$100,000,000 per year. The Commission's second priority is to recommend that the Governor and the 2007 General Assembly authorize a referendum for the voters of the State to consider passage of a \$1 billion Clean Water Bond.

Provide \$50 million in the 2007-2008 State Budget to address critical needs.

The 1998 Clean Water Bonds have been utilized. Coupled with the diminishing role of the federal government as a funder of infrastructure have left many North Carolina communities without the funding needed to make system improvements. Figures from October 2006 available from the Department of Environment and Natural Resources indicate that there are 114 wastewater systems under some type of order from the State, either limiting or preventing additional connections to their systems. The majority of these systems is located in rural, economically distressed areas and has small user populations, further limiting the ability of the system to afford improvements without some infusion of grant funds. The State Water Infrastructure Commission recommends appropriation of \$50 million to address immediate and critical water infrastructure needs in fiscal years 2007-2008.

Establish conditions on State funding that ensure financial, technical and managerial efficiency of operation

State-supported funding assistance should carry certain conditions that ensure these funds support sustainable infrastructure investments. The State Water Infrastructure Commission recommends that technical assistance providers and funding providers develop a plan to guide future state investments that 1) ensures customers of public systems contribute their "fair share" to fund improvements, 2) ensures local Ability to Pay is analyzed and used to allocate funding types and amounts, 3) ensures collaboration between existing infrastructure funders is established to maximize the use of all available funds, and 4) ensures that regionalization, water reuse and other conservations practices become a standard part of project evaluation and funding.

Support efforts to improve operation and maintenance of water, wastewater and stormwater systems

The State Water Infrastructure Commission recognizes the importance of sound operation and timely maintenance to the efficiency and effectiveness of our state's water, wastewater and stormwater systems. The Commission encourages State support for improving system operations and maintenance including improved education for system owners, development of a shadowing program between current and retired operators, capitalization of two scholarship programs, one for continuing education, the other for enrollment in water resource management at a North Carolina community college, development of a list serve for operators to post questions, information and open an online dialog for operators, and production of educational materials for use in high school career fairs to promote the operator profession and for conferences.

Provide for Regular Updates to the State Water and Wastewater Data Layers

The State Water Infrastructure Commission supports full funding for an initial update of the Water 2030 water, wastewater and stormwater data and annual updates thereafter. Such data is essential to support planning and emergency management efforts and will be easily accessible to the public through NCOneMap.

Establish State Funding for North Carolina Stream Mapping Project: Phase II

The State Water Infrastructure Commission recommends full funding for completion of the NC Geographic Information Coordinating Council's plan to improve the mapping and digital representation of streams and surface waters. Stream Mapping Project data is a critical foundation for water quality monitoring and water supply planning.

Fund the State Water Infrastructure Commission

The State Water Infrastructure Commission recommends that the Governor and 2007 General Assembly appropriate \$250,000 per year to fund the ongoing work of SWIC. In the current national environment, states are being called upon to define a broader and more comprehensive role in both the financing and development of infrastructure. The State Water Infrastructure Commission provides a necessary forum for discussion and decision-making on water resources and infrastructure matters for the State of North Carolina.

Members of the State Water Infrastructure Commission 2006-2008

Standing Members:

Bill Holman, Chairman (also Executive Director of the Clean Water Management Trust Fund)

Chris Beacham, Assistant Secretary, NC Department of Commerce

Dempsey Benton, Deputy Secretary- NC Department of Environment and Natural Resources

Billy Ray Hall, President, NC Rural Economic Development Center

Ellis Hankins, Executive Director, NC League of Municipalities

Vance Holloman, Deputy State Treasurer, Office of State Treasurer

David Thompson, Executive Director, NC Association of County Commissioners

Appointed Members: Serving two-year terms

Dr. Downey Brill, Professor, NC State University (Chancellor's Appointee)

Steve Cavanaugh, Cavanaugh Associates (American Council of Engineering Companies Appointee)

Harold Herring, Executive Director, Neuse Regional Water and Sewer Authority (Appointee of Speaker Pro Tem)

The Honorable Bill Owens, NC House of Representatives (Appointee of House Speaker)

Dudley Watts, Forsyth County Manager (Governor's Appointee)

Richard Whisnant, Associate Professor, UNC School of Government (Appointee of Water Resources Research Institute)