November 30, 2021

Water/Wastewater Infrastructure Funding and Equity

Department of Environmental Quality
Division of Water Infrastructure
Division of Water Infrastructure Overview

https://deq.nc.gov/about/divisions/water-infrastructure
Division of Water Infrastructure (DWI)

• Administers the water / wastewater infrastructure funding programs managed by DEQ, under NC G.S. 159G

• Grants and low-interest loans to local governments (and Councils of Government, non-governmental water utilities for some programs)

• Funds support infrastructure projects and plans/studies to prepare utilities for capital projects and long-term viability

• DWI supports the State Water Infrastructure Authority
State Water Infrastructure Authority (SWIA)

• Nine members (six appointed, three designated)
• 12 powers, including:
  • Award loan and grant funds
  • Establish priorities for making loans and grants
  • Review criteria for making loans and grants under NC G.S. 159G-23, make recommendations
  • Develop guidelines for making loans and grants
Application to Award Process

SWIA establishes Priority Rating System

DWI announces funding, releases application materials, conducts application trainings

Utilities/consultants submit application

DWI staff review applications and scores as published in the Priority Rating System

DWI staff presents applications, scores, other information to the State Water Infrastructure Authority. Authority decides on awards.
SWIA-Awarded Funding

Water and Wastewater Infrastructure Projects Funded from January 2014 to February 2021

Legend

Program
- Asset Inventory and Assessment Grant
- Merger / Regionalization Feasibility Grant
- Community Development Block Grant - Infrastructure
- Viable Utility Reserve - Emergency Operating Grant
- Viable Utility Reserve - Asset Inventory and Assessment Grant
- Viable Utility Reserve - Merger / Regionalization Grant
- Viable Utility Reserve - Rate Study Grant
- Wastewater State Revolving Grant
- WW-SRL

$2.6 billion in loans and grants
Division of Water Infrastructure Funding Programs

- Funded from federal and state appropriations, fees, and repayments of loans
- Offer grants and low-interest loans
- Various programs with different requirements
- One application process; same prioritization
- Typically two funding applications rounds per year
- Funding availability differs each round. Typically around $250 million/year.
### Additional Grant Funding in New State Budget

<table>
<thead>
<tr>
<th>Funding</th>
<th>Funding allocated in the budget to specific projects and communities</th>
<th>Remaining funds potentially available for other communities (competitive application process)</th>
<th>Total allocated in the budget, including transfers to other agencies and admin costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Water/wastewater for local government utilities designated as distressed</td>
<td>$89,729,848</td>
<td>$352,978,152</td>
<td>$456,400,000</td>
</tr>
<tr>
<td>Water/wastewater for “at-risk” local government units</td>
<td>$116,608,030</td>
<td>$191,318,470</td>
<td>$317,450,000</td>
</tr>
<tr>
<td>Water/wastewater for all other local government units</td>
<td>$614,779,721</td>
<td>$54,145,428</td>
<td>$732,525,000</td>
</tr>
<tr>
<td>Planning grants for water/wastewater (any local government units)</td>
<td>$0</td>
<td>$77,600,000</td>
<td>$80,000,000</td>
</tr>
<tr>
<td>Stormwater projects and planning for local governments</td>
<td>$18,450,000</td>
<td>$78,550,000</td>
<td>$100,000,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$839,567,599</strong></td>
<td><strong>$754,592,050</strong></td>
<td><strong>$1,686,375,000</strong></td>
</tr>
</tbody>
</table>
S.L. 2020-79 created the Viable Utility Reserve, requires SWIA/LGC to identify “distressed” units of local government, grants and requirements to enable viability. SWIA and LGC designated 95 units of local governments in 45 counties as distressed to date.
Priority Rating System
Priority Rating System

• Established by SWIA
• Determines ranking of applications
• Follows NC G.S. 159G-23
• Categorized by project purpose, project benefits, system management, affordability

<table>
<thead>
<tr>
<th>Line Item #</th>
<th>Category 1 – Project Purpose</th>
<th>Claimed Yes/No</th>
<th>Points</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.A</td>
<td>Project will consolidate a nonviable drinking water or wastewater utility</td>
<td></td>
<td>25</td>
</tr>
<tr>
<td>1.B</td>
<td>Project will resolve failing infrastructure issues</td>
<td></td>
<td>15</td>
</tr>
<tr>
<td>1.C</td>
<td>Project will rehabilitate or replace infrastructure</td>
<td></td>
<td>15</td>
</tr>
<tr>
<td>1.C.1</td>
<td>Treatment units, pumps and/or pump stations to be rehabilitated or replaced are greater than 20 years old, OR water/sewer lines, storage tanks, drinking water wells or intake structures to be rehabilitated or replaced are greater than 40 years old</td>
<td></td>
<td>10</td>
</tr>
<tr>
<td>1.D</td>
<td>Project will expand infrastructure</td>
<td></td>
<td>2</td>
</tr>
<tr>
<td>1.D.1</td>
<td>Treatment units, pumps and/or pump stations to be rehabilitated or replaced are greater than 20 years old, OR water/sewer lines, storage tanks, drinking water wells or intake structures to be rehabilitated or replaced are greater than 40 years old</td>
<td></td>
<td>10</td>
</tr>
</tbody>
</table>
Examples include, not limited to:

• Eliminate non-viable or failed systems
• Address deficiencies, contamination, regulations
• Rehab/replace aging infrastructure
• Stream/wetland-buffer restoration; stormwater BMPs
• Water quality benefits/protection
• Regionalization, interconnection
• Resiliency
• Reclaim systems
• Energy reduction, water loss reduction
Prioritization for Equity

• The priorities currently focus more on assisting communities that are the most economically and financially constrained

• Provides greater points for funding applications, provides greater subsidies (e.g. grants, lower interest rates), and used in the Assessment Criteria to identify “distressed” units of local government according to S.L. 2020-79

→ Direct more subsidies and projects toward smaller communities with economic and financial hardships
Historic Funding Awards

Water and Wastewater Infrastructure Projects Funded from January 2014 to February 2021

Legend

- Asset Inventory and Assessment Grant
- Merger / Regionalization Feasibility Grant
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- Viable Utility Reserve - Asset Inventory and Assessment Grant
- Viable Utility Reserve - Merger / Regionalization Grant
- Viable Utility Reserve - Rate Study Grant
- Viable Utility Reserve - Other Study Grant
- Wastewater State Revolving Grant
- WW-SRL
- Drinking Water State Revolving Grant
- Drinking Water State Revolving Loan
- Drinking Water State Revolving Grant / Loan
- Drinking Water Technical Assistance Grant
- Drinking Water High Unit Cost Grant
- Wastewater State Revolving Grant / Loan
- Clean Water State Revolving Fund
- Wastewater Technical Assistance Grant
- Wastewater High Unit Cost Grant

Counties
Criteria Used for Equity Priorities

• Population size (smaller = higher)
• Utilities charging higher rates relative to rest of the state
• Local government’s Median Household Income less than state benchmark
• Local government’s population under poverty threshold higher than state benchmark
• Local government’s unemployment rate higher than the state benchmark
• Local government’s average property values per capita less than state benchmark
• Local government’s change in population (growth/decline) lower than state benchmark
Looking Ahead
Justice40 Initiative

- Federal Executive Order: 40% of benefits of federal investments flow to disadvantaged communities
- OMB Interim Implementation Guidance (July 20, 2021)

**Disadvantaged** – Agencies should consider appropriate data, indices, and screening tools to determine whether a specific community is disadvantaged based on a combination of variables that may include, but are not limited to, the following:

- Low income, high and/or persistent poverty
- High unemployment and underemployment
- Racial and ethnic residential segregation, particularly where the segregation stems from discrimination by government entities
- Linguistic isolation
- High housing cost burden and substandard housing
- Distressed neighborhoods
- High transportation cost burden and/or low transportation access
- Disproportionate environmental stressor burden and high cumulative impacts
- Limited water and sanitation access and affordability
- Disproportionate impacts from climate change
- High energy cost burden and low energy access
- Jobs lost through the energy transition
- Access to healthcare

In determining which variables to consider, agencies should consider the statutory authority for covered programs. In addition to the above definition of disadvantaged communities, geographic areas within Tribal jurisdictions should be included.
Preliminary estimates show that approximately up to 67% of utilities’ service boundaries could be intersecting at least one potentially underserved block group.

The percentage of utilities designated as distressed is the same.
Grant Funding in the Budget

• 115 earmarked water/wastewater projects in the budget.

• ~68% occur in utilities that intersect with potentially underserved communities.

Purple point = earmarked project
Orange point = utility without an earmarked project
Discussion on Criteria Used for Equity Priorities

• Population size (smaller = higher)
• Utilities charging higher rates relative to rest of the state
• Local government’s Median Household Income less than state benchmark
• Local government’s population under poverty threshold higher than state benchmark
• Local government’s unemployment rate higher than the state benchmark
• Local government’s average property values per capita less than state benchmark
• Local government’s change in population (growth/decline) lower than state benchmark

Question: Do you have feedback or recommendations on these or other criteria that should be considered for prioritization of water/wastewater infrastructure funding?
Thank you