February 10, 2022

DWI Plan to Administer ARPA State Fiscal Recovery Fund for Water, Wastewater and Stormwater Projects and Spring 2022 Applications for Funding

Department of Environmental Quality
Division of Water Infrastructure
Questions?

Shadi Eskaf  shadi.eskaf@ncdenr.gov

Public Information Officer:
Cathy Akroyd  cathy.akroyd@ncdenr.gov

Funding questions:
Jon Risgaard  jon.risgaard@ncdenr.gov

Drinking Water projects:
Vincent Tomaino  vincent.tomaino@ncdenr.gov

Wastewater projects:
Ken Pohlig  ken.pohlig@ncdenr.gov

Viable Utility Reserve:
Victor D’Amato  victor.damato@ncdenr.gov
Administers most water / wastewater infrastructure funding programs managed by the State

• State appropriations (grants and loans in different Reserves)

• EPA State Revolving Fund (low-interest loans with additional subsidies)

• Community Development Block Grants for Infrastructure
Twice/year applications for funding.

Applications scored based on Priority Rating Systems that are approved by the State Water Infrastructure Authority (SWIA).

Funding decisions made by SWIA (and the Local Government Commission in some cases).
SWIA-Awarded Funding through Feb 2021

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

$2.6 billion in loans and grants
Types of Funding

Drinking water infrastructure
Wastewater infrastructure
CWSRF green projects: stormwater, reclaim water, stream restoration, energy efficiency
Asset Inventory and Assessment (AIA) grants
Merger/Regionalization Feasibility (MRF) grants
Water Infrastructure

ARPA (State Fiscal Recovery Fund) Administration Plan

https://deq.nc.gov/about/divisions/water-infrastructure
**NC DEQ DWI ARP A Administration Plan**

Posted on the Division of Water Infrastructure’s website, under “I Need Funding”

https://deq.nc.gov/about/divisions/water-infrastructure/i-need-funding

Updated Feb. 7, 2022 after public review

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### 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 Drinking Water, Wastewater and Stormwater Projects

Last updated February 3, 2022.

This document describes the plan for administering the appropriated State Fiscal Recovery Fund as grants for drinking water, wastewater, and stormwater projects.

**Summary:**

The North Carolina General Assembly appropriated $1.69 billion from the state’s allocation of the American Rescue Plan Act (ARPA) for drinking water, wastewater, and stormwater investments in Sections 12.13 and 12.14 of the Current Operations Appropriations Act of 2023 (S.L. 2021-169). The North Carolina Department of Environmental Quality (NC DEQ) Division of Water Infrastructure (Division) will administer approximately $1.6 billion as grants for drinking water, wastewater, and stormwater systems in North Carolina, which excludes amounts that will be transferred to other agencies and up to 3% in administrative costs. The funds, some of which are appropriated for specific projects, are divided into different reserves to be administered by the Division, shown in the table below, following statutory and budgetary requirements. In addition, federal requirements for the use of American Rescue Plan Act appropriations will apply. All funds must be expended by December 30, 2025.

<table>
<thead>
<tr>
<th>NC DEQ Fund or Reserve</th>
<th>Purpose</th>
<th>Allocated directly for specific local governments and public entities (promised), approx.</th>
<th>Approximate remaining for grant funding (non-encumbered)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Visible Utility Reserve</td>
<td>Grants for water and wastewater systems that have been designated as distressed by the State Water Infrastructure Authority and the Local Government Commission, for the purposes set forth in subdivisions (1) through (5) of G.S. 130A-1305.</td>
<td>$89.7 million</td>
<td>$331.0 million</td>
</tr>
<tr>
<td>Drinking Water Reserve and Wastewater Reserve (State Reserved)</td>
<td>Project construction grants for public water systems and wastewater systems NC DEQ categorizes as at risk of becoming distressed</td>
<td>$116.6 million</td>
<td>$151.3 million</td>
</tr>
<tr>
<td>Local Assistance for Stormwater Infrastructure Investments Fund</td>
<td>Project construction grants for public water systems and wastewater systems not designated as distressed or categorized as at risk</td>
<td>$614.8 million</td>
<td>$54.1 million</td>
</tr>
<tr>
<td>Grants for asset inventory and assessments, rate studies, emergency/long-term planning, training, and planning grants to conduct project engineering, design, or other preconstruction activities.</td>
<td>$0</td>
<td>$77.6 million</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Grants for local governments for projects that will improve or create infrastructure for controlling stormwater quantity or quality.</td>
<td>$18.5 million</td>
<td>$82.0 million</td>
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<tr>
<td>Total</td>
<td>$839.6 million</td>
<td>$758.0 million</td>
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1
$1.69 billion appropriated from the ARPA SFRF

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<td>Grants for water and wastewater systems that have been designated as distressed by the State Water Infrastructure Authority and the Local Government Commission, for the purposes set forth in subdivisions (1) through (5) of G.S. 159G-32(d).</td>
<td>$89.7 million</td>
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Directly- Appropriated Projects

• S.L. 2021-180 specified funds for direct appropriation to local government recipients.
  • 126 Recipients
  • ~$840M

• Division contacted recipients in December

• Collecting information about the projects, budgets and contact information now to initiate the projects ASAP
  • Verify project eligibility
  • Assign DWI project manager
  • Set up recipient and project for reimbursement
  • Establish project benchmarks (design, bid, contracting)
ARP A funds Available for Awards

• ~ $758 million in grants to be awarded for water, wastewater, and stormwater projects in addition to regular funding programs (State Revolving Funds, State Reserves, CDBG-I)

• Administered through
  • Viable Utility Reserve
  • State Reserve Program
  • Local Assistance for Stormwater Infrastructure Investment Funds [new]

• Projects must be eligible and comply with federal and state requirements

• Funds must be expended by December 2026
ARPA funds Available for Awards

- **Viable Utility Reserve “Distressed”**
  - Available for Applications: $353 M

- **State Reserve “At Risk”**
  - Available for Applications: $191.3 M

- **State Reserve “All Other Systems”**
  - Available for Applications: $54.1 M

- **State Reserve Studies**
  - Available for Applications: $77.6 M

- **Local Assistance for Stormwater Infrastructure Investment**
  - Available for Applications: $82 M
ARP A funds in the Viable Utility Reserve

VUR funds limited to:

• LGUs designated by SWIA and LGC as Distressed
  • Currently 95 LGUs designated as Distressed
  • April 2022: re-assessment of distressed criteria and recommendations to go to SWIA and LGC for designation

• VUR eligible projects:
  • Rehab and replacement
  • Regionalization
  • Decentralization
  • Studies
  • Other projects demonstrating long-term viability

• $15 M per LGU (or $30 M regionalization).

SRF loans (and principal forgiveness) will be available to fully fund or supplement funding for applicants that indicate willingness to accept loan funding.
ARPA funds in the Viable Utility Reserve

Spring 2022 funding round
• Applications due May 2, 2022
• SRF/SRP/VUR priority rating systems are in place
• Single application for all construction projects
• Funding recommendations will consider quantity and quality of applications received
• Eligible projects not funded or partially funded with ARPA funds will be automatically reconsidered in the Fall per NC General Statute.

Fall 2022 funding round
• Applications due September 30, 2022
• Anticipate 20% - 40% of funds will be available for the Fall 2022
ARPA funds in the Viable Utility Reserve

• Training grants for LGUs designated as distressed under VUR
• $2000 training grant to support educational requirements in G.S. 159G
• Awards pending approval by Local Government Commission (SWIA approved 2/9/2022)
• Funds available for reimbursement of costs
• Funds available for 2 years or until met requirements of GS 159G
Distressed system may have option to replace pending SRF loans with VUR grants

- Project must not yet be in disbursement
- 22 projects identified as potentially eligible (~$48.5M or ~10.6% of available ARPA VUR funds).
- Recipient must provide written request to swap funding sources and acknowledge ARPA requirements will apply to project prior to DWI recommending VUR funding.
- VUR funds used to replace pending loans will count towards $15M VUR cap.
- Approval dependent on approval by Authority and the Local Government Commission (March or April)
ARPA funds Available for Awards

- Viable Utility Reserve “Distressed”
  - $353 M Available for Applications

- State Reserve “At Risk”
  - $191.3 M Available for Applications

- State Reserve “All Other Systems”
  - $54.1 M Available for Applications

- State Reserve Studies
  - $77.6 M Available for Applications

- Local Assistance for Stormwater Infrastructure Investment
  - $82 M Available for Applications
State Reserve construction grants for At-Risk public water systems and wastewater systems limited to:

- Construction projects for LGUs that are At-Risk
  - LGU with Assessment Criterion score 6 or greater (and not designated as distressed) and meet 3 out of 5 LGU indicators, or
  - LGU that serves 1 – 1,000 residential service connections and meets 3 out of 5 LGU indicators
- April 2022: re-assessment of distressed criteria scores
- State Reserve-eligible projects

- Construction projects to provide service for At-Risk areas
  - Any LGU or non-profit water corporation with primary project purpose of connecting residences in disadvantaged, underserved communities to water/wastewater system
  - Based on DEQ Community Mapping System or information on project area provided in the application
  - Voluntary connections. Connection/capacity fees included.
Spring 2022 funding round

• Applications due May 2, 2022
• SRF/SRP/VUR priority rating system is in place
• Awards up to $15M per LGU ($30M for regionalization)
• Single application for all construction projects
• Funding recommendations will consider quantity and quality of applications received.
• Not all funds will be awarded in the Spring 2022 round.
• Eligible projects not funded or partially funded with ARPA funds will be automatically reconsidered in the Fall per NC General Statue.
• SRF loans (and principal forgiveness) will be available to fully fund or supplement funding to applicants willing to accept loan funding.
Fall 2022 funding round

- Anticipate 20% - 40% of funds will be available
- Applications due September 30, 2022
- Initial awards up to $15M per LGU ($30M for regionalization)
- If funds remain available, additional $5M increments will be awarded until all funds have been exhausted
  - $5M incremental awards will be provided in project priority order and will be limited to $5 per applicant each incremental increase.
  - $5M increments will be automatically available to partially ARPA funded projects from Spring 2022
    - Applicants can submit an updated application if they desire consideration for additional prioritization.
- SRF loans (and principal forgiveness) will be available to fully fund or supplement funding to applicants willing to accept loan funding.
**ARPA funds Available for Awards**

- **Viable Utility Reserve “Distressed”**
  - $353 M Available for Applications

- **State Reserve “At Risk”**
  - $191.3 M Available for Applications

- **State Reserve “All Other Systems”**
  - $54.1 M Available for Applications

- **State Reserve Studies**
  - $77.6 M Available for Applications

- **Local Assistance for Stormwater Infrastructure Investment**
  - $82 M Available for Applications
• State Reserve construction grants for All Other Systems limited to:
  • State Reserve-eligible construction projects for LGUs not designated as distressed and do not qualify for At-Risk

• Spring 2022 funding round
  • Applications due May 2, 2022
  • SRF/SRP/VUR priority rating system is in place
  • Awards up to $5M per LGU ($15M for regionalization)
  • If funds remain available, additional $5M increments will be awarded until all funds have been exhausted
    • $5M incremental awards will be provided in project priority order and will be limited to $5 per applicant each incremental increase.
  • SRF loans (and principal forgiveness) will be available to fully fund or supplement funding to applicants willing to accept loan funding.
Applying Awards to Limits

ARPA funds that are directly-appropriated, awarded in a previous round, or that replaces SRF loan funds will all count towards the funding limits mentioned above.

Projects can be 100% ARPA grant-funded, regardless of the percentage of grant funding an applicant is eligible for according to the Affordability Criteria.
ARPA funds Available for Awards

- **Viable Utility Reserve “Distressed”**
  - $353 M Available for Applications

- **State Reserve “At Risk”**
  - $191.3 M Available for Applications

- **State Reserve “All Other Systems”**
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- **State Reserve Studies**
  - $77.6 M Available for Applications

- **Local Assistance for Stormwater Infrastructure Investment**
  - $82 M Available for Applications
ARPA funds in the State Reserve for Study/Planning Grants

• Eligible Recipients (not limited by system size)
• Eligible Projects: AIA, MRF, pre-construction planning. Training, rate study can be added.
• Funding Limits
  • Planning/study grants limited to $400,000 in the 2021-2023 biennium
• Spring 2022 funding round
  • Applications due May 2, 2022
  • AIA and MRF priority rating systems are in place
  • Pre-construction planning projects for future water and wastewater projects
    • Prioritized based on the potential construction project
  • Training and rate studies can be added to construction project or study project applications (not standalone project)
    • Must be related to the project
    • Training limited to $2,000 per applicant; reimburse mileage and registration costs
ARPA funds Available for Awards

ARPA Funds

- Viable Utility Reserve “Distressed”
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- Local Assistance for Stormwater Infrastructure Investment
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ARPA Funding in the Stormwater Fund

• ARPA funding for
  • Construction ($15M cap)
  • planning ($500,000 cap).

• Nature-based solutions are eligible.

• Creation of a stormwater utility is eligible.

• Stormwater Priority Rating System to be developed prior to receiving applications (by July 2022).

• Anticipate first round of applications: Fall 2022 (Sept. 30, 2022 due date)

• If funds remain available, second round of applications: Spring 2023
Considerations and Opportunities

Considerations

ARPA funds to be expended by December 2026:
• Construction projects that can start soon
• Projects (or project phases) that can be completed in 3-4 years

Assets paid for with grant funding: how will your utility pay for its depreciation and replacement next time? (Rate study / budget considerations)
• Lifecycle costs usually much higher than purchase price

Addressing the needs of disadvantaged communities?

What can be funded using other means?
Opportunities (Examples)

• Can be transformational. Think 20, 30 years+.
• Regionalization (interconnections, shared operations/mgmt, partnerships, PPP, mergers, etc.)
• Focus on disadvantaged communities / address environmental justice/equity
• Resilience
• Cybersecurity
• Water and energy efficiency / water loss
• Stream restoration, stormwater & envr. protection
• Implementing Asset Management Plans / CIPs
• Project planning
• Essential system upgrades
• Right-sizing infrastructure
... and more.
Bipartisan Infrastructure Law:
• Significant increases to the State Revolving Funds
• Significant increases for additional subsidies
• Dedicated funding for lead service line inventories and replacement
• Dedicated funding for PFAS/emerging contaminants remediation
Spring 2022 Applications for Funding

DWI website ➔ “I Need Funding” ➔ Application Process (bottom of page)

https://deq.nc.gov/about/divisions/water-infrastructure/i-need-funding/application-forms-and-additional-resources
Spring 2022 Funding Applications

Spring 2022 application form and most supplemental forms now on the website. (Rest will be posted by next week).

Please use the Spring 2022 documents when applying. New forms and guidance documents reflect changes to the funding programs.

Applications due **May 2, 2022**, at 5:00pm.
Application Materials

- Application for Funding form (for all applications)
- Priority Rating System Guidance and Form (for construction projects, for AIA, or for MRF)
- Templates of Resolutions from Governing Body
- Fund Transfer Certification
- Water/Sewer Financial Information Form
- Affordability Calculator (to be posted by next week; will assist self-assessment of eligibility to certain ARPA funds, e.g. At-Risk)
- Supplemental Guidance
What funding is available for Spring 2022?

- Drinking water and wastewater infrastructure (construction) projects
  - ARPA grants through Viable Utility Reserve and State Reserve Programs
  - DWSRF low-interest loans and principal forgiveness loans
  - CWSRF low-interest loans and principal forgiveness loans
- Asset Inventory and Assessment grants
- Merger/Regionalization Feasibility grants
- Pre-construction planning grants without construction projects (new option)

CDBG-I and stormwater grants not available till Fall 2022 (Sept. 30) application round.
# Application Trainings (Spring 2022)

<table>
<thead>
<tr>
<th>Date</th>
<th>Location</th>
<th>Time</th>
<th>Details</th>
</tr>
</thead>
</table>
| Monday, February 21, 2022, Asheville | Land-of-Sky Council of Governments  
339 New Leicester Highway, # 140  
Asheville, NC 28803 | 10 a.m. – 3:30 p.m. (35 seats capacity) | **Virtual option (via WebEx) also available for this training only:**  
*WebEx instructions for online listening:*  
https://ncdenrits.webex.com/ncdenrits/j.php?MTID=m12b728f1e43608d4b7a8086da61c7db4  
Meeting Number: 2435 093 6056  
Password: Spring2022  
(By phone):  
1-415-655-0003  
Access Code: 2435 093 6056 |
| Tuesday, February 22, 2022, Hickory | Western Piedmont Council of Governments  
1880 2nd Avenue NW  
Hickory, NC 28601 | 10 a.m. – 3:30 p.m. (40 seats capacity) | |
| Monday, February 28, 2022, Raleigh | Ground Floor Hearing Room, Archdale Building  
512 N. Salisbury Street  
Raleigh, NC 27604 | 10 a.m. – 3:30 p.m. (30 seats capacity) | |
| Wednesday, March 2, 2022, Williamston | NC Telecenter  
415 East Boulevard, # 130  
Williamston, NC 27892 | 10 a.m. – 3:30 p.m. (25 seats capacity) | |
| Thursday, March 3, 2022, Pembroke | Lumber River Council of Governments  
30 C.J. Walker Road  
COMtech Park  
Pembroke, NC 28372 | 10 a.m. – 3:30 p.m. (40 seats capacity) | |

No cost to attend.

**Prior registration required for in-person sessions:**  
RSVP to Jennifer Haynie at [jennifer.haynie@ncdenr.gov](mailto:jennifer.haynie@ncdenr.gov) (919.707.9173) at least one week prior to the session you plan to attend.

Please provide your name, organization, email, phone number, and the location you plan to attend.

**Link to attend the virtual option on Feb. 28:**  
See link at [https://deq.nc.gov/about/divisions/water-infrastructure/i-need-funding](https://deq.nc.gov/about/divisions/water-infrastructure/i-need-funding)
Resources for Potential Applicants

• ARPA SFRF Administration Plan – on website
• Application instructions and guidance – on website
• Procurement Policy
• Policy on Design-Build
• FAQ on ARPA SFRF funding
• Outreach/events to communicate plans
  • Recording of this webinar
  • Soon/TBA: Q&A session(s) with resource agency partners
• Contact us with questions
Questions?

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Comments from

NC Pandemic Recovery Office

NC League of Municipalities

UNC School of Government
Thank you.