

**GENERAL ASSEMBLY OF NORTH CAROLINA**  
**SESSION 2005**

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**HOUSE BILL 1809**

Short Title: Clean Water Bonds Act of 2006. (Public)

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Sponsors: Representatives Owens, Gibson, Ross, Daughtridge (Primary Sponsors); L. Allen, Bell, Bordsen, Carney, Cleveland, Culp, England, Glazier, Goodwin, Hackney, Harrison, Insko, Langdon, Lewis, Lucas, Luebke, Parmon, Pate, Rapp, Spear, Tucker, Underhill, Warren, Weiss, Williams, and Wray.

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Referred to: Finance.

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May 9, 2006

A BILL TO BE ENTITLED

1 AN ACT TO AUTHORIZE THE ISSUANCE OF GENERAL OBLIGATION BONDS  
2 OF THE STATE, SUBJECT TO A VOTE OF THE QUALIFIED VOTERS OF  
3 THE STATE, TO ADDRESS STATEWIDE CRITICAL INFRASTRUCTURE  
4 NEEDS BY PROVIDING FUNDS FOR GRANTS FOR WASTEWATER AND  
5 DRINKING WATER PROJECTS.  
6

7 The General Assembly of North Carolina enacts:

8 **SECTION 1.** This act is entitled "The Clean Water Bonds Act of 2006."

9 **SECTION 2.** Authorization of bonds and notes. – Subject to a favorable  
10 vote of a majority of the qualified voters of the State who vote on the question of  
11 issuing Clean Water Bonds in the election called and held as provided in this act, the  
12 State Treasurer is hereby authorized, by and with the consent of the Council of State, to  
13 issue and sell, at one time or from time to time, general obligation bonds of the State to  
14 be designated "State of North Carolina Clean Water Bonds," with any additional  
15 designations as may be determined to indicate the issuance of bonds from time to time,  
16 or notes of the State as provided in this act, in an aggregate principal amount not  
17 exceeding one billion dollars (\$1,000,000,000) for the purpose of providing funds, with  
18 any other available funds, for the purposes authorized in this act. No more than an  
19 aggregate amount of two hundred million dollars (\$200,000,000) of bonds may be  
20 issued under this act before July 1, 2007. No more than an aggregate amount of four  
21 hundred million dollars (\$400,000,000) of bonds may be issued under this act before  
22 July 1, 2008. No more than an aggregate amount of six hundred million dollars  
23 (\$600,000,000) of bonds may be issued under this act before July 1, 2009. No more  
24 than an aggregate amount of eight hundred million dollars (\$800,000,000) of bonds may  
25 be issued under this act before July 1, 2010.

1           **SECTION 3.** Use of bond proceeds. – The proceeds of the Clean Water  
2 Bonds shall be used as provided in this section. The General Assembly may increase or  
3 decrease the allocations provided for in this section so long as the aggregate amount of  
4 the allocations does not exceed the amount authorized under Section 2 of this act. The  
5 proceeds of the Clean Water Bonds shall first be used to meet the State match  
6 requirement for federal funds for wastewater projects and public water systems. The  
7 remaining proceeds of Clean Water Bonds shall be used as follows:

- 8           (1) Forty-five percent (45%) of the proceeds of each issuance of Clean  
9 Water Bonds shall be used in the same manner as funds appropriated  
10 to the Rural Center Reserve Fund established under G.S. 159G-22.
- 11           (2) Twenty-two and one-half percent (22.5%) of the proceeds of each  
12 issuance of Clean Water Bonds shall be used in the same manner as  
13 funds appropriated to the Wastewater Reserve established under  
14 G.S. 159G-22, except that Clean Water Bond proceeds shall be used  
15 for grants only.
- 16           (3) Twenty-two and one-half percent (22.5%) of the proceeds of each  
17 issuance of Clean Water Bonds shall be used in the same manner as  
18 funds appropriated to the Drinking Water Reserve established under  
19 G.S. 159G-22, except that Clean Water Bond proceeds shall be used  
20 for grants only.
- 21           (4) Ten percent (10%) of the proceeds of each issuance of Clean Water  
22 Bonds is allocated to the Department of Commerce to be used in  
23 accordance with Section 5 of this act.

24           **SECTION 4.(a)** G.S. 159G-20 is amended by adding two new subdivisions  
25 to read:

26           "**§ 159G-20. Definitions.**

27           The following definitions apply in this Chapter:

28           ...

- 29           (16) Rural Center. – The Rural Economic Development Center, Inc., a  
30 nonprofit North Carolina corporation.
- 31           (17) Rural Center Reserve. – The Rural Center Reserve established in  
32 G.S. 159G-22 as an account in the Water Infrastructure Fund."

33           **SECTION 4.(b)** G.S. 159G-21 reads as rewritten:

34           "**§ 159G-21. Revenue for water projects.**

35           This Chapter governs the use of the following revenue:

- 36           (1) Revenue appropriated to the Department to match federal funds  
37 received for loans and grants for wastewater and drinking water  
38 projects and revenue received by the Department from the repayment  
39 of loans made with the use of the federal funds.
- 40           (2) Revenue appropriated to the Department to provide a source of State  
41 funds to make loans and grants for wastewater and drinking water  
42 projects and revenue received by the Department from the repayment  
43 of loans made with the use of these funds.

1       (3) Revenue appropriated to the Rural Center to make grants for wastewater and  
2 drinking water projects."

3           **SECTION 4.(c)** G.S. 159G-22 is amended by adding a new subsection to  
4 read:

5       "(h) Rural Center Reserve. – The Rural Center Reserve is established as an  
6 account within the Water Infrastructure Fund. The Account is established to receive  
7 funds that are to be used by the Rural Center for grants for publicly owned wastewater  
8 collection systems and wastewater treatment works and public water systems. Revenue  
9 in the Rural Center Reserve remains in the Reserve until disbursed for a grant under  
10 Article 3 of this Chapter."

11           **SECTION 4.(d)** G.S. 159G-23 reads as rewritten:

12 **"§ 159G-23. Common criteria for loan or grant from Wastewater Reserve**  
13 **~~or Reserve, Drinking Water Reserve, Reserve, or Rural Center Reserve.~~**

14       The criteria in this section apply to a loan or grant from the Wastewater Reserve  
15 ~~or Reserve~~, the Drinking Water Reserve, ~~Reserve~~, or the Rural Center Reserve. The  
16 Division of Water ~~Quality and Quality~~, the Division of Environmental ~~Health~~ ~~Health~~,  
17 and the Rural Center must each establish a system of assigning points to applications  
18 based on the ~~following criteria~~; criteria listed in this section. Point assignment by a  
19 Division and by the Rural Center may differ, but the Division and the Rural Center must  
20 apply all the criteria in evaluating applications.

21       ..."

22           **SECTION 4.(e)** G.S. 159G-24 reads as rewritten:

23 **"§ 159G-24. Fee imposed on a loan or grant from Wastewater Reserve ~~or Reserve,~~**  
24 **~~Drinking Water Reserve, Reserve, or Rural Center Reserve.~~**

25       (a) Amount. – A loan awarded from the Wastewater Reserve or the Drinking  
26 Water Reserve is subject to a fee of two and one-half percent (2 ½%) of the loan. A  
27 grant awarded from the Wastewater ~~Reserve or Reserve~~, the Drinking Water ~~Reserve~~  
28 Reserve, or the Rural Center Reserve is subject to a fee of one and one-half percent (1  
29 ½%) of the grant. The fee is payable when a loan or grant is awarded.

30       (b) Departmental Receipt. – The fee on a loan from the Wastewater Reserve or  
31 the Drinking Water Reserve is a departmental receipt and must be applied to the  
32 Department's and the Local Government Commission's costs in administering loans  
33 from these Reserves. The Department and the Local Government Commission must  
34 determine how to allocate the fee receipts between their agencies. The fee on a grant  
35 from the Wastewater Reserve or the Drinking Water Reserve is a departmental receipt  
36 of the Department and must be applied to the Department's costs in administering grants  
37 from these Reserves.

38       (c) Rural Center. – The fee on a grant from the Rural Center Reserve is  
39 appropriated to the Rural Center. The fee must be applied to the Rural Center's costs in  
40 administering grants from the Rural Center Reserve."

41           **SECTION 4.(f)** G.S. 159G-26 reads as rewritten:

42 **"§ 159G-26. Annual reports on Water Infrastructure Fund.**

43       (a) Requirement. – The Department must publish a report each year on the  
44 accounts in the Water Infrastructure Fund that are administered by the Division of

1 Water Quality or the Division of Environmental Health. The Rural Center must publish  
2 a report each year on the Rural Center Reserve. The ~~report~~ reports must be published by  
3 1 November of each year and cover the preceding fiscal year. The Department and the  
4 Rural Center must make the ~~report~~ reports available to the public and must give a copy  
5 of the ~~report~~ reports to the Environmental Review Commission and the Fiscal Research  
6 Division of the General Assembly.

7 (b) Content. – The ~~report~~ reports required by this section must contain the  
8 following information concerning the accounts of the Water Infrastructure Fund:

- 9 (1) The beginning and ending balance of the account for the fiscal year.
- 10 (2) The amount of revenue credited to the account during the fiscal year,  
11 by source.
- 12 (3) The total amount of loans and grants awarded from the account, by  
13 type, and the amount of any expenditure for emergency corrective  
14 action made from the account.
- 15 (4) For each loan or grant awarded, the recipient of the award, the amount  
16 of the award, the amount of the award that was disbursed, and the  
17 amount of the award remaining to be disbursed in a subsequent fiscal  
18 year.
- 19 (5) The amount disbursed for loans and grants awarded but not disbursed  
20 in a prior fiscal year and the amount remaining to be disbursed in a  
21 subsequent fiscal year.
- 22 (6) An assessment of the expected impact on water quality and water  
23 supply of the projects for which the loans and grants were awarded."

24 **SECTION 4.(g)** Chapter 159G of the General Statutes is amended by adding  
25 a new Article to read:

26 "Article 3.

27 "Water Infrastructure Grants Administered by Rural Center.

28 **"§ 159G-50. Definitions.**

29 The definitions in G.S. 159G-20 and the following definitions apply in this Article:

- 30 (1) Ability to pay. – An assessment of the ability of a local government  
31 unit to pay for a water infrastructure project as calculated annually by  
32 the Division of Community Assistance in the Department of  
33 Commerce.
- 34 (2) Economically distressed area. – Any of the following:
  - 35 a. An economically distressed county as defined in  
36 G.S. 143B-437.01.
  - 37 b. That part of a county in which the poverty rate is at least one  
38 hundred fifty percent (150%) of the State poverty rate. The  
39 poverty rate is the percentage of the population whose income  
40 is below the most recent federal poverty level set by the U.S.  
41 Bureau of the Census.
  - 42 c. That part of a county that experiences an actual or imminent  
43 loss of jobs in a number equal to or greater than five percent  
44 (5%) of the total number of jobs in the part.

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

4 **"§ 159G-51. Management of Rural Center Reserve.**

5           The Rural Center administers grants from the Rural Center Reserve. The Rural  
6           Center must use one-half of the revenue credited to the Rural Center Reserve under  
7           G.S. 159G-21 for grants for wastewater collection system projects and wastewater  
8           treatment works projects. The Rural Center must use one-half of the revenue credited to  
9           the Rural Center Reserve under G.S. 159G-21 for public water system projects.

10 **"§ 159G-52. Entities and projects eligible for grants.**

11           (a) Entities. – Only a local government unit is eligible for a grant from the Rural  
12           Center Reserve. A local government unit must meet the eligibility requirements  
13           established for a type of grant to be eligible for it.

14           (b) Projects. – The Rural Center is authorized to make grants from the Rural  
15           Center Reserve for the following types of projects:

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

22 **"§ 159G-53. Grants available from Rural Center Reserve.**

23           (a) Types. – The Rural Center is authorized to make the types of grants listed in  
24           this section from the Rural Center Reserve. Each type of grant must be administered  
25           through a separate account within the Rural Center Reserve. The Rural Center is not  
26           authorized to make loans from the Rural Center Reserve.

27           (b) Planning Grant. – A grant is available for the costs associated with  
28           preliminary planning for wastewater collection system projects, wastewater treatment  
29           works projects, and public water system projects. Preliminary planning includes  
30           developing a capital improvement plan, developing a comprehensive land-use plan,  
31           conducting a study, developing a regional or multi-jurisdictional infrastructure or water  
32           quality improvement plan, assembling a financing plan to carry out a project,  
33           completing a grant application, and preparing a preliminary engineering report for a  
34           proposed project. A planning grant is subject to the following restrictions:

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

1           c.     It is applying for a regional or multi-jurisdictional planning  
2                 project involving two or more units of local government with a  
3                 population of less than 10,000 in an urban county.

4           (2)   Maximum. – A planning grant may not exceed forty thousand dollars  
5                 (\$40,000) for each unit of local government.

6           (3)   Matching funds. – A local government unit must match a planning  
7                 grant on a dollar-for-dollar basis unless the unit meets all of the  
8                 following descriptions. If it meets these descriptions, the Rural Center  
9                 may require a match of less than fifty percent (50%) or provide that no  
10                match is required.

11           a.     It is an economically distressed county or located in an  
12                 economically distressed county.

13           b.     Its poverty rate is at least one hundred fifty percent (150%) of  
14                 the State poverty rate.

15           c.     If it is not a county, its ability to pay is less than fifty percent  
16                 (50%) of the ability to pay of the county in which it is located.

17       (c)   Supplemental Grant. – A grant is available to match other funds to be applied  
18         to the construction costs of a project. Other funds include federal funds, State funds  
19         received under Article 2 of this Chapter, and local funds. A supplemental grant is  
20         subject to the following restrictions:

21           (1)   Eligibility. – A local government unit is eligible for a supplemental  
22                 grant if it meets the following criteria:

23           a.     It is a rural county or is located in one of these counties.

24           b.     It adopts a resolution to set the household user fee for water and  
25                 sewer service in the area served by the project at an amount that  
26                 equals or exceeds the high-unit-cost threshold.

27           (2)   Maximum. – A supplemental grant may not exceed five hundred  
28                 thousand dollars (\$500,000).

29           (3)   Matching funds. – A local government unit must match a supplemental  
30                 grant on a dollar-for-dollar basis unless the unit meets all of the  
31                 following descriptions. If it meets these descriptions, the Rural Center  
32                 may require a match of less than fifty percent (50%) or provide that no  
33                 match is required.

34           a.     It is an economically distressed county or is located in an  
35                 economically distressed county.

36           b.     Its poverty rate is at least one hundred fifty percent (150%) of  
37                 the State poverty rate.

38           c.     If it is not a county, its ability to pay is less than fifty percent  
39                 (50%) of the ability to pay of the county in which it is located.

40       (d)   Unserved Community Grant. – A grant is available to develop a publicly  
41         owned wastewater collection system or wastewater treatment works or a public water  
42         system. An unserved community grant is subject to the following restrictions:

43           (1)   Eligibility. – A local government unit is eligible for an unserved  
44                 community grant if meets the following criteria:

- 1           a.     It contains a community that is not served by a centralized,  
2                     publicly owned wastewater collection system or wastewater  
3                     treatment works or public water system.
- 4           b.     Its population does not exceed 5,000 based on the most recent  
5                     annual population estimates certified by the State Budget  
6                     Officer.
- 7           c.     Its median household income does not exceed ninety percent  
8                     (90%) of the national median household income, based on data  
9                     from the most recent federal decennial census and updated by  
10                    the U.S. Department of Housing and Urban Development's  
11                    annual estimated income adjustment factors.
- 12          d.     It adopts a resolution to set the household user fee for water and  
13                     sewer service in the area served by the project at an amount that  
14                     equals or exceeds the high-unit-cost threshold.
- 15          e.     It has demonstrated that the system is financially feasible with  
16                     sufficient users and revenues to provide for operations,  
17                     maintenance, and a capital reserve.
- 18        (2)     Maximum. – An unserved community grant may not exceed either of  
19                     the following:
- 20            a.     Ninety percent (90%) of the costs of the project for which the  
21                     grant is awarded.
- 22            b.     Three million five hundred thousand dollars (\$3,500,000).
- 23        (3)     Matching funds. – A local government unit must match an unserved  
24                     community grant on a nine-to-one basis to provide an amount equal to  
25                     ten percent (10%) of the grant from the Rural Center. If a local  
26                     government unit satisfies all of the following conditions, the Rural  
27                     Center may reduce or waive the amount of the local match:
- 28            a.     It is an economically distressed county or is located in an  
29                     economically distressed county.
- 30            b.     Its poverty rate is at least one hundred fifty percent (150%) of  
31                     the State poverty rate.
- 32            c.     If it is not a county, its ability to pay is less than fifty percent  
33                     (50%) of the ability to pay of the county in which it is located.

34     **"§ 159G-54. Criteria for grants.**

35        The common criteria in G.S. 159G-23, the criteria set out in this section, and any  
36        other criteria established by the Board of Directors of the Rural Center apply to a grant  
37        from the Rural Center Reserve. An application for a project that serves an economically  
38        distressed area has priority over a project that does not.

39     **"§ 159G-55. Application.**

40        An application for a grant from the Rural Center Reserve must be submitted to the  
41        Rural Center. An application must be submitted on a form prescribed by the Rural  
42        Center and must contain the information required by the Rural Center. An applicant  
43        must submit to the Rural Center any additional information requested by the Rural  
44        Center to enable the Rural Center to make a determination on the application. An

1 application that does not contain information required on the application or requested by  
2 the Rural Center is incomplete and is not eligible for consideration. An applicant may  
3 submit an application in as many categories as it is eligible for consideration under this  
4 Article.

5 **"§ 159G-56. Environmental assessment.**

6 (a) An application submitted under this Article for any grant other than a water  
7 infrastructure planning grant must state whether the project to be funded by the grant  
8 requires an environmental assessment. If the application indicates that an environmental  
9 assessment is not required, it must identify the exclusion in the North Carolina  
10 Environmental Policy Act, Article 1 of Chapter 113A of the General Statutes, that  
11 applies to the project. The Rural Center must give the Department a copy of an  
12 application that indicates an environmental assessment is not required. If the  
13 Department determines that the project requires an environmental assessment, the  
14 Department must notify the Rural Center and the applicant, and the applicant must  
15 submit the assessment to the Department before the Rural Center continues its review of  
16 the application.

17 (b) An application that does not identify an exclusion in the North Carolina  
18 Environmental Policy Act must include the environmental assessment of the project's  
19 probable impacts on the environment that was submitted to the Department. If the  
20 Department notifies the Rural Center that an environmental impact statement is  
21 required, the Rural Center may not continue its review of the application until a final  
22 environmental impact statement has been completed and approved as provided in that  
23 Act.

24 **"§ 159G-57. Review of applications and award of grant.**

25 (a) Point Assignment. – The Rural Center must review all grant applications filed  
26 under this Article for an application period and must rank each application in  
27 accordance with the points assigned to the evaluation criteria. The Rural Center must  
28 make a written determination of an application's rank and attach the determination to the  
29 application. The Rural Center's determination of rank is conclusive.

30 (b) Reconsideration. – When an application's rank is too low to receive an award  
31 of a grant for an application period, the Rural Center must include the application with  
32 those considered for the next application period. If the application's rank is again too  
33 low to receive an award, the application is not eligible for consideration in a subsequent  
34 application period. An applicant whose application does not receive an award after  
35 review in two application periods may file a new application.

36 (c) Notification of Decision. – When the Rural Center determines that an  
37 application's rank makes it eligible for an award of a grant, the Rural Center must send  
38 the applicant a letter of intent to award the grant. The notice must set out any conditions  
39 the applicant must meet to receive an award of a grant. When the applicant satisfies the  
40 conditions set out in the letter of intent, the Rural Center must send the applicant an  
41 offer to award a grant. The applicant must give the Rural Center written notice of  
42 whether it accepts or rejects the offer. A grant is considered awarded when an offer to  
43 award the grant is issued.

44 **"§ 159G-58. Disbursement of grant.**



1        A planning grant awarded under this Article may be disbursed in one payment.  
2        Other grants awarded under this Article must be disbursed in two or more payments  
3        based on the progress of the project for which the grant was awarded. To obtain a  
4        payment, a grant recipient must submit a request for payment to the Rural Center and  
5        document the expenditures for which the payment is requested. The Rural Center must  
6        review the payment request. If the Rural Center determines that payment is appropriate,  
7        the Rural Center must submit to the State Treasurer a request for disbursement of the  
8        payment amount to the grant recipient.

9        **"§ 159G-59. Withdrawal of grant.**

10        An award for a grant for a project is withdrawn if the applicant fails to enter into a  
11        construction contract for the project within one year after the date of the award for  
12        supplemental grants or within 18 months after the date of the award for unserved  
13        community grants, unless the Board of Directors of the Rural Center finds that the  
14        applicant has good cause for the failure. If the Rural Center finds good cause for an  
15        applicant's failure, the Rural Center must set a date by which the applicant must take  
16        action or forfeit the grant. This section does not apply to a water infrastructure planning  
17        grant.

18        **"§ 159G-60. Inspection of project.**

19        (a) Authority. – The Rural Center may inspect a project for which it awards a  
20        grant under this Article to determine the progress made on the project and whether the  
21        construction of the project is consistent with the project described in the grant  
22        application. The inspection may be performed by personnel of the Rural Center or by a  
23        professional engineer licensed under Chapter 89C of the General Statutes.

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

- 26                (1) Is an officer or employee of the local government unit that received the  
27                grant award for the project.  
28                (2) Is an owner, officer, employee, or agent of a contractor or  
29                subcontractor engaged in the construction of the project for which the  
30                grant was made."

31        **SECTION 5.** Economic development. – Ten percent (10%) of the proceeds  
32 of the Clean Water Bonds shall be used for the purpose of making grants to local  
33 government units to pay the cost of clean water projects in connection with the location  
34 of industry to, and expansion of industry in, the State. These grants shall be awarded  
35 and administered by the Department of Commerce. These funds shall be applied to pay  
36 the costs of grants awarded in the same manner as funds in the Industrial Development  
37 Fund created in G.S. 143B-437.01(a), for use in accordance with G.S. 143B-437.01(a),  
38 subject to the further limitations on the provisions of G.S. 143B-437.01(a) set forth  
39 below, and shall be applied to pay the costs of grants awarded in the same manner as  
40 funds in the Utility Account of the Industrial Development Fund created in  
41 G.S. 143B-437.01(b1), for use in accordance with G.S. 143B-437.01(b1), subject to the  
42 further limitations on the provisions of G.S. 143B-437.01(b1) set forth below. In  
43 applying the provisions of G.S. 143B-437.01(a) or G.S. 143B-437.01(b1), as the case  
44 may be, the following exceptions shall apply:

- 1 (1) The funds shall be used only for grants to local governments, not for  
2 loans.
- 3 (2) Grants shall be awarded only to projects the Secretary of Commerce  
4 finds will have a favorable impact on the clean water objectives of the  
5 State.
- 6 (3) The only purposes for which grants may be made are construction of  
7 or improvements to new or existing water or sewer distribution lines or  
8 equipment, construction of or improvements to new or existing  
9 wastewater treatment works, or improvements that will expand the  
10 capacity of existing wastewater treatment works or water supply  
11 systems.
- 12 (4) The projects may be located only in counties that are economically  
13 distressed as defined in G.S. 143B-437.01 or have a population of less  
14 than 50,000.
- 15 (5) Grants may be made only with respect to any of the industries defined  
16 in G.S. 105-129.2, notwithstanding any expiration of that statute.
- 17 (6) The provisions of G.S. 143B-437.01(a) or G.S. 143B-437.01(b1), as  
18 the case may be, that limit the expenditure of funds to costs of utility  
19 lines or facilities located on the site of the new or proposed industrial  
20 building or that are directly related to the operation of the specific  
21 industrial activity at the building, shall not apply if the utility lines or  
22 facilities being provided will further the clean water objectives of the  
23 State.

24 The General Assembly finds that the purpose of providing water and sewer  
25 distribution lines and wastewater treatment works in counties eligible for grants under  
26 this section is to provide clean water in North Carolina in several different ways. First,  
27 these projects will reduce industrial reliance on wells, septic tanks, and other similar  
28 facilities. Second, when a distribution line is extended to an industrial facility in an area  
29 not otherwise served by water and sewer infrastructure, residents, other businesses, and  
30 local governments can connect into the distribution line, bringing clean water,  
31 wastewater treatment, or both to the unserved area. Also, the installation and expansion  
32 of water supply and wastewater treatment facilities to provide water supply and  
33 wastewater treatment in connection with new or expanding industry will result in  
34 additional water supply and treatment facilities available to the residents, other  
35 businesses, and local governments in the area where the installation or expansion  
36 occurs.

37 The proceeds of the Clean Water Bonds, issued for the purpose described in  
38 this section, shall be held in the 2006 Clean Water Bonds Fund until needed for  
39 expenditure by the grantee for the payment of the cost for the purpose for which the  
40 grant is made. The Department of Commerce shall maintain records that document the  
41 timing and purpose for which each expenditure of proceeds of a grant is made.

42 **SECTION 6.** Allocation or proceeds. – The proceeds of Clean Water Bonds  
43 and notes, including premium thereon, if any, except the proceeds of bonds the issuance  
44 of which has been anticipated by bond anticipation notes or the proceeds of refunding

1 bonds or notes, shall be placed by the State Treasurer in a special fund to be designated  
2 "2006 Clean Water Bonds Fund", which may include such appropriate special accounts  
3 therein as may be determined by the State Treasurer and shall be disbursed as provided  
4 in this act. Moneys in the 2006 Clean Water Bonds Fund shall be allocated and  
5 expended as provided in this act.

6 Any additional moneys which may be received by means of a grant or grants  
7 from the United States of America or any agency or department thereof or from any  
8 other source for deposit to the 2006 Clean Water Bonds Fund may be placed in the 2006  
9 Clean Water Bonds Fund or in a separate account or fund and shall be disbursed, to the  
10 extent permitted by the terms of the grant or grants, without regard to any limitations  
11 imposed by this act.

12 Moneys in the 2006 Clean Water Bonds Fund or any separate clean water  
13 fund or account established under this act may be invested from time to time by the  
14 State Treasurer in the same manner permitted for investment of moneys belonging to  
15 the State or held in the State treasury, except with respect to grant money to the extent  
16 otherwise directed by the terms of the grant. Investment earnings, except investment  
17 earnings with respect to grant moneys to the extent otherwise directed or restricted by  
18 the terms of the grant, may be (i) credited to the 2006 Clean Water Bonds Fund or any  
19 separate clean water fund or account established under this act, (ii) used to pay debt  
20 service on the bonds authorized by this act, (iii) used to satisfy compliance with  
21 applicable requirements of the federal tax law, or (iv) transferred to the General Fund of  
22 the State.

23 The proceeds of bonds and notes may be used with any other moneys made  
24 available by the General Assembly for making grants authorized by this act, including  
25 the proceeds of any other State bond issues, whether heretofore made available or which  
26 may be made available at the session of the General Assembly at which this act is  
27 ratified or any subsequent sessions. The proceeds of bonds and notes shall be expended  
28 and disbursed under the direction and supervision of the Director of the Budget. The  
29 funds provided by this act shall be disbursed for the purposes provided in this act upon  
30 warrants drawn on the State Treasurer by the State Controller, which warrants shall not  
31 be drawn until requisition has been approved by the Director of the Budget and which  
32 requisition shall be approved only after full compliance with the Executive Budget Act,  
33 Article 1 of Chapter 143 of the General Statutes.

34 **SECTION 7.** Election. – The question of the issuance of the bonds  
35 authorized by this act shall be submitted to the qualified voters of the State at an  
36 election to be held on the first Tuesday after the first Monday of November 2006. Any  
37 other primary, election, or referendum validly called or scheduled by law at the time the  
38 election on the bond question provided for in this section is held may be held as called  
39 or scheduled. Notice of the election shall be given in the manner and at the times  
40 required by G.S. 163-33(8). The election and the registration of voters therefor shall be  
41 held under and in accordance with the general laws of the State. Absentee ballots shall  
42 be authorized in the election.

43 The State Board of Elections shall reimburse the counties of the State for all  
44 necessary expenses incurred in holding the election that are in addition to those that

1 would have otherwise been incurred, the same to be paid out of the Contingency and  
2 Emergency Fund or other funds available to the State Board of Elections.

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

7 "  FOR  AGAINST

8 The issuance of one billion dollars (\$1,000,000,000) State of North Carolina  
9 Clean Water Bonds constituting general obligation bonds of the State secured by a  
10 pledge of the faith and credit and taxing power of the State for the purpose of providing  
11 funds, with any other available funds, to make grants to local government units and  
12 nonprofit entities to pay all or a portion of the cost of clean water projects."

13 If a majority of those voting on a bond question in the election vote in favor  
14 of the issuance of the bonds described in the question, those bonds may be issued as  
15 provided in this act. If a majority of those voting on a bond question in the election vote  
16 against the issuance of the bonds described in the question, those bonds shall not be  
17 issued.

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

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

34 **SECTION 8.(b)** Signatures; form and denomination; registration. – Bonds  
35 or notes may be issued as certificated or uncertificated obligations. If issued as  
36 certificated obligations, bonds or notes shall be signed on behalf of the State by the  
37 Governor or shall bear his or her facsimile signature, shall be signed by the State  
38 Treasurer or shall bear his or her facsimile signature, and shall bear the Great Seal of the  
39 State or a facsimile thereof shall be impressed or imprinted thereon. If bonds or notes  
40 bear the facsimile signatures of the Governor and the State Treasurer, the bonds or notes  
41 shall also bear a manual signature which may be that of a bond registrar, trustee, paying  
42 agent, or designated assistant of the State Treasurer. Should any officer whose signature  
43 or facsimile signature appears on bonds or notes cease to be such officer before the  
44 delivery of the bonds or notes, the signature or facsimile signature shall nevertheless

1 have the same validity for all purposes as if the officer had remained in office until  
2 delivery, and bonds or notes may bear the facsimile signatures of persons who at the  
3 actual time of the execution of the bonds or notes shall be the proper officers to sign any  
4 bond or note, although at the date of the bond or note such persons may not have been  
5 such officers. The form and denomination of bonds or notes, including the provisions  
6 with respect to registration of the bonds or notes and any system for their registration,  
7 shall be as the State Treasurer may determine in conformity with this act; provided,  
8 however, that nothing in this act shall prohibit the State Treasurer from proceeding, with  
9 respect to the issuance and form of the bonds or notes, under the provisions of Chapter  
10 159E of the General Statutes, the Registered Public Obligations Act, as well as under  
11 this act.

12         **SECTION 8.(c)** Manner of sale; expenses. – Subject to determination by the  
13 Council of State as to the manner in which bonds or notes shall be offered for sale,  
14 whether at public or private sale, whether within or without the United States of  
15 America, and whether by publishing notices in certain newspapers and financial  
16 journals, mailing notices, inviting bids by correspondence, negotiating contracts of  
17 purchase or otherwise, the State Treasurer is authorized to sell bonds or notes at one  
18 time or from time to time at such rate or rates of interest, which may vary from time to  
19 time, and at such price or prices, including a price less than the face amount of the  
20 bonds or the notes, as the State Treasurer may determine. All expenses incurred in  
21 preparation, sale, and issuance of bonds or notes shall be paid by the State Treasurer  
22 from the proceeds of bonds or notes or other available moneys.

23         **SECTION 8.(d)** Notes; repayment.

- 24         (1) By and with the consent of the Council of State, the State Treasurer is  
25 hereby authorized to borrow money and to execute and issue notes of  
26 the State for the same, but only in the following circumstances and  
27 under the following conditions:
- 28         a. For anticipating the sale of bonds to the issuance of which the  
29 Council of State shall have given consent, if the State Treasurer  
30 shall deem it advisable to postpone the issuance of the bonds;
  - 31         b. For the payment of interest on or any installment of principal of  
32 any bonds then outstanding, if there shall not be sufficient funds  
33 in the State treasury with which to pay the interest or  
34 installment of principal as they respectively become due;
  - 35         c. For the renewal of any loan evidenced by notes herein  
36 authorized;
  - 37         d. For the purposes authorized in this act; and
  - 38         e. For refunding bonds or notes as herein authorized.
- 39         (2) Funds derived from the sale of bonds or notes may be used in the  
40 payment of any bond anticipation notes issued under this act. Funds  
41 provided by the General Assembly for the payment of interest on or  
42 principal of bonds shall be used in paying the interest on or principal  
43 of any notes and any renewals thereof, the proceeds of which shall  
44 have been used in paying interest on or principal of the bonds.

1           **SECTION 8.(e)** Refunding bonds and notes. – By and with the consent of  
2 the Council of State, the State Treasurer is authorized to issue and sell refunding bonds  
3 and notes pursuant to the provisions of the State Refunding Bond Act for the purpose of  
4 refunding bonds or notes issued pursuant to this act. The refunding bonds and notes may  
5 be combined with any other issues of State bonds and notes similarly secured.

6           **SECTION 8.(f)** Tax exemption. – Bonds and notes shall be exempt from all  
7 State, county, and municipal taxation or assessment, direct or indirect, general or  
8 special, whether imposed for the purpose of general revenue or otherwise, excluding  
9 inheritance and gift taxes, income taxes on the gain from the transfer of bonds and  
10 notes, and franchise taxes. The interest on bonds and notes shall not be subject to  
11 taxation as to income.

12           **SECTION 8.(g)** Investment eligibility. – Bonds and notes are hereby made  
13 securities in which all public officers, agencies, and public bodies of the State and its  
14 political subdivisions, all insurance companies, trust companies, investment companies,  
15 banks, savings banks, savings and loan associations, credit unions, pension or retirement  
16 funds, other financial institutions engaged in business in the State, executors,  
17 administrators, trustees, and other fiduciaries may properly and legally invest funds,  
18 including capital in their control or belonging to them. Bonds and notes are hereby  
19 made securities which may properly and legally be deposited with and received by any  
20 officer or agency of the State or political subdivision of the State for any purpose for  
21 which the deposit of bonds, notes, or obligations of the State or any political subdivision  
22 is now or may hereafter be authorized by law.

23           **SECTION 8.(h)** Faith and credit. – The faith and credit and taxing power of  
24 the State are hereby pledged for the payment of the principal of and the interest on  
25 bonds and notes. The State expressly reserves the right to amend any provision of this  
26 act to the extent it does not impair any contractual right of a bond owner.

27           **SECTION 9.** Variable interest rates. – In fixing the details of bonds and  
28 notes, the State Treasurer may provide that any of the bonds or notes may:

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

1 presentment for payment to the provider of the credit facility or to the  
2 State.

3 If the aggregate principal amount repayable by the State under a credit facility  
4 is in excess of the aggregate principal amount of bonds or notes secured by the credit  
5 facility, whether as a result of the inclusion in the credit facility of a provision for the  
6 payment of interest for a limited period of time or the payment of a redemption  
7 premium or for any other reason, then the amount of authorized but unissued bonds or  
8 notes during the term of such credit facility shall not be less than the amount of such  
9 excess, unless the payment of such excess is otherwise provided for by agreement of the  
10 State executed by the State Treasurer.

11 **SECTION 10.** Interpretation of act. – (a) Additional method. – The  
12 foregoing sections of this act shall be deemed to provide an additional and alternative  
13 method for the doing of the things authorized thereby and shall be regarded as  
14 supplemental and additional to powers conferred by other laws, and shall not be  
15 regarded as in derogation of any powers now existing.

16 **SECTION 10.(b)** Statutory references. – References in this act to specific  
17 sections or Chapters of the General Statutes or to specific acts are intended to be  
18 references to these sections, Chapters, or acts as they may be amended from time to  
19 time by the General Assembly.

20 **SECTION 10.(c)** Broad construction. – This act, being necessary for the  
21 health and welfare of the people of the State, shall be broadly construed to effect the  
22 purposes thereof.

23 **SECTION 10.(d)** Inconsistent provisions. – Insofar as the provisions of this  
24 act are inconsistent with the provisions of any general laws, or parts thereof, the  
25 provisions of this act shall be controlling.

26 **SECTION 10.(e)** Severability. – If any provision of this act or the  
27 application thereof to any person or circumstance is held invalid, such invalidity shall  
28 not affect other provisions or applications of the act which can be given effect without  
29 the invalid provision or application, and to this end the provisions of this act are  
30 declared to be severable.

31 **SECTION 11.** This act is effective when it becomes law.