

Division of Water Infrastructure Funding Programs



NC Division of
Water Infrastructure

2015 Water Summit
August 27, 2015

Outline

- **State of Water Infrastructure**
- State of Water Infrastructure Funding
- Division of Water Infrastructure Funding programs
 - Clean Water and Drinking Water SRFs
 - CDBG-I
 - State Grants
- State Water Infrastructure Authority (SWIA)
- Looking ahead



State of Water Infrastructure

- American Society of Civil Engineers Water Infrastructure Grades for NC

- Drinking Water – C+

- Wastewater – C

- C = Mediocre

“If continued funding needs are not met, the state risks reversing the improved public health and economic gains that have been realized over the past 30 years” - ASCE 2013 Report Card



Water Infrastructure Needs

- Approximate **10 Billion** in Drinking Water needs
- Approximately **6 Billion** in Wastewater needs
- Documented projects over next 20 years that are eligible for funding
- Does not provide for any substantial economic development or growth



Water Infrastructure Needs

Equivalent to approximately \$5,000 per connection or increase of \$30/month per residential customer at current interest rate



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State of Water Infrastructure Funding

- Bond Market (for population > 10,000)
- Banks
- Federal and State Funding Programs



Federal and State Infrastructure Funding

- Economic Development
 - Job creation or retention
- Critical Need Infrastructure
 - Public health and water quality



Economic Development Funding

- Department of Commerce
- Golden Leaf Foundation
- Appalachian Regional Commission
- USDA-Rural Development



Critical Need Funding

- USDA-Rural Development
 - Loans and grants
 - Longer 40-yr terms
 - Higher interest rates than SRF programs
- NCDENR Division of Water Infrastructure



Session Law 2013-360 (Budget)

- Consolidated North Carolina's critical need water infrastructure funding into a new Division of Water Infrastructure within DENR
- Created State Water Infrastructure Authority (SWIA)



Funding Programs

- Clean Water State Revolving Fund
- Drinking Water State Revolving Fund
- Community Development Block Grant
- State reserve grants and loans
 - Drinking water
 - Wastewater



Funding Programs

- **Clean Water State Revolving Fund (CWSRF)**
- **Drinking Water State Revolving Fund (DWSRF)**
- **Community Development Block Grant (CDBG-I)**
- **State grants**
 - Drinking water
 - Wastewater



State Revolving Fund Programs

- Clean Water State Revolving Fund (Wastewater, Green)
- Drinking Water State Revolving Fund
- Low-interest loan programs
 - ½ market rate or 0%
- Capitalized by federal grants through EPA; requires a state match
- Benefits
 - Stable source of funding
 - Large loans available
 - No interest during construction

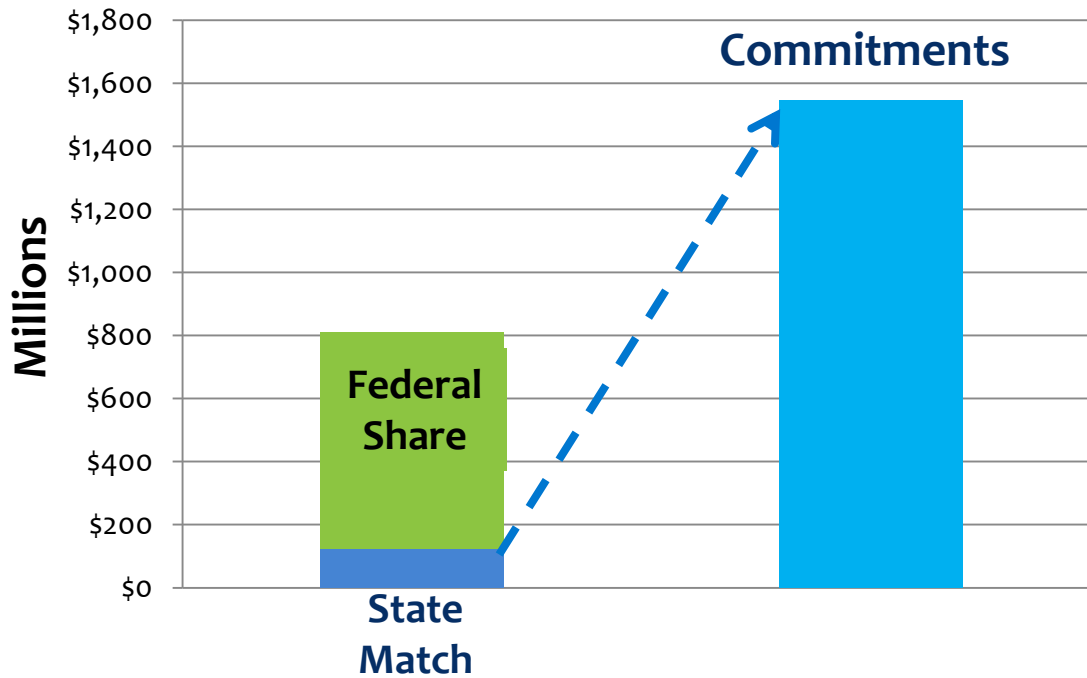


Benefit of subsidized interest rates

- A project will save \$150,000 for every million at SRF base interest rate (equals a 15% grant)
- A project will save \$300,000 for every million at 0% interest rate (30% grant)



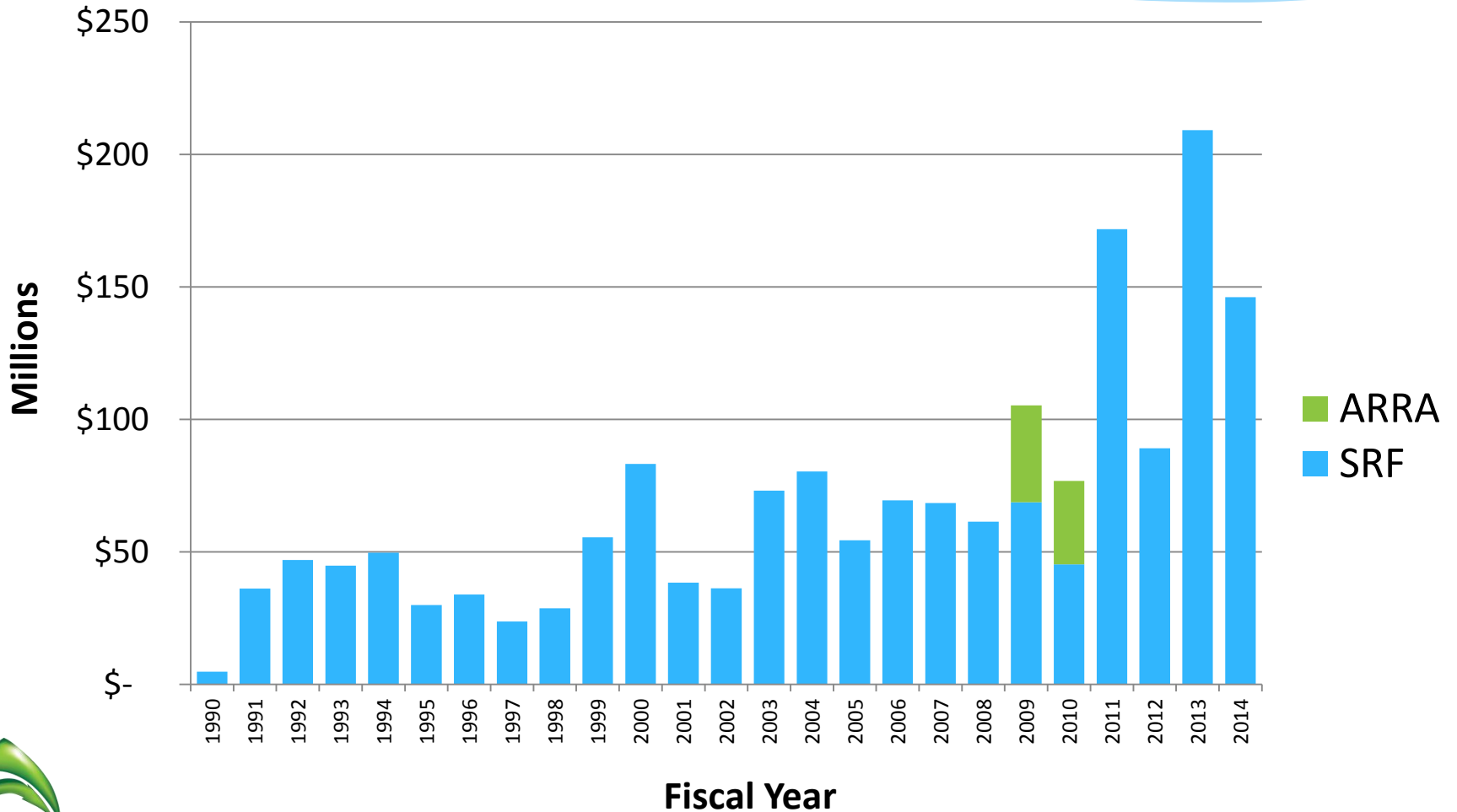
CWSRF Capitalization and Match



\$123 million in state match resulted in \$1.5 billion in commitments over the life of CWSRF in NC



CWSRF Commitments



CWSRF Funding Availability

- \$150 Million per year
- 2 rounds per year
- Principal Forgiveness
- 0% for Green Projects (stormwater, energy)
- 0% for some Rehabilitation Projects



CWSRF Applicant Eligibility

- Local government units – city, county, w&s district, MSD/MWD, WSA, sanitary district
- Nonprofit water corporation



CWSRF Project Eligibility

- Wastewater Treatment
- Wastewater Collection
- Energy Efficiency
- Stormwater BMPs
- Stream Restoration
- Reclaimed Water



DWSRF Funding Availability

- \$50 Million per year
- 1 round per year
- Principal Forgiveness
- Consolidation can qualify for 100% principal forgiveness
- 0% for some Rehabilitation Projects



DWSRF Eligibility

- Applicants:
 - Local government unit – city, county, w&s district, MSD/MWD, WSA, sanitary district
 - Nonprofit water corporation
 - Investor-owned drinking water corporation
- Eligible activities – public water system projects



DWSRF Restrictions

- Dams and impoundments (some exceptions)
- Project cannot be driven by:
 - Future population growth
 - Fire protection



Funding Programs

- Clean Water State Revolving Fund
- Drinking Water State Revolving Fund
- **Community Development Block Grant**
- State grants
 - Drinking water
 - Wastewater



CDBG Infrastructure Program

- Federal Program implemented by US Housing and Urban Development (HUD)
- Established by 1974 Housing & Community Devel. Act
- Purpose – develop viable communities by providing principally persons of Low and Moderate Income (LMI) with:
 - Decent housing
 - Suitable living environment
 - Expanded economic opportunities
- Only for Units of General Local Government



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Entitlement Area Funding

- Nationally, \$2.3 billion goes directly to metropolitan cities and urban counties
- In NC, the cities of Asheville, Burlington, Cary, Chapel Hill, Charlotte, Concord, Durham, Fayetteville, Gastonia, Goldsboro, Greensboro, Greenville, Hickory, High Point, Jacksonville, Kannapolis, Lenoir, Morganton, New Bern, Raleigh, Rocky Mount, Salisbury, Wilmington, and Winston-Salem receive these funds directly, as do Wake, Mecklenburg and Cumberland Counties



Non-Entitlement Program

- States administer Non-Entitlement program for:
 - Cities with populations of less than 50,000
 - Counties with populations of less than 200,000 (all counties except Wake, Mecklenburg, and Cumberland)
- Each state develops funding priorities and criteria
- In FY 2013, NC received \$44 million based on need and population of rural low income communities
 - State legislature splits amount between infrastructure funding and economic development funding



Program Funding

| North Carolina Federal Allocation | |
|--|---------------------|
| Infrastructure (by Division of Water Infrastructure) | \$26,186,235 |
| Economic Development (by Dept. of Commerce) | \$15,952,630 |
| Administration | \$1,375,000 |
| Total HUD Grant to State | \$43,513,865 |

- Division of Water Infrastructure administers the infrastructure portion (\$26 million)
- Dept. of Commerce continues to administer the Economic Development portion (\$16 million)



HUD-CDBG Program Purpose

- Goal – North Carolina’s CDBG-Infrastructure projects improve the quality of life of low- and moderate- income persons by improving public health and the environment
- Limited to service to areas with > 51% low to moderate income (LMI) households
- Maximum \$2 million per applicant over 3 year period



Funding Programs

- Clean Water State Revolving Fund
- Drinking Water State Revolving Fund
- Community Development Block Grant
- **State grants**
 - Drinking water projects
 - Wastewater projects
 - Planning



State Reserve Grants

- State appropriated grant funds for wastewater and drinking water to “meet the project needs of rural, economically distressed local governments”
- SFY 2014-15 - \$5 million (recurring)
- SWIA determines the distribution of funds between water and wastewater projects



State Reserve Grant Update

- Program continues in both Senate and House budget plans
- House plan provides additional funding
- Both budgets include changes to the grant programs recommended by State Water Infrastructure Authority



State Reserve Grant Changes

- Existing High Unit Cost criteria would be replaced with a new affordability index to determine eligibility for project grants
- Technical assistance grants would be eliminated
- Two new grants would be available
 - System Condition and Assessment
 - Regionalization/Consolidation Studies



Grant Availability

- **Project Grants**
 - Limited by financial need
 - Project may not receive full grant
 - \$3 million maximum per applicant over 3 year period
- **System Condition and Assessment**
 - \$150,000 maximum per applicant over 3 year period
 - Specific requirements for implementation
- **Regionalization/Consolidation Studies**
 - \$50,000 maximum per applicant over 3 year period



State Grants

- Next application round will be March 2016
- Affordability index would allow for projects to be funded through a mix of grants and loans
- More information later in 2015



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State Water Infrastructure Authority

- Created by Session Law 2013-360 (Budget Bill)
- 9 members
 - 2 appointed by Governor, 2 by Senate, 2 by House
 - 3 are staff of NC government agencies
- All members appointed by January 2014
- Met in Jan, Feb, March and May



SWIA Powers and Duties

1. Review funding recommendations by the Division of Water Infrastructure
 - Determine the rank of applications
 - Select the applications that are eligible
2. Establish priorities for funding, consistent w/ federal law
3. Review the criteria for making loans and grants
4. Develop guidelines for making loans and grants
5. Develop a water infrastructure master plan



SWIA Powers and Duties

6. Assess role of the State in funding water infrastructure
7. Analyze the adequacy of projected funding
8. Recommend ways to maximize the use of funding resources
9. Review the application of management practices
10. Assess the role of public-private partnerships
11. Assess the application of the river basin approach to utility planning and management
12. Assess the need for a "troubled system" protocol



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Looking Ahead

- Major change to priority rating systems across programs will allow one application to be submitted for consideration across multiple funding programs
- Affordability criteria will start a move away from 100% grants and instead provide loan/grant funding packages
- NC Connect Bond potentially included up to \$75 million in additional loan money



Looking Ahead

- Emphasis on system management a viability
 - Troubled systems
 - Asset management
- Statewide view of water infrastructure
 - Master plan for state



Looking Ahead

- Division will become more involved in assistance that is not just providing funding
- Outreach will continue to be a focus and further emphasized
 - State-wide application training
 - Funding assistance
 - Management training



Looking Ahead

- Next round of applications due September 30, 2015
- Streamlined application process
- Please contact us for any assistance or questions



Contact Information

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- Contacts
- Applications
- Program Information

