

CIVITAS INSTITUTE

Legislative Recap

2007 GENERAL ASSEMBLY

August 15, 2007

A Green Budget and More

Max Borders, New Media Coordinator & Policy Analyst

The 2007-2008 General Assembly Session resulted in the passage of a budget, as well as a number of other bills, that increased funding for a number of environmental initiatives with little to no benefit. These include a renewable energy bill that will increase residential electric bills by \$10 to \$30, as well as a bill aimed at banning light bulbs. If the volume of environmental legislation during this session is any indication, 2007 saw an acceleration of the state's usual heavy handed strategy of addressing environmental issues. A striking aspect of much of this new legislation is that it provides a broad foundation upon which to expand environmental policies, subsidies, and regulatory controls in the future. The most significant changes will affect solid waste, renewable energy, and hazardous material oversight. These laws will mean increased environmental bureaucracy, expanded regulation and additional costs.

NEW SPENDING IN THE GREEN BUDGET (HB 1473/S.L. 2007-323)

Spending for the Division of Environment and Natural Resources increased to \$205.2 million for FY2008 – up from \$183.3 million, or 12 percent, over 2006-07. This new spending does not include environmental spending managed by other state bureaucracies, such as Agriculture. Highlights from the 2007-08 budget include:

- **Land for Tomorrow:** A last minute addition to the budget authorized the issuance of \$120 million in special indebtedness (no voter approval required) for land acquisition, waterfront properties, and the improvement of public and commercial waterfront access.
- **More Green Fees:** The 2007-08 budget included more ways to tax without transparency: fees. Fees are meant to mitigate purported environmental damage by requiring people to pay for the ecological effects of their commercial activities. For example, the state charges water quality fees (all of which went up across the board this year) to developers. Developers pass these costs on to citizens. Water quality fees are now \$60.00 per single family residence, for example.
- **Pervious Surfaces:** A special budget provision requires that 20 percent of new vehicle parking areas be constructed with pervious materials (materials water can pass through), or be designed with storm water management systems approved by the government.
- **N.C. Green Business Fund:** This budget provided grants and subsidies (\$1 million) to so-called “green” business ventures. Transferring tax dollars to businesses to conserve energy or adhere to strict environmental construction requirements not only raises costs, but represents another attempt by government to shape energy markets. Unintended effects of market distortions are largely ignored.
- **Corporate Welfare:** \$2.3 million will go to a single, as-yet unnamed renewable fuels company that will likely produce biofuels in North Carolina.
- **Oyster Fund:** \$300,000 will go toward Shellfish Restoration Funds. Among other things this money will be used to “conduct a pilot project to protect oyster sanctuaries from cownose ray and skate predation.”
- **Other Subsidies:** Swine Waste Technology Initiatives (\$2 million); Water Quality Monitoring on Ferry Vessels (\$300,000); River Herring Research (two grants of \$148,521 and \$103,679 recurring); Continuation Review of the Environmental Stewardship Initiative (\$276,624); Poultry Waste Management (\$250,000).

ENVIRONMENTAL LEGISLATION THAT PASSED THE GENERAL ASSEMBLY

Promote Renewable Energy/Baseload Generation (SB 3)

Status: Presented to Governor Easley on August 2, 2007

Cost: \$10-\$30 annual for the renewable portfolio portion per residential account; \$50 per commercial account; \$500 per industrial account.

Requires the state's power companies to increase the amount of energy created from renewable sources. Qualifying sources include solar, wind, hydroelectric, tidal energy, and agricultural waste. Utilities and renewable energy producers would also like for the state to increase the amount that consumers will have to pay for this type of energy, which means higher consumer rates for plant construction and the portfolio standard. As regards the renewable subsidy portion, legislators placed a cap of \$10 per year per residential customer, going up to \$30 per year by 2015. Utility concerns will be able to pass along the costs of renewable plant construction directly, costs not subject to a cap. In short, consumers will be protected from the spiraling costs of subsidizing renewable energy, they will not be shielded from spiraling costs of renewable plant construction. (The John Locke Foundation estimates SB 3 will cost N.C. taxpayers \$500 million.)

Solid Waste Management Act of 2007 (SB 1492)

Status: Presented to Governor Easley on August 3, 2007

Cost: Expected to generate \$25 million in revenues in FY2007-08, as well as new annual revenues from permit fees of \$1.1 million

Drastically increases the state's regulatory power over new landfill construction, including: permitting, compliance, and siting standards. Existing landfills will have to pay additional taxes and fees (\$2.00 per ton and permit fees) which will be redirected to municipal recycling programs and the cleanup of abandoned landfills around the state. Counties or concerns wishing to construct new landfills will also face Byzantine regulations and high barriers to entry, including environmental impact studies. Direct costs will come via the \$2 per ton tax on dumping. Indirect costs will come from compliance, as well as transportation (and environmental) costs associated with increased exportation of waste to other states where regulations are less burdensome. Counties, like those in eastern North Carolina, hoping to benefit from new waste management industries may have their hopes dashed, as waste industries will be loath to build – in some cases blocked from building – landfills in the state due to the difficult regulatory environment and added costs.

Swine Farm Environmental Performance Standards (SB 1465)

Status: Presented to Governor Easley on July 26, 2007

Cost: No fiscal note

Makes permanent the swine farm animal waste management system performance standards that the General Assembly enacted in 1998. The law also provides for the replacement of a hazardous lagoon and assists farmers in converting to innovative animal waste management systems. In addition, SB 1465 establishes a pilot program for swine farm methane capture. Regulatory compliance will raise costs for agricultural sectors dealing with swine waste, although subsidies associated with converting to a modern animal waste system, as well as the voluntary methane capture program, will mean some nominal costs to taxpayers.

Hazardous Materials Task Force Recommendations (HB 36)

Status: Signed by Governor Easley on June 26, 2007

Cost: No fiscal note

Increases oversight of hazardous waste facilities in light of the Apex fire and subsequent recommendations by the Governor's Hazardous Materials Taskforce. New permit requirements and regulatory compliance will raise costs for industry sectors dealing with hazardous materials. The bill should increase operating costs of the regulatory bureaucracy and permitting agency, but only marginally.

Energy Conservation in State Buildings (SB 668)

Status: Presented to Governor Easley on August 3, 2007

Cost: \$48.5 million of costs on \$1.94 billion in construction

This act will require government buildings to adopt green building standards and energy efficiency measures.

Increased Penalties for Air Pollution (HB 1646)

Status: Signed by Governor Easley on July 26, 2007

Cost: No fiscal note

This legislation will increase penalties (\$25,000 per violation) for violating laws designed to protect air quality (pursuant to G.S. 143-215).

LEGISLATION OF NOTE THAT DID NOT PASS

Land and Water Conservation Bond Act of 2007 (HB 990)

Status: Referred to Finance Committee

Cost: No fiscal note

While the budget allocates \$120 million in COPs funding for land conservation (i.e., real estate purchases), this conservation bill is still in play. The legislation authorizes a voter referendum on land and water conservation bonds “in an aggregate principal amount not exceeding one billion dollars [\$1 billion]”. These general obligation bonds would be used “to address Statewide needs regarding land conservation, water quality protection, historic preservation, and job creation.” While it is not clear how land and water conservation will create jobs, it is clear that land management has its own costs, and that land conservation can affect property values in surrounding areas. For example, if land is conserved in urban or suburban areas, housing becomes less affordable for those who live in these areas. Given the number of philanthropies devoted to private conservation, it is difficult to see why legislation like this is necessary.

Safe Artificial Slope Construction Act (HB1756)

Status: Referred to the Committee on Environment and Natural Resources, April 19, 2007

Cost: No fiscal note as yet

This bill would require “local governments to adopt ordinances to regulate site planning, design, and construction of artificial slopes in mountainous areas” in the hope of preventing landslides in Western North Carolina. This policy can be evaluated based upon the frequency of such landslides affecting people and property in North Carolina, measured against the overall costs associated with implementing the regulations.

N.C. Venture Capital Act (HB 2028)

Status: Referred to Finance Committee

Cost: No fiscal note, but the direct fiscal impact would be the creation of a \$100 million fund whose success or failure will depend on market uncertainties normally left to the private sector.

The N.C. Venture Capital Act is a bill designed to let the state of North Carolina direct public resources to private venture capital funding – specifically (but not limited to renewable resource ventures). While governments have far fewer positive incentives to make sound investments in solvent companies, this legislation would have government bureaucrats attempting to do just that. Sources of financing would originate with large lending institutions that would be guaranteed to break even, with the risk of these investments spread out among the citizens of North Carolina. This legislation would also force North Carolinians to subsidize non-cost-effective industries – such as renewable energy – that would not exist but for the subsidy.

Study Incandescent & Fluorescent Lamp Issues (HB 838)

Status: Referred to the Committee on Rules, Calendar, and Operations of the House

Cost: No fiscal note

This bill sets the stage for regulating the use and disposal of light bulbs in North Carolina. While this legislation only called for a study of the “feasibility and desirability of phasing out the use of incandescent lamps and to direct the Department of Environment and Natural Resources to develop a proposal for a recycling program for fluorescent lamps,” it is difficult to imagine a more draconian – or stupid – idea than banning light bulbs. Don’t Pricey Harrison (D-Guilford) and Susan Fisher (D-Buncombe), the bill’s primary sponsors, have anything better to do?

