

**Report to the North Carolina General Assembly's Joint
Legislative Oversight Committee on Agriculture and
Natural and Economic Resources and the Fiscal Research
Division**



***Local Assistance for Stormwater Infrastructure Investments
Grants Annual Report***

September 1, 2023

**Division of Water Infrastructure
NORTH CAROLINA DEPARTMENT OF
ENVIRONMENTAL QUALITY**

Pursuant to S.L. 2021-180, Sec. 12.14.(j)

North Carolina Department of Environmental Quality

FY 2022-2023 Report to the Chairs of the Joint Legislative Oversight Committee on Agriculture and Natural and Economic Resources and the Fiscal Research Division on the projects and activities funded by Section 12.14. of the Current Operations Appropriations Act of 2021 (S.L. 2021-180):

The Local Assistance for Stormwater Infrastructure Investments Fund

September 1, 2023

Background

Session Law 2021-180 established the Local Assistance for Stormwater Infrastructure Investments (LASII) Fund as a special fund in the Department of Environmental Quality (Department). It further established that the LASII Fund shall be used to provide grants to eligible entities, as defined in Section 12.14 of the Session Law, for projects that will improve or create infrastructure for controlling stormwater quantity and quality.

The Department's Division of Water Infrastructure (Division) is responsible for managing and administering the LASII Fund. The Division is managing the LASII Fund similarly to its management of the Drinking Water Reserve and the Wastewater Reserve, working with the State Water Infrastructure Authority (SWIA, or Authority). The Authority establishes priorities for making grants, makes recommendations to the Department on criteria for making grants, and ranks, then selects eligible applications to receive funds after reviewing the Division's recommendations.

A total of \$103,625,000 in nonrecurring funds, allocated from the American Rescue Plan Act State Fiscal Recovery Fund, was appropriated to the LASII Fund in November 2021. Up to three percent (\$3,108,750) may be used for administrative costs by the Department. Session Law 2021-180 directed \$18,450,000 to 11 municipalities. Municipalities and Counties could competitively apply for the remaining \$82,066,250 in available funding. Seventy percent of the approximately \$82 million, or \$57,446,375, is to be awarded as grants to cities and counties (or Councils of Government or nonprofit entities partnering with cities and counties) for construction and for the development and implementation of new stormwater utilities, and thirty percent (\$24,619,875) is to be awarded as grants for planning.

FY 2022-2023 Activities, Establishment and Implementation of the New Funding Program

Direct appropriations

During FY 2022-2023, the Department continued to solicit project details from the 11 local governments with direct appropriations from LASII in Session Law 2021-180, using "Request for Funding" forms. By January 2023, the Department received project details and contact

information from all 11 municipalities with direct appropriations for eligible projects. The funding amount requested in the Request for Funding forms by each of the municipalities equaled their direct appropriation. The Division is working with these local governments to initiate and conduct their projects.

Competitive awards

During FY 2021-2022, since the passage of the Session Law in November 2021, the Department developed a new stormwater funding program with processes that allow eligible local governments to apply for LASII stormwater grants. The program was finalized in an administration plan, announced in early FY 2022-2023, and implemented for two funding rounds during the Fiscal Year, marking the first-ever applications and funding awards from LASII. Activities are summarized below.

The administration plan for the LASII funds was finalized in August 2022, after significant public input. The *NC DEQ Division of Water Infrastructure's Plan to Administer American Rescue Plan Act's State Fiscal Recovery Fund Appropriated in the State Budget for Stormwater Projects (Local Assistance for Stormwater Infrastructure Investments Fund)*, dated August 2022, is attached as Appendix A to this report. The Plan was presented by the Department Secretary and by the Division in a statewide webinar on August 16, 2022. Excluding speakers and panelists, 172 people attended the webinar, which was recorded and posted on the Division's website.

The Department worked with the State Water Infrastructure Authority in early 2022 to establish Priority Rating Systems by which applications for funding would be evaluated. The Priority Rating Systems were finalized, after public comments, in July 2022, and were used to evaluate applications in the Fall 2022 and Spring 2023 funding rounds. With input from the Division after reviewing two rounds of applications, the Priority Rating Systems were revised by the State Water Infrastructure Authority in the April and July 2023 Authority meetings after a public comment period in June 2023.

The Department developed application forms and guidance documents for local governments to apply for LASII stormwater construction and planning grants. The application forms and guidance materials were posted online for applicants in August 2022 for the Fall 2022 application round. The Division conducted in-person application trainings on how to apply for funding in six locations across the state in early August 2022, with one session conducted as a hybrid training with a virtual option. In total, more than 200 people attended application trainings. A recording of the hybrid training was posted on the Division's website.

The first round of applications for LASII competitive awards was the Fall 2022 application round, with a September 30, 2022 application deadline. Applications for stormwater construction grants, stormwater planning grants, and grants to develop and implement new stormwater utilities were solicited. In total, 171 applications were submitted for LASII stormwater grants, of which 20 were incomplete and ineligible for consideration. Total funding requested by the 151 eligible applications (\$243,625,528) far exceeded funding available (\$82,066,250). In particular,

applications for stormwater construction grants requested \$219,720,193 in funding assistance in one funding round, which was nearly four times as much as the \$57,446,375 available in LASII grants for stormwater construction and developing and implementing a new stormwater utility. At the recommendation of the Division, the State Water Infrastructure Authority awarded all \$57,446,375 to 19 stormwater construction projects and four new stormwater utility development and implementation projects in the Fall 2022 funding round.

Fall 2022 applications for stormwater planning grants requested \$22,105,335 in funding assistance, which was less than funding available for stormwater grants. The State Water Infrastructure Authority awarded \$18,265,335 in 53 stormwater planning grants.

Funding awards were announced in February 2023. A summary of the eligible Fall 2022 stormwater applications and funding awards is shown in Table 1.

Table 1. Eligible Applications for LASII Stormwater Grants in the Fall 2022 Funding Round (September 30, 2022 deadline)

Funding Type	Funding Available	Number of Fall 2022 Eligible Applications	Funding Requested from Eligible Applications	Applications Awarded LASII Funding by SWIA in February 2023	LASII Grant Funding Awarded by SWIA in February 2023
Stormwater Construction	\$57,446,375	83	\$219,720,193	19	\$55,646,375
Develop and Implement a New Stormwater Utility		4	\$1,800,000	4	\$1,800,000
Stormwater Planning	\$24,619,875	64	\$22,105,335	53	\$18,265,335
Total	\$82,066,250	151	\$243,625,528	76	\$75,711,710

A second round of applications for stormwater planning grants was conducted in Spring 2023 to award the available remaining \$6,354,540 in LASII stormwater planning grant funding. The Division updated the application forms and guidance documents and conducted application trainings throughout the state in early March 2023 for the Spring 2023 application round.

Thirty-three applications for stormwater planning grants were submitted by the May 1, 2023 deadline, three of which were incomplete or ineligible for consideration. In addition, five Fall 2022 applications for stormwater planning grants that were not awarded by SWIA in Fall 2022 were reconsidered for funding in the Spring 2023 funding round. A total of 35 eligible applications (including reconsidered applications), requesting \$11,718,900 in funding assistance, were considered for the remaining \$6,354,540 in LASII grant funds. Funding awards – totaling \$6,354,540 for 19 applications – were made by SWIA in July 2023, which is beyond the scope of this FY 2022-2023 annual report. A summary of the eligible Spring 2023 stormwater planning applications and funding awards is shown in Table 2.

Table 2. Eligible Applications for LASII Stormwater Planning Grants in the Spring 2023 Funding Round (May 1, 2023 deadline)

Funding Type	Funding Available	Number of Eligible Applications (including five Fall 2022 reconsidered applications)	Funding Requested from Eligible Applications	Applications Awarded LASII Funding by SWIA in July 2023	LASII Grant Funding Awarded by SWIA in February 2023
Stormwater Planning	\$6,354,540	35	\$11,718,900	19	\$6,354,540

FY 2022-2023 Fund Balance

During FY 2022-2023, the Division initiated Directed Projects and projects that were awarded LASII grant funds by the State Water Infrastructure Authority in February 2023. As of the end of July 2023, the full amount appropriated for LASII stormwater grants has been awarded and/or claimed by the municipalities with direct appropriations, leaving \$0 for future LASII stormwater grant awards. Without additional appropriations, the Department and SWIA will not be able to award new LASII stormwater grants.

Disbursements to recipients of awarded projects occur based on documented eligible costs that are incurred by the recipients, after relevant federal and state requirements have been met. Most projects are in various phases of procurement, design, permitting, and/or bidding at this time. Disbursements are expected to increase during Fiscal Years 2024 – 2027. All LASII grants from the State Fiscal Recovery Fund must be expended by December 31, 2026 to comply with the American Rescue Plan Act.

Total LASII Funding Appropriated: \$103,625,000

Expended During FY 2021-2022: \$101,985.21

Balance Beginning of FY 2022-2023: \$103,523,014.79

Funds Expended During the FY (including administrative costs): \$1,767,434.00

Balance End of FY 2022-2023 (including remainder of administrative costs): \$101,755,580.79

Grant Recipients and Description of Funded Projects

During FY 2022-2023, the Division completed receiving of the Requests for Funding from the 11 municipalities with Directed Projects in S.L. 2021-180, Section 12.14.(b), for \$18,450,000, shown in Table 3.

Table 3. Grant Recipients of Directed Projects in S.L. 2021-180, Section 12.14(b)

Grant Recipient	County	Project Description	Direct Appropriation in SL 2021-180 and amended in SL 2021-189	Requested Amount (Obligated) by June 30, 2023
Town of Angier	Harnett	Southwest Angier drainage basin flood mitigation measure #3 (increase capacity for road culverts at South Broad St and Hidden Acres Estates)	\$400,000	\$400,000
Town of Autryville	Sampson	Identify and implement stormwater improvements along five streets	\$350,000	\$350,000
City of Brevard	Transylvania	Estatoe Trail SW improvements and Times Arcade Alley SW Improvements	\$700,000	\$700,000 (submitted in FY 2023)
City of Dunn	Harnett	Dunn GIS Stormwater Map	\$500,000	\$500,000
City of Fayetteville	Cumberland	Draining improvements along five roads	\$10,550,000	\$10,550,000

Grant Recipient	County	Project Description	Direct Appropriation in SL 2021-180 and amended in SL 2021-189	Requested Amount (Obligated) by June 30, 2023
Town of Four Oaks	Johnston	Stormwater upgrade to improve capacity and minimize flooding	\$1,500,000	\$1,500,000
City of Hope Mills	Cumberland	Update master plan, sliplining of high ranked areas, pipe cleaning, Woodland Hills stormwater replacement	\$600,000	\$600,000 (submitted in FY2023)
Town of Madison	Rockingham	Downtown Stormwater Improvements	\$2,200,000	\$2,200,000
City of Mooresville	Iredell	W. Catawba Avenue Improvements	\$1,500,000	\$1,500,000
City of New Bern	Craven	Hydrologic study of frequently flooded areas, analysis of SCMs and engineering concept plan for best solutions	\$75,000	\$75,000
Town of Pine Level	Johnston	Surveying, design and permitting of drainage improvements	\$75,000	\$75,000 (submitted in FY2023)
Total			\$18,450,000	\$18,450,000

In February 2023, the State Water Infrastructure Authority awarded \$75,711,710 in LASII stormwater grants to 76 Fall 2022 applications, shown in Table 4.

Table 4. Applications Awarded LASII Grants in February 2023 (Fall 2022 Funding Round)

Grant Awardee (Applicant Name)	County	Project Type	Project Description	LASII Construction Grant Award	LASII Planning Grant Award
Black Mountain, Town of	Buncombe	Construction	Black Mountain North Bank Swannanoa River Floodbench Project	\$5,000,000	
Cumberland County	Cumberland	Construction	Ann Street Landfill Sediment Ponds No.2 and No. 3 Improvements	\$1,763,374	

Grant Awardee (Applicant Name)	County	Project Type	Project Description	LASII Construction Grant Award	LASII Planning Grant Award
Dunn, City of	Harnett	Construction	Dunn Fall 2022 Stormwater Asset Inventory & Assessment	\$490,340	
Durham, City of	Durham	Construction	South Ellerbe Stormwater Restoration Project	\$3,000,000	
Gaston County	Gaston	Construction	Cramerton Central Park Stream Restoration	\$275,674	
Greenville, City of	Pitt	Construction	Corey Road Regional Detention and Stream Restoration	\$5,000,000	
Havelock, City of	Craven	Construction	McCotter Canal Bank Stabilization	\$3,115,500	
Hendersonville, City of	Henderson	Construction	Lower Mud Creek Floodplain Restoration	\$1,897,236	
High Point, City of	Guilford	Construction	High Point W. Green Drive Stormwater Infrastructure Improvements	\$5,000,000	
Mooreville, Town of	Iredell	Construction	East Center Avenue Stormwater Improvements	\$3,900,000	
Morehead City, Town of	Carteret	Construction	MHC 2022 Calico Creek Stormwater Improvements	\$5,000,000	
Mount Gilead, Town of	Montgomery	Construction	Stanback Park Drainage Improvements	\$1,807,000	
Nags Head, Town of	Dare	Construction	S. Old Oregon Inlet Road Stormwater Infrastructure Improvements	\$2,957,961	
New Bern, City of	Craven	Construction	New Bern Duffyfield Stormwater Enhancement Project	\$4,149,360	
Rocky Mount, City of	Nash/ Edgecombe	Construction	Parkers Canal Flooding Relief and Water Quality Improvements	\$3,663,363	
Spencer, Town of	Rowan	Construction	17th Street Stormwater Improvements	\$1,959,462	
Wayne County	Wayne	Construction	Jetport Parking Lot Drainage Improvements Project	\$1,784,000	
Wilkesboro, Town of	Wilkes	Construction	Wilkesboro Cub Creek III Stream Restoration	\$1,603,400	
Wilson, City of	Wilson	Construction	Elizabeth Street Regional SCM Projects	\$3,279,705	
Fuquay-Varina	Wake	Develop and Implement New Utility	Develop and Implement a New Stormwater Utility	\$400,000 ^a	
Siler City	Chatham	Develop and Implement New Utility	Develop and Implement a New Stormwater Utility	\$500,000 ^a	

Grant Awardee (Applicant Name)	County	Project Type	Project Description	LASII Construction Grant Award	LASII Planning Grant Award
Smithfield	Johnston	Develop and Implement New Utility	Stormwater Utility ERU Study & System Mapping	\$500,000 ^a	
Surf City	Onslow/ Pender	Develop and Implement New Utility	Develop and Implement a New Stormwater Utility Study	\$400,000 ^a	
Albemarle, City of	Stanly	Planning	Little Long Creek SW Master Plan		\$400,000
Beaufort, Town of	Carteret	Planning	Prof. Park Dr. Area SW Inventory & Flood Study		\$394,815
Black Mountain, Town of	Buncombe	Planning	SW Planning Master Plan Update Asset Inventory & Assessment		\$400,000
Boone, Town of	Watauga	Planning	Stormwater Infrastructure Asset Inventory & Assessment		\$400,000
Burlington, City of	Alamance	Planning	Ireland/Main St. SW Infrastructure Improvements		\$400,000
Calabash, Town of	Brunswick	Planning	City-wide SW Modeling, Infrastructure Assessment, & Master Planning		\$250,000
Cerro Gordo, Town of	Columbus	Planning	Stormwater Improvements		\$500,000
Charlotte, City of	Mecklenburg	Planning	Upper Little Sugar Cr. Nature-Based SW Retrofits		\$155,600
Clayton, Town of	Johnston	Planning	Downtown SW Infrastructure Assessment Program		\$400,000
Cleveland County Government	Cleveland	Planning	Stream Restoration at LeGrand Center		\$100,000
Clinton, City of	Sampson	Planning	2023 SW Mapping & Assessment Project		\$400,000
Conover, City of	Catawba	Planning	SW Asset Inventory & Condition Assessment		\$400,000
Denton, Town of	Davidson	Planning	Stormwater Planning Grant Project		\$400,000
Durham County	Durham	Planning	Whispering Pines SW Management Project		\$400,000
Fairmont, Town of	Robeson	Planning	Stormwater System Asset Inventory & Assessment		\$350,000
Fremont, Town of	Wayne	Planning	SW Asset Inventory & Assessment Grant		\$400,000
Garner, Town of	Wake	Planning	SW Asset Inventory & Assessment for Disadvantaged Areas		\$400,000

Grant Awardee (Applicant Name)	County	Project Type	Project Description	LASII Construction Grant Award	LASII Planning Grant Award
Garysburg, Town of	Northampton	Planning	SW Drainage System Inventory & Planning Improvements		\$400,000
Gastonia, City of	Gaston	Planning	SW Infrastructure Asset Inventory & Assessment		\$500,000
Greensboro, City of	Guilford	Planning	North Buffalo Creek Master Plan		\$400,000
Hamlet, City of	Richmond	Planning	Stormwater System Study		\$400,000
Havelock, City of	Craven	Planning	Area-Wide Stormwater Master Planning		\$400,000
Hendersonville, City of	Henderson	Planning	Comprehensive Stormwater Master Plan		\$400,000
Kannapolis, City of	Rowan/Cabarrus	Planning	Residential Drainage Improvements Study		\$225,000
Kings Mountain, City of	Cleveland/Gaston	Planning	Buffalo Cr. & Moss Lake Sedimentation Remediation & Water Quality Study		\$400,000
Kinston, City of	Lenoir	Planning	SW Inventory & Condition Assessment		\$400,000
Lexington, City of	Davidson	Planning	Asset Inventory and Condition Assessment of the City of Lexington MS4		\$283,360
Littleton, Town of	Halifax	Planning	Stormwater Asset Inventory & Assessment		\$261,000
Morganton, City of	Burke	Planning	Stormwater Asset Inventory & Assessment and Master Plan		\$400,000
Mount Gilead, Town of	Montgomery	Planning	Stormwater System Asset Inventory & Assessment		\$350,000
Mount Olive, Town of	Wayne	Planning	Townwide Stormwater Master Plan		\$220,000
Mount Pleasant, Town of	Cabarrus	Planning	Stormwater System Asset Inventory & Assessment		\$350,000
Murfreesboro, Town of	Hertford	Planning	Stormwater Asset Inventory & Assessment Study		\$400,000
New Bern, City of	Craven	Planning	New Bern Stormwater Asset Inventory & Assessment		\$400,000
New Hanover County	New Hanover	Planning	Acorn Brancy Watershed Planning & Feasibility		\$150,000
New Hanover County	New Hanover	Planning	Pumpkin Creek Watershed Planning & Feasibility		\$250,000
Oxford, City of	Granville	Planning	Eastern Area SW Modeling & Master Plan		\$250,000

Grant Awardee (Applicant Name)	County	Project Type	Project Description	LASII Construction Grant Award	LASII Planning Grant Award
Robbinsville, Town of	Graham	Planning	Ford Street Drainage Improvements		\$75,000
Saluda, City of	Polk	Planning	Stormwater Feasibility Analysis & Policy Development		\$400,000
Selma, Town of	Johnston	Planning	North Selma Drainage Study		\$359,000
Shelby, City of	Cleveland	Planning	City-wide SW Modeling, Infrastructure Assessment, & Master Planning		\$330,000
Sound Rivers, Inc	Nash	Planning	Nash County Schools SW Assessment & GSI Planning		\$129,560
Spencer, Town of	Rowan	Planning	Stormwater Assessment & Planning		\$400,000
Spruce Pine, Town of	Mitchell	Planning	SW Assessment & Planning Project		\$300,000
Swansboro, Town of	Onslow	Planning	Master Plan		\$400,000
Tabor City, Town of	Columbus	Planning	4th Street Area Drainage Improvements Study		\$400,000
Topsail Beach, Town of	Pender	Planning	SW Capital Improvement & Resiliency Plan		\$400,000
Washington, City of	Beaufort	Planning	Stormwater Asset Inventory Assessment		\$400,000
Wayne County	Wayne	Planning	Jetport Parking Lot Drainage Improvements Project		\$205,000
Waynesville, Town of	Haywood	Planning	Planning & Comprehensive SW Masterplan		\$400,000
Wilson, City of	Wilson	Planning	SW Asset Inventory & Condition Assessment		\$400,000
Winterville, Town of	Pitt	Planning	Stormwater Asset Inventory Assessment		\$400,000
Woodland, Town of	Northampton	Planning	Southwest Stormwater Improvements		\$277,000
Total				\$57,446,375	\$18,265,335

^a Per Section 12.14 of S.L. 2021-180, funds for establishing a stormwater utility will be awarded from the LASII stormwater construction funds.

Stormwater planning grant awards made in July 2023 (Spring 2023 funding round) are beyond the scope of this FY2022-2023 annual report. These grant awards will be reported in the FY2023-2024 annual report.

Recommendations

SL 2021-180 Section 12.14.(j) provides the option for the Department to include in this and subsequent reports recommendations regarding legislative changes or additional funding needed to assist small and financially distressed communities to comply with stormwater standards and requirements and to mitigate the adverse impacts of extreme weather events on stormwater-related flood events. The Department proposes the following recommendations.

1) **Provide additional, recurring funding to the Local Assistance for Stormwater Infrastructure Investments Fund**

There is a very high level of interest in the LASII stormwater grants, as evidenced by the single application round in which applications for stormwater construction and planning were solicited. In Fall 2022, funding requests from 151 eligible applications totaled \$243,625,528. Ninety percent of the funding requests were for stormwater construction projects. In one funding round, the entire allocation of stormwater construction grants was awarded, and in two funding rounds, the entire allocation of stormwater planning grants was awarded. Half of the applications were not awarded any funds.

Recurring funds will be essential to meet the demand for funding assistance to create and improve infrastructure to control stormwater quantity and quality. The infrastructure needs of local governments are high. The Environmental Finance Center at the University of North Carolina's School of Government conducted a *Pilot North Carolina Stormwater Needs Assessment* for Fiscal Years 2020-2034, which is attached as Appendix B. Using data from local governments' Capital Improvement Plans, the authors estimated that **“there is \$2.76 billion in stormwater capital spending needs between 2020 and 2034” just for municipalities with populations greater than 2,500**, representing the stormwater needs for municipalities whose populations account for 54 percent of North Carolina's population. Total needs, including those for small and financially distressed communities, are even greater. The authors further indicate that stormwater capital needs are likely to increase over time due to urbanization, regulatory drivers, and climate resiliency pressures.

At present, the Department has no more LASII stormwater funding to award for future projects, since the initial appropriation has been awarded to projects.

2) **Create the authority to provide loan funding from the LASII Fund (non-ARPA)**

In order to create a revolving loan program that can support local governments' stormwater funding needs for longer periods, enable the Department to administer low-interest loans from the LASII Fund (not using ARPA State Fiscal Recovery Funds) in the future, in addition to grants. This would be similar to the authority the Department has to provide loans and grants from the Drinking Water Reserve and the Wastewater Reserve.

3) **Establish the Local Assistance for Stormwater Infrastructure Investments Fund as an account within the Water Infrastructure Fund in NC GS 159G.**

As proposed in House Bill 177, establish LASII as an account in the Water Infrastructure Fund, to be administered in accordance with processes and policies established for similar reserves and funds in NC GS 159G. Further, make explicit the duties of the State Water Infrastructure Authority in NC GS 159G-71 in reviewing recommendations for LASII loans and grants submitted to it by the Division, establish priorities for making loans and grants for LASII, review the criteria for making loans and grants for LASII, and develop guidelines for making loans and grants for LASII under NC GS 159G-71.(1)-(4). Finally, include the annual report of the LASII fund with the single annual report on the accounts in the Water Infrastructure Fund, to be published by November 1 each year in lieu of a separate annual report due September 1 per S.L. 2021-180 Section 12.14.(j).

4) Fund development and implementation of new stormwater utilities from stormwater planning funds rather than stormwater construction funds.

The activities and application to develop and implement new stormwater utilities are more similar to stormwater planning projects than to stormwater construction projects. Applications are scored using the Priority Rating System that applies to stormwater planning projects, and yet funding awards are made from stormwater construction grants, per Section 12.14 of S.L. 2021-180. The Division recommends funding the development and implementation of new stormwater utilities from stormwater planning funds.

5) Increase flexibility and/or funding for stormwater construction projects.

Per S.L. 2021-180, seventy percent of the LASII funds available for competitive funding awards were reserved for construction projects and thirty percent reserved for planning projects. Based on the Fall 2022 funding round, ninety percent of the funding requests were for stormwater construction, and only one quarter of the funding requests for stormwater construction was fulfilled with a LASII grant award. The Department recommends either increasing the percentage allotment for stormwater construction in future appropriations, or providing the Department the flexibility to determine the allotment of the total LASII appropriations between construction projects, planning projects, and developing/implementing new stormwater utilities projects, based on funding applications received.

APPENDIX A