



**November 30, 2021**

**Water/Wastewater Infrastructure Funding and Equity**  
*Department of Environmental Quality*  
*Division of Water Infrastructure*



The screenshot shows the website for the North Carolina Department of Environment and Natural Resources (NC DENR). The header includes the state seal and the text "NORTH CAROLINA Environmental Quality". A search bar is located to the right of the logo. In the top right corner, there is a "Select Language" dropdown menu and links for "NC.GOV", "AGENCIES", "JOBS", and "SERVICES". A green navigation bar contains the following menu items: "Home", "Divisions" (with a dropdown arrow), "Permits & Rules" (with a dropdown arrow), "Outreach & Education" (with a dropdown arrow), "Energy & Climate" (with a dropdown arrow), "News" (with a dropdown arrow), and "About" (with a dropdown arrow). Below the navigation bar, a breadcrumb trail reads "NC DEQ » Divisions » Water Infrastructure". The main heading is "Water Infrastructure" in a large, bold, dark blue font, underlined with a green horizontal line. Below the heading is a banner image showing hands reviewing documents. A green call-to-action box on the left side of the banner contains the text "Need Water Infrastructure Funding?".

## Division of Water Infrastructure Overview

<https://deq.nc.gov/about/divisions/water-infrastructure>

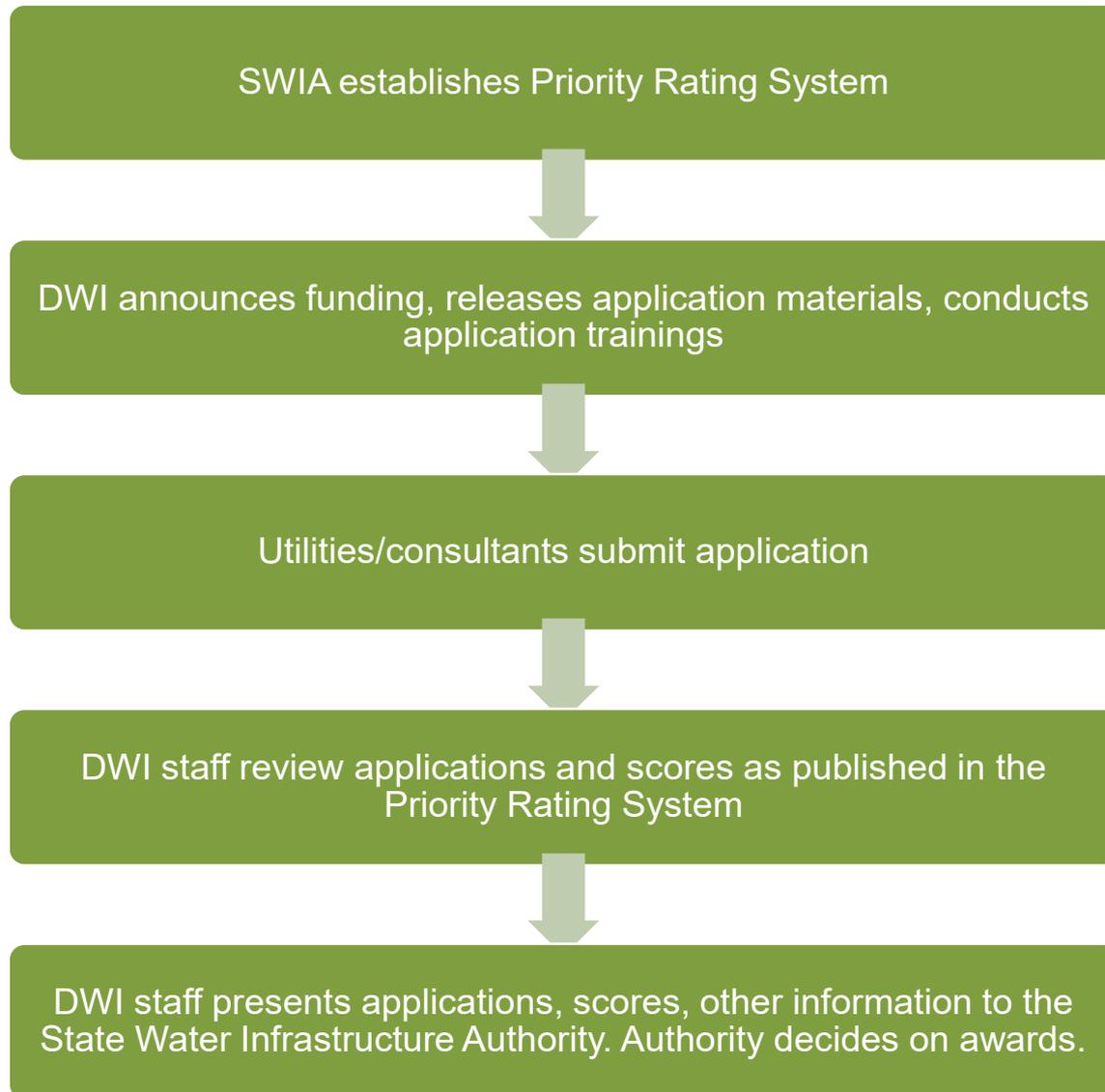
## *Division of Water Infrastructure (DWI)*

- 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)*

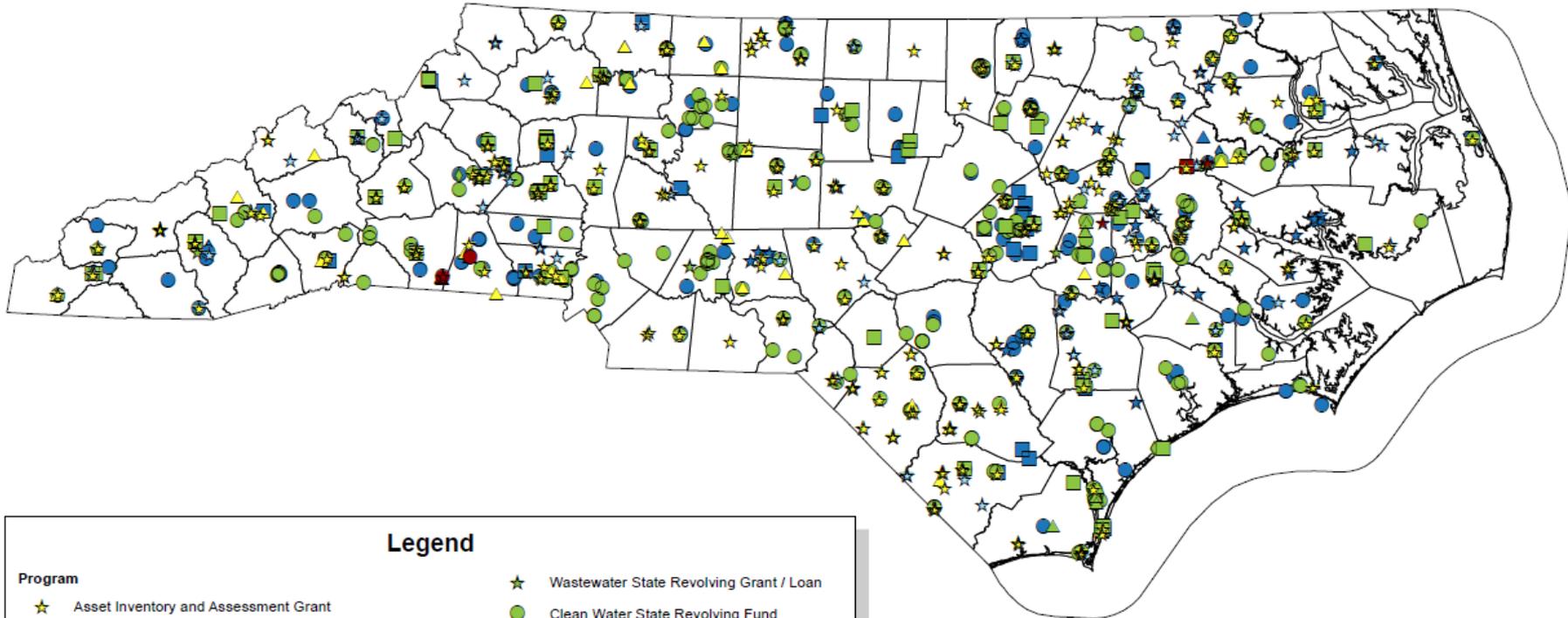
- Nine members (six appointed, three designated)
- 12 powers, including:
  - Award loan and grant funds
  - Establish priorities for making loans and grants
  - Review criteria for making loans and grants under NC G.S. 159G-23, make recommendations
  - Develop guidelines for making loans and grants

# *Application to Award Process*



# SWIA-Awarded Funding

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



### Legend

#### Program

- |   |   |   |   |
|---|---|---|---|
| ☆ | Asset Inventory and Assessment Grant                          | ☆ | Wastewater State Revolving Grant / Loan     |
| ▲ | Merger / Regionalization Feasibility Grant                    | ● | Clean Water State Revolving Fund            |
| ☆ | Community Development Block Grant - Infrastructure            | ◇ | Wastewater Technical Assistance Grant       |
| ★ | Viable Utility Reserve - Emergency Operating Grant            | ◇ | Wastewater High Unit Cost Grant             |
| ● | Viable Utility Reserve - Asset Inventory and Assessment Grant | ▲ | Drinking Water State Revolving Grant        |
| ■ | Viable Utility Reserve - Merger / Regionalization Grant       | ■ | Drinking Water State Revolving Loan         |
| ▲ | Viable Utility Reserve - Rate Study Grant                     | ☆ | Drinking Water State Revolving Grant / Loan |
| ◆ | Viable Utility Reserve - Other Study Grant                    | ● | Drinking Water State Revolving Loan         |
| ▲ | Wastewater State Revolving Grant                              | ◇ | Drinking Water Technical Assistance Grant   |
| ■ | WW-SRL  | ● | Drinking Water High Unit Cost Grant         |
| □ | Counties  |   |   |

\$2.6 billion in loans and grants

## *Division of Water Infrastructure Funding Programs*

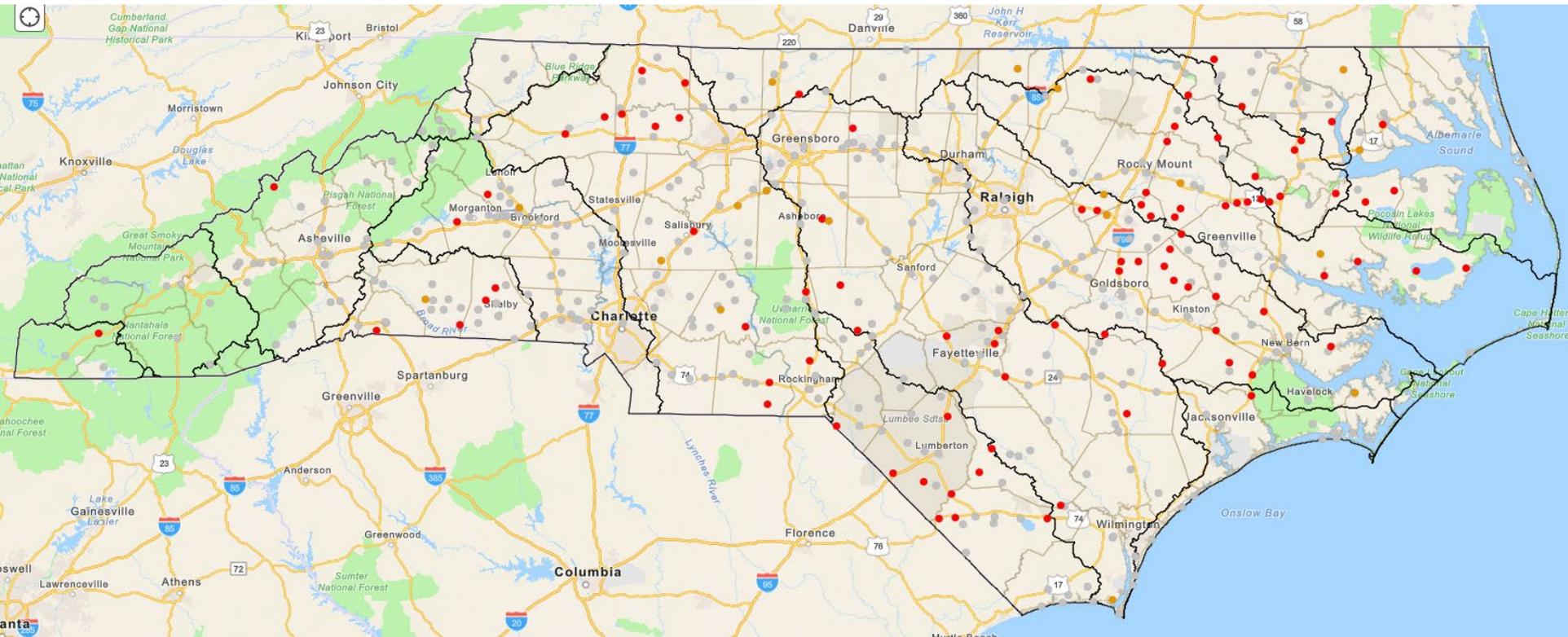
- Funded from federal and state appropriations, fees, and repayments of loans
- Offer grants and low-interest loans
- Various programs with different requirements
- One application process; same prioritization
- Typically two funding applications rounds per year
- Funding availability differs each round.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

# *Additional Grant Funding in New State Budget*

<b>Funding</b>	<b>Funding allocated in the budget to specific projects and communities</b>	<b>Remaining funds potentially available for other communities (competitive application process)</b>	<b>Total allocated in the budget, including transfers to other agencies and admin costs</b>
Water/wastewater for local government utilities designated as distressed	\$89,729,848	\$352,978,152	<b>\$456,400,000</b>
Water/wastewater for “at-risk” local government units	\$116,608,030	\$191,318,470	<b>\$317,450,000</b>
Water/wastewater for all other local government units	\$614,779,721	\$54,145,428	<b>\$732,525,000</b>
Planning grants for water/wastewater (any local government units)	\$0	\$77,600,000	<b>\$80,000,000</b>
Stormwater projects and planning for local governments	\$18,450,000	\$78,550,000	<b>\$100,000,000</b>
<b>Total</b>	<b>\$839,567,599</b>	<b>\$754,592,050</b>	<b>\$1,686,375,000</b>

# *Viability Utilities Program – Designations*

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

PRIORITY RATING SYSTEM for Wastewater Projects			
<p>Instructions: For each line item, mark "X" to claim the points for that line item. Be sure that your narrative includes justification for every line item claimed. At the end of each Category, provide the total points claimed for each program in the subtotal row for that category. Then add the subtotals from each category and enter the Project Total in the last line. Note that some categories have a maximum allowed points that may be less than the total of individual line items.</p>			
Line Item #	Category 1 – Project Purpose	Claimed Yes/No	Points
1.A	Project will consolidate a nonviable drinking water or wastewater utility		25
1.B	Project will resolve failed infrastructure issues		15
1.C	Project will rehabilitate or replace infrastructure		15
1.C.1	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		10
1.D	Project will expand infrastructure		2
1.D.1	Treatment units, pumps and/or pump stations to be rehabilitated or replaced are greater than 20 years old, OR lines, storage tanks, drinking water wells or intake structures to be rehabilitated or replaced are		10

# *Current Project Purpose and Benefits Priorities*

*(as of Nov 2021)*

Examples include, not limited to:

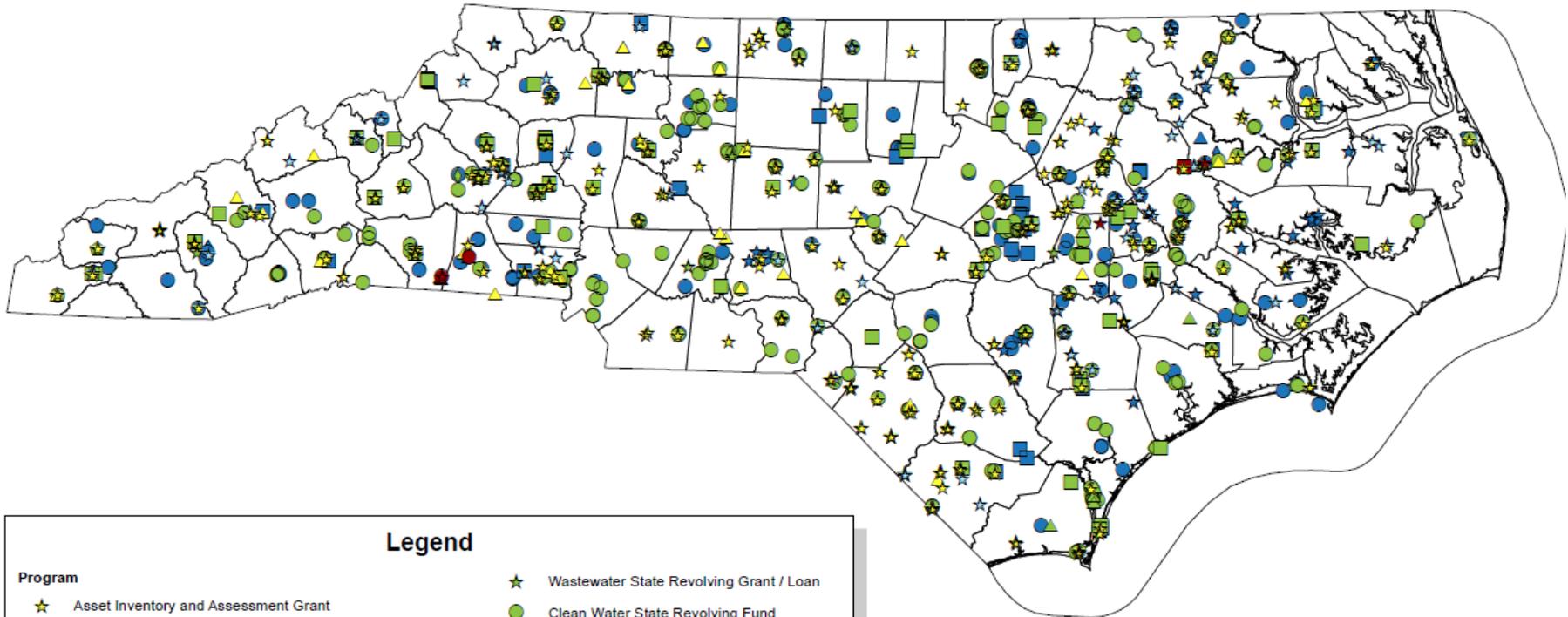
- Eliminate non-viable or failed systems
- Address deficiencies, contamination, regulations
- Rehab/replace aging infrastructure
- Stream/wetland/buffer restoration; stormwater BMPs
- Water quality benefits/protection
- Regionalization, interconnection
- Resiliency
- Reclaim systems
- Energy reduction,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

#### Program

- |   |   |   |   |
|---|---|---|---|
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| ■ | WW-SRL  | ◊ | Drinking Water 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

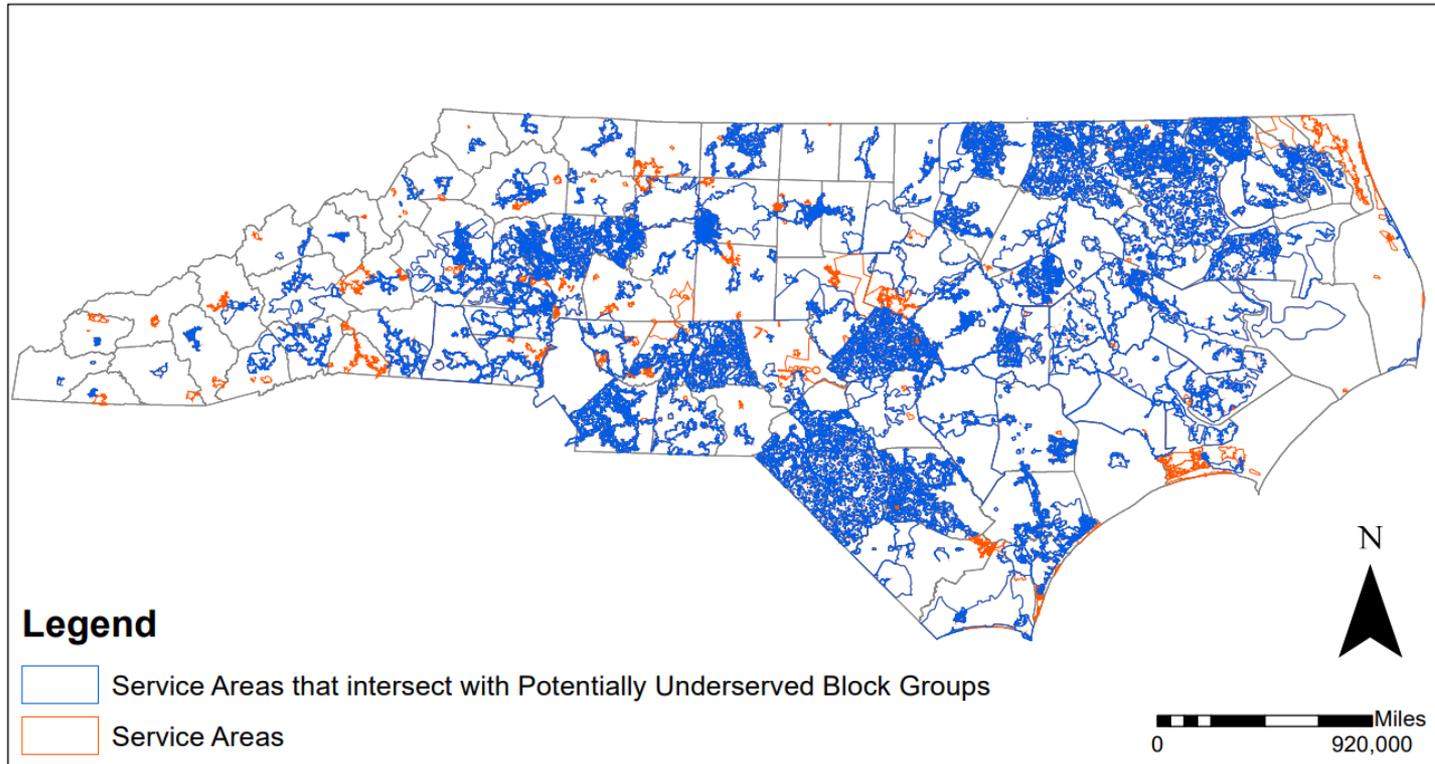
# Justice40 Initiative

- 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.

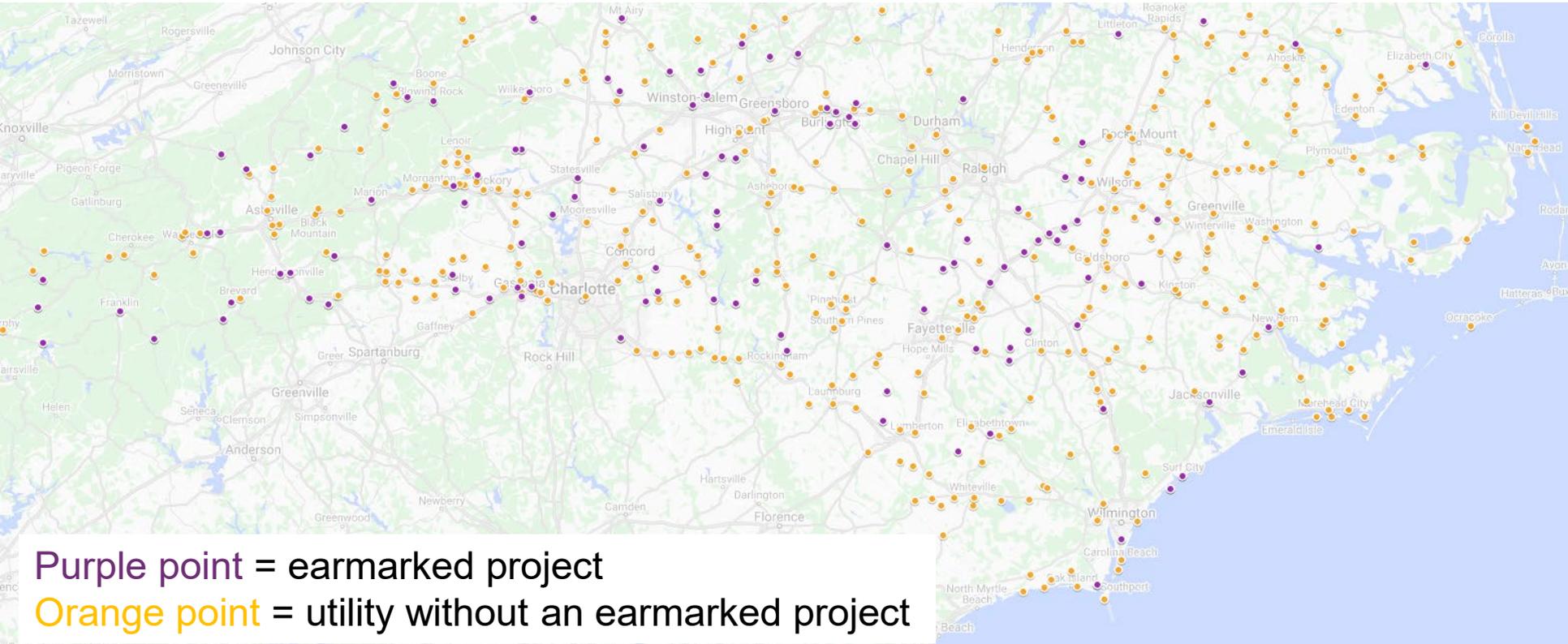
# Utilities Intersecting Underserved Block Groups

Service Area Boundaries and Potentially Underserved Communities



- 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.

# *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*

