November 7, 2022

ARPA Funding in North Carolina

North Carolina Department of Environmental Quality
Division of Water Infrastructure

https://deq.nc.gov/about/divisions/water-infrastructure
Funding Programs Administered by NC DEQ

Federal / State
- Clean Water State Revolving Fund (CWSRF)
- Drinking Water State Revolving Fund (DWSRF)

Federal
- Community Development Block Grant – Infrastructure (CDBG-I)

State Reserve Program (SRP)
- Drinking water and wastewater loans and grants
- Asset Inventory and Assessment (AIA) grants
- Merger Regionalization / Feasibility (MRF) grants
- Pre-construction planning grants

Viable Utility Reserve (VUR)
- Drinking water and wastewater grants, AIA, MRF, and rate study grants to improve long-term viability of utilities designated as distressed

Local Assistance for Stormwater Infrastructure Investments (LASII)
- Stormwater construction
- Stormwater planning
- Developing and implementing a new stormwater utility
By the Numbers (Pre-ARPA and BIL)

Typically Fund
$250 - $300 Million / Year

DWSRF CAP Grant (Base)
~$34 Million / Year

CWSRF CAP Grant (Base)
~$29 Million / Year
Big Week!

President Biden signs the Infrastructure Investment and Jobs Act (Bipartisan Infrastructure Law)

Governor Cooper signs the 2021 Appropriations Act (includes ARPA grant funding)
November 2021 (S.L. 2021-180):

$1.69 Billion appropriated from State’s ARPA (State Fiscal Recovery Fund) to water, wastewater and stormwater infrastructure funding

July 2022 (S.L. 2022-74):

Additional $611 Million appropriated from General Fund and State’s ARPA to water and wastewater infrastructure funding

DWI is administering ~$2 billion in ARPA funds (35% of NC’s SFRF $) and $300 million in other state funds
$2.4 billion in one year, then avg. $500 million/year
### NC DEQ DWI ARPA 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](https://deq.nc.gov/about/divisions/water-infrastructure/i-need-funding)

- Public review (Dec 2021-Jan)
- Announced Feb. 10, 2022 (recorded webinar)

#### Table: 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

<table>
<thead>
<tr>
<th>Purpose</th>
<th>Allocated directly for specific local governments and public wetlands (non-marked), approx.</th>
<th>Approximate remaining for grant funding (non-marked)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Waste 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 purpose set forth in subdivisions (1) through (5) of G.S. 139-13(d).</td>
<td>$89.7 million</td>
</tr>
<tr>
<td>Drinking Water Reserve and Wastewater Reserve (State Reserve)</td>
<td>Project construction grants for public water systems and wastewater systems NC DEQ categories as at risk of becoming distressed.</td>
<td>$156.6 million</td>
</tr>
<tr>
<td></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>
</tr>
<tr>
<td></td>
<td>Grants for asset inventory and assessments, rate studies, regulatory compliance, training, and planning grants to conduct project engineering, design, or other preconstruction activities.</td>
<td>$0</td>
</tr>
<tr>
<td>Local Assistance for Stormwater Infrastructure Investments Fund</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>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>$439.6 million</td>
</tr>
<tr>
<td></td>
<td>Total funds (approx. $1.6 billion)</td>
<td></td>
</tr>
</tbody>
</table>
Eligible Projects

Construction:
- DW and WW projects similar to SRF eligibilities
- Stormwater quantity and/or quality

Planning:
- Pre-construction planning grants
- Asset Inventory and Assessments
- Merger/Regionalization Feasibility studies
- Stormwater planning
- Developing a new stormwater utility

Can add on (related to rest of project):
- Training
- Rate study
$2.3 billion appropriated from the ARPA SFRF and General Fund

SL 2021-180 Funds

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

$940 million available for applications

$1.23 billion directly appropriated (earmarked) to 216 communities

SL 2022-74 Funds

State Reserve $182 M Available for Applications
Competitive Funding for the $940 Million

- Existing SRF funding application process
- Existing SRF Priority Rating Systems, scoring, awards
- Updated the single application form for SRF and ARPA
- No match required for ARPA, 100% grant
- Capped ARPA grant limits per recipient based on type
  - Counted earmarks towards grant limits
  - Regionalization projects eligible for higher limits
  - Serving disadvantaged, underserved areas higher limits
- Developed plans with SWIA and public comments
- Two funding rounds so far (April 2022, Sept 2022)
- Considered same applications for ARPA and SRF
- Increased outreach
Spring 2022 Funding Applications

More than $3.1 Billion in funding requests, in 649 new applications from 94 (out of 100) counties. Also re-considered over 50 Fall 2021 unfunded applications.
Projects Funded in Spring 2022

$789.4 Million in 386 construction and planning projects in 86 counties (ARPA, DWSRF and CWSRF funding).

*Included $174 million that were appropriated 3 days prior.*
$2.7 Billion in funding requests, in 649 new applications from 91 counties. Will also reconsider Spring 2022 unfunded applications.
Approximate Timeline for Construction Projects (Spring 2022 Applications)

<table>
<thead>
<tr>
<th>Date</th>
<th>Event Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>May 2, 2022</td>
<td>Applications due</td>
</tr>
<tr>
<td>July 2022</td>
<td>Funding awards by SWIA</td>
</tr>
<tr>
<td>End of 2022</td>
<td>Engineering Reports submitted</td>
</tr>
<tr>
<td>End of 2023</td>
<td>Plans and Specs approved, permits in hand</td>
</tr>
<tr>
<td>Mid 2024</td>
<td>Executed contracts</td>
</tr>
<tr>
<td>Dec 31, 2026</td>
<td>ARPA funds must be expended</td>
</tr>
</tbody>
</table>
Project Requirements (Federal and State)

• Federal ARPA fund requirements
  • If SRF eligible, is ARPA eligible
  • Stormwater quantity and stormwater quality both eligible
  • Cannot be used to pay debt
  • Cost incurred on/after March 2021
  • Funds spent by Dec 31, 2026
  • Prevailing wages and labor agreements reporting of >$10 million projects (not for Revenue Replacement funds)
  • Risk assessment
  • Uniform guidance for procurement of A/E services

• State Budget and Statute requirements
  • Eligible recipients
  • Eligible project types (VUR, LASII)
  • Funding caps
Opportunities (Examples) – Similar to BIL

- Transformational!
- Implementing CIP / AMP projects
- Regionalization
- Serving/benefiting disadvantaged communities / address environmental justice/equity
- Resolving failing infrastructure
- Resilience
- Emerging contaminants
- Right-sizing infrastructure
- Water and energy efficiency / water loss
- Essential system upgrades
- Stormwater flood control, stormwater quality improvement
- Developing stormwater utilities
- Project planning
- Asset inventories and assessments
- … and more
The document outlines strong state support to invest in W/WW/SW over various periods:

- **March 2021**: ARPA signed; North Carolina allocated $5.7 billion in SFRF.
- **Spring/Summer 2021**: Proposed investments in water infrastructure:
  - Governor’s Budget: $800 million
  - Senate Proposed Budget: $1.23 billion
  - House Proposed Budget: $1.58 billion
- **November 2021**: Appropriations Act of 2021: $1.69 billion
- **July 2022**: Appropriations Act of 2022: $+611 million
Building on Recent Actions

2017: SWIA creates a Master Plan, estimates $17-26 billion in funding needs

2018-2020: DEQ and other agencies inform legislators of the needs and risks of non-viability of small systems throughout the state; legislative study committee

2020: General Assembly creates the Viable Utility Reserve; requires SWIA and LGC to identify distressed utilities; provides state grants and statutory requirements (training, action plans, asset inventories, rate studies) to resolve viability pressures

2020: appropriated non-recurring $9 M in state funds to VUR; communicated great needs
Priorities for the funding in the state

• Supporting Viable Utility program
• Spread funding across the state; address needs of small systems
• Benefiting disadvantaged areas, equity
• Support existing prioritization system
• Regionalization
• Planning, and asset inventories and assessments
• Serving disadvantaged, underserved areas
• Lower long-term debt burden on distressed systems
• Expand stormwater funding to include quantity
• Outreach and engagement
• Compliance with state and federal requirements
Problem-Solving Challenges

- Workload (applications, funded projects, follow-ups)
- Recruitment and retention
- Navigating US Treasury requirements
- Adjusting processes for compliance (e.g. additional reporting requirements, A/E procurement, risk assessment)
- 2026 deadline challenging for some projects
- Availability of A/E firms
- Cost increases, low number of bids
- Competing funding programs (vs. SRF and vs. CDBG)
- Outreach
- Managing expectations
- Danger of return to reliance on grant funding, long-term viability
Join our team; help across the state!

DEQ is hiring!
(And not just in Raleigh)
Division of Water Infrastructure
deq.nc.gov/about/divisions/water-infrastructure

State Water Infrastructure Authority
deq.nc.gov/about/divisions/water-infrastructure/state-water-infrastructure-authority