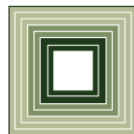


Water & Sewer Infrastructure in North Carolina



**Joint Appropriations
Subcommittee on
Natural and
Economic Resources**

March 19, 2013



FISCAL RESEARCH DIVISION
A Staff Agency of the North Carolina General Assembly

Agenda

- Infrastructure Overview
- Highlights from recent reports
 - 2009 Program Evaluation Report
 - 2010 Report to Joint Legislative Commission on Water and Wastewater (WW) Infrastructure
- Progress made, Changes implemented
- Role of State Water Infrastructure Commission
- State Programs and Funding Sources

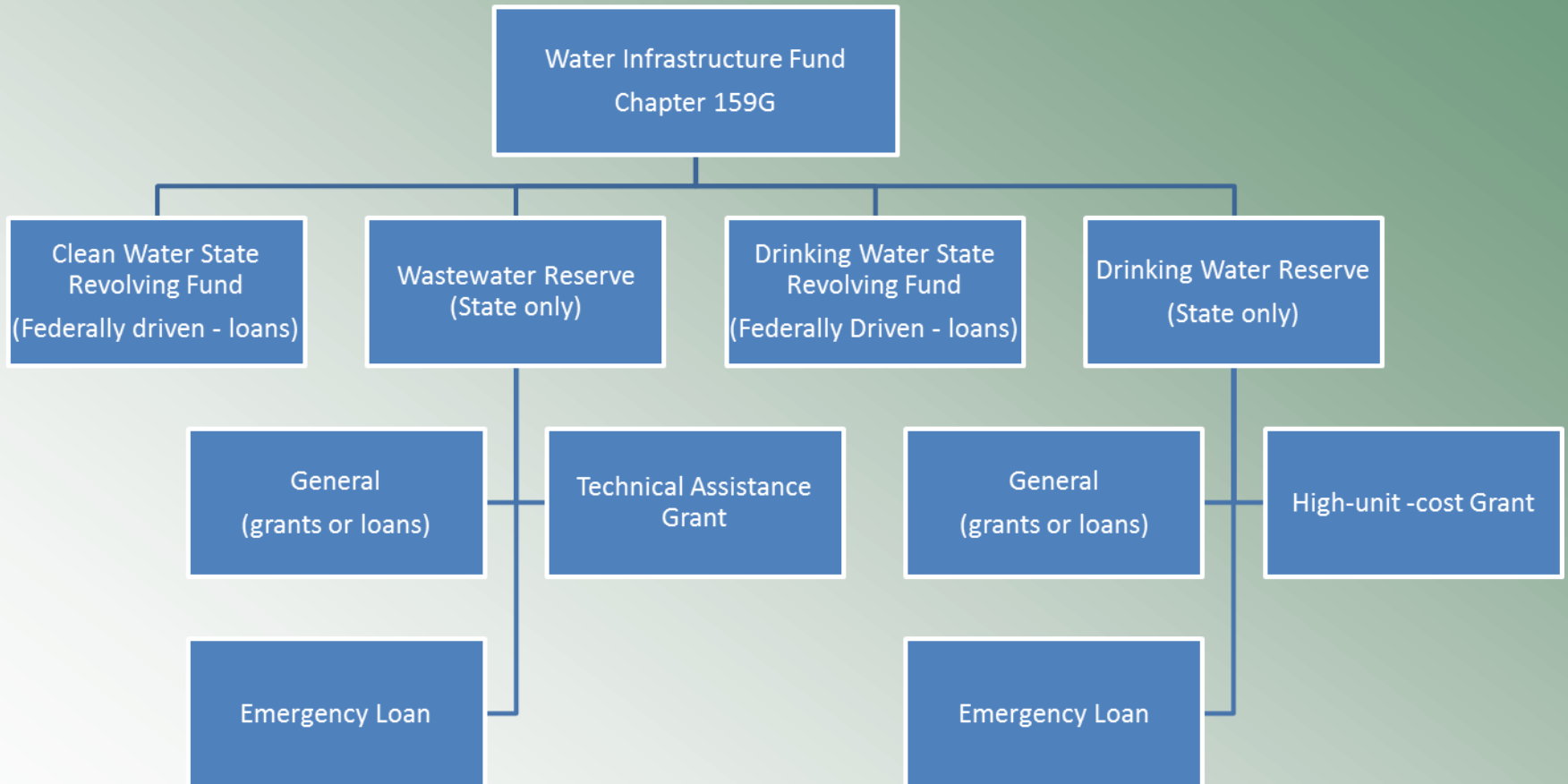
Acronyms

SWIC	State Water Infrastructure Commission
DENR	Dept. of Environment & Natural Resources
CDBG	Community Development Block Grant
CWSRF	Clean Water State Revolving Fund
DWSRF	Drinking Water State Revolving Fund
CWMTF	Clean Water Mgmt. Trust Fund
IDF	Industrial Development Fund
EPA	Environmental Protection Agency
HUD	Housing & Urban Development
LGU	Local Governmental Unit

State Funding Sources

- **Dept. of Environment & Natural Resources**
 - Clean Water State Revolving Fund (CWSRF)
 - Drinking Water State Revolving Fund (DWSRF)
 - Wastewater Reserve & Drinking Water Reserve
- **Clean Water Management Trust Fund (CWMTF)**
- **Department of Commerce**
 - Community Development Block Grant
 - Industrial Development Fund (IDF)
 - Industrial Development Fund Utility Account
- **Rural Economic Development Center**

DENR Water and WW Programs



DENR - State Revolving Funds (SRF)

Clean Water State Revolving Fund (1989)

- Base program – low interest loans to LGUs to assist with sanitary sewers, wastewater treatment facilities, stormwater quality projects and non-source pollution projects
- Offers loans at 1/2 the market rate - 2%
- Max term= 20 years
- Federal-State program (80%-20%)
- FY 2012-13 = \$25,507,000 - \$5,101,400

80% Federal Capitalization Grant:	604,857,548
20% State Match:	<u>120,971,510</u>
Total NC Investment:	\$ 725,829,058



DENR - State Revolving Funds (SRF)

- **Loan Max:** \$50 mil, but averages just under \$3mil
- **Intended Use Plan** – identifies the goals and objectives of the program
- **Clean Water SRF Special Programs**
 - Principal forgiveness (9%) – must be specifically authorized by federal legislation, and LGU must meet certain qualifications
 - 0% Funding (17%)
 - Green Project Reserve (5%)

DENR - State Revolving Funds (SRF)

Drinking Water SRF (1996)

- Loans to private and public drinking water systems to enhance infrastructure improvements needed to comply with federal Safe Drinking Water Act
 - Emphasis on small and disadvantaged communities & programs that encourage pollution prevention
- Loan Max: \$3 mil
- FY 12-13 = \$23.54M -\$4.7M



80% Federal:	328,356,900
20% State:	<u>65,671,380</u>
Total Invested:	\$394,028,280

DENR - State Revolving Funds (SRF)

- **Drinking Water SRF Set-Asides**
 - Program Administration (4%)
 - Technical Assistance for Small Systems (2%)
 - Drinking Water State Program Mgmt (10%)
 - » Public Water Supply Supervision Program
 - » Source Water Protection Program
 - » Capacity Development Strategy
 - Local Assistance (15%)
 - » Wellhead protection
 - » Capacity Development at local level

DENR: Drinking & Wastewater Reserves

- Established in G.S. 159G
- No new funds in many years
- Loans or Grants
 - General (Loan or Grant)
 - High Unit Cost (1.5%) Grant
 - Tech. Assistance Grant
 - Emergency Loans
- Project limit: \$3mil annually
- Eligibility: LGU & non-profit water corporations
- Criteria in G.S. 159G-23
 - Public necessity
 - Effect on impaired waters
 - Efficiency
 - Comprehensive land use plan
 - Flood hazard ordinance
 - Sound management
 - Capital improvement plan
 - Coastal habitat protection
 - Asset Management Plan
 - High-Unit Cost Threshold
 - Regionalization
 - State Water Supply Plan
 - Water conservation measures

Clean Water Management Trust Fund

- Two Infrastructure programs:
 - Wastewater infrastructure grants (max: \$3 mil)
 - Stormwater projects grants (max: \$3 mil)
- Eligibility: State agencies, **local governments**, nonprofits
- Criteria: G.S. 159G (common criteria) + Board
 - “Economically distressed”
 - High water quality benefits
 - High Unit Cost
 - Recent: Ready for construction

Total WW Grants = \$257.2 m (26%)

Total SW Grants = \$59.7 m (6%)

Total Awarded = \$316.9 m (32%)



Community Development Block Grant

CDBG— Infrastructure Program (IP)

- Total Funding from HUD via NC Dept. of Commerce ~ \$42 mil/year
- GA directed \$20.3 mil to IP in 2013
- Water/Wastewater Grants for LGU
- Target: Residential areas to improve quality of life or jurisdictional-wide to eliminate severe problems with health & environmental consequences
- 70% of residents low & mod. income
- Grants: Max \$750k, 5% match Tier 2 & 3 counties



**Funds Awarded
FY 2011-12:
\$2,099,172**

Community Development Block Grant

CDBG—Economic Development

- *Includes* Water/Wastewater Grants for installation of public water/sewer lines and improvements to plants
- Tied to job retention or creation primarily for low and moderate income people
- Grants: Max is \$1 mil in Tier 1&2, \$750k in Tier 3 counties
- 25% match for all projects except 25 most distressed counties
- GA appropriated \$7 mil in 2013



**Funds Awarded
FY 2011-12:
\$3,007,646**

Industrial Development Fund (IDF) & IDF Utility Fund

- IDF no longer active, \$ eliminated in FY 11-12
- IDF Utility
 - Grants for public infrastructure including water, sewer, and other infrastructure uses
- Eligibility
 - Local gov't in the 65 most economically distressed counties to recruit new or expanding businesses
- Criteria
 - Job creation expected but no specific requirement
 - Subset of companies eligible for 3J tax credits

IDF Utility Fund

- Max grant: \$500,000/project or \$10,000/job
- LGU match: 25% for public facility projects except for 25 most distressed counties
- Source of funding
 - Statutory deductions from JDIG payments
 - 25% for Tier 3 county projects; 15% for Tier 2
 - Amount transferred in FY 2011-12 = \$4,694,826
 - Amount awarded for water/sewer in FY 2011-12 = \$2,102,367

Rural Economic Development Center

Two Main Water & Sewer Programs

- **Economic Infrastructure Program (2004)**
 - Recurring GF appropriation = \$13,462,043
 - Grants only
 - Local governments
 - Water, wastewater, other infrastructure needs that lead to new private sector job creation
 - Up to \$10,00 per job
 - Capped at \$1 million/project
 - 5% match

**Funds Awarded
FY 2011-12:
\$8,039,258**

Rural Economic Development Center

Critical Need Grants

- Supplemental & Planning Grants
 - Address environmental and public health critical needs
 - Supplemental grants for construction; Max \$500k, & \$1 mil
 - Planning grants; Max: \$40k
 - Eligibility: Local governments & regional agencies for planning
 - Match required
- Sources of Funds
 - Clean Water Partners (2007): \$150 mil NR
 - Recurring GF appropriation of \$572,512

**Funds Awarded
FY 2011-12:
\$4,124,335**

Other Funding Sources

Federal & Nonprofit

- **Federal Government**
 - USDA Rural Development (FFY 2012 = \$51.6 M)
 - Economic Development Administration
 - Appalachian Regional Commission
- **Nonprofits**
 - Golden LEAF



Issues for Upcoming Biennium

- Consolidation of funding sources?
 - Any areas of duplication/overlap?
- Loans vs. grants
- Recurring vs. nonrecurring funding for SRFs