

North Carolina's Water and Wastewater Infrastructure Funding Lacks Strategic Focus and Coordination

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Program Evaluation Oversight Committee

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Overview: Findings

- 1. The State Water Infrastructure Commission (SWIC) has fallen short of achieving its mission**
- 2. No statewide strategic plan has been developed for water and wastewater infrastructure funding**
- 3. North Carolina's infrastructure funding system is complex, fragmented, and burdensome**
- 4. State infrastructure funding is skewed towards grants versus loans**



Overview: Recommendations

The General Assembly should consider

- requiring a strategic plan that identifies statewide funding priorities**
- implementing one of two options for better oversight of water and wastewater funding**
- increasing emphasis on state loan programs when appropriating state funds**



Background



Water and Wastewater Infrastructure Is Expensive

- **FY 1998-99 to FY 2006-07**
 - **\$2.5 billion provided by federal and state sources**
 - **\$1.2 billion from state appropriations and the Clean Water Bond**
- ***Water 2030* report identified \$16.6 billion in need**

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Research Questions

- **How does the state fund water and wastewater infrastructure in North Carolina?**
- **Is the current system set up to identify and meet the water and wastewater infrastructure needs of the state?**
- **What other practices for funding water and wastewater projects can be applied to North Carolina?**

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Scope

- **Water and wastewater infrastructure funding**
- **Six funding entities**
 - **Department of Environment and Natural Resources (DENR)**
 - **Division of Water Quality, Construction Grants and Loans**
 - **Division of Environmental Health, Public Water Supply Section**
 - **Department of Commerce**
 - **Division of Community Assistance**
 - **Commerce Finance Center**
 - **Clean Water Management Trust Fund**
 - **North Carolina Rural Economic Development Center**



Data Sources

- Analyzed fiscal and project data from 1999 to 2007
- Reviewed water and wastewater infrastructure funding programs in other states
- Conducted interviews with key stakeholders, including the six funding entities

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State Agency: DENR

Division of Environmental Health, Public Water Supply Section

<i>Type of Projects Funded</i>	Water
<i>Number of Projects Funded, FY 1999-2008</i>	259
<i>Awards, FY 1999-2008</i>	Loans & Grants: \$492M
<i>Appropriations, FY 2007-08</i>	\$33M (\$27.5M federal, \$5.5M state match)

Appendix A



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State Agency: DENR

**Division of Water Quality, Construction Grants & Loans
Section**

<i>Type of Projects Funded</i>	Wastewater
<i>Number of Projects Funded, FY 1999-2008</i>	247
<i>Awards, FY 1999-2008</i>	Loans & Grants: \$840M
<i>Appropriations, FY 2007-08</i>	\$23M (\$19.2M federal, \$3.8M state match)



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State Agency: Department of Commerce

Commerce Finance Center

<i>Type of Projects Funded</i>	Water, wastewater
<i>Specific Focus</i>	Economic development
<i>Number of Projects Funded, FY 1999-2008</i>	260
<i>Awards, FY 1999-2008</i>	Grants: \$89M
<i>Appropriations, FY 2007-08</i>	\$2.3M (\$2.2M federal, \$150,000 state)

Appendix A



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**State Agency: Department of Commerce
Division of Community Assistance**

<i>Type of Projects Funded</i>	Water, wastewater
<i>Specific Focus</i>	Low-income communities
<i>Number of Projects Funded, FY 1999-2008</i>	333
<i>Awards, FY 1999-2008</i>	Grants: \$98M
<i>Appropriations, FY 2007-08</i>	\$13.7M (federal)



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State Trust Fund: Clean Water Management Trust Fund

<i>Type of Projects Funded</i>	Wastewater
<i>Specific Focus</i>	Pollution prevention
<i>Number of Projects Funded, FY 1999-2008</i>	229
<i>Awards, FY 1999-2008</i>	Grants: \$201M (for wastewater projects)
<i>Appropriations, FY 2007-08</i>	\$100M (state; of this, \$42M awarded to wastewater projects)

Appendix A



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Nonprofit Organization: Rural Economic Development Center

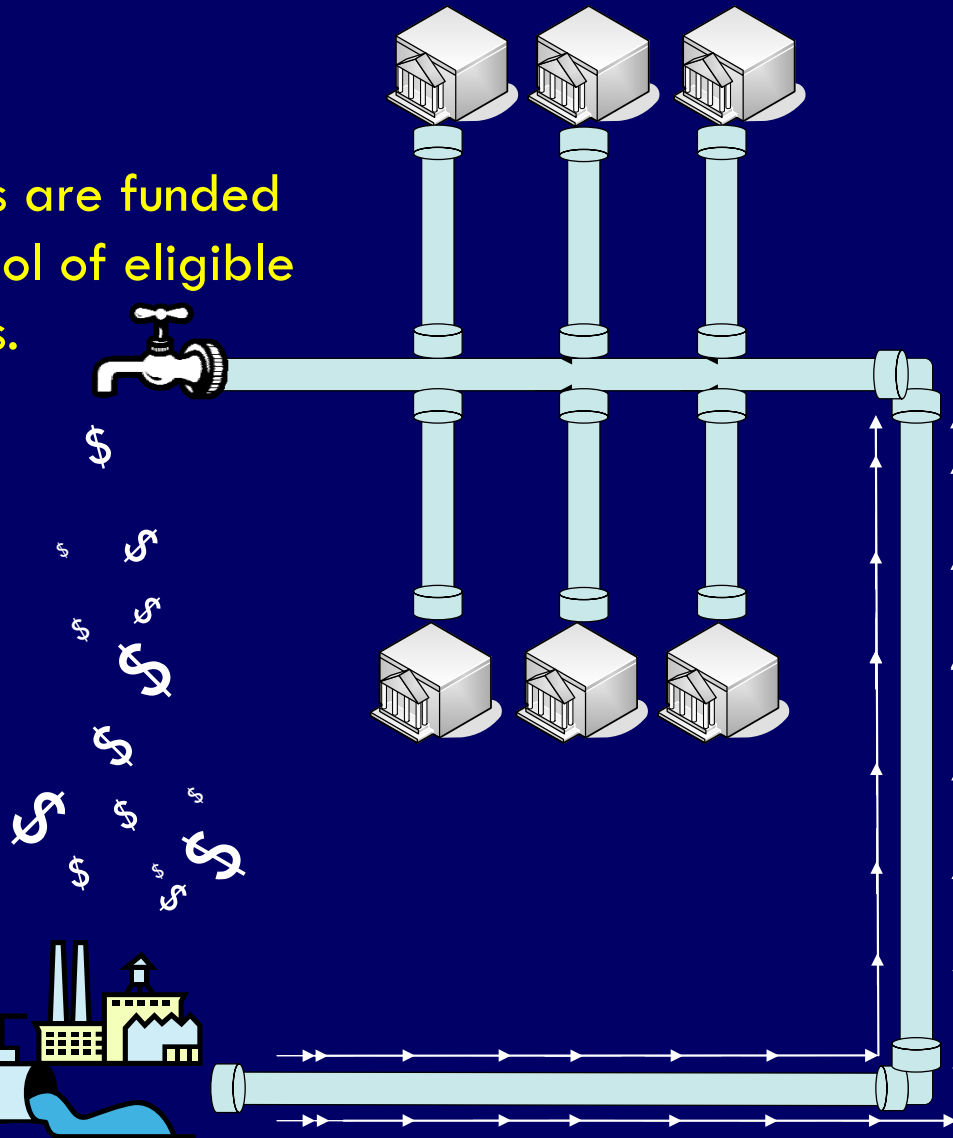
<i>Type of Projects Funded</i>	Water, wastewater
<i>Specific Focus</i>	Rural, economically distressed communities
<i>Number of Projects Funded, FY 1999-2008</i>	1,355
<i>Awards, FY 1999-2008</i>	Grants: \$355M
<i>Appropriations, FY 2007-08</i>	\$115.7M (state)

Appendix A



Bottom-Up Process for Funding Projects

3. Projects are funded from a pool of eligible applicants.



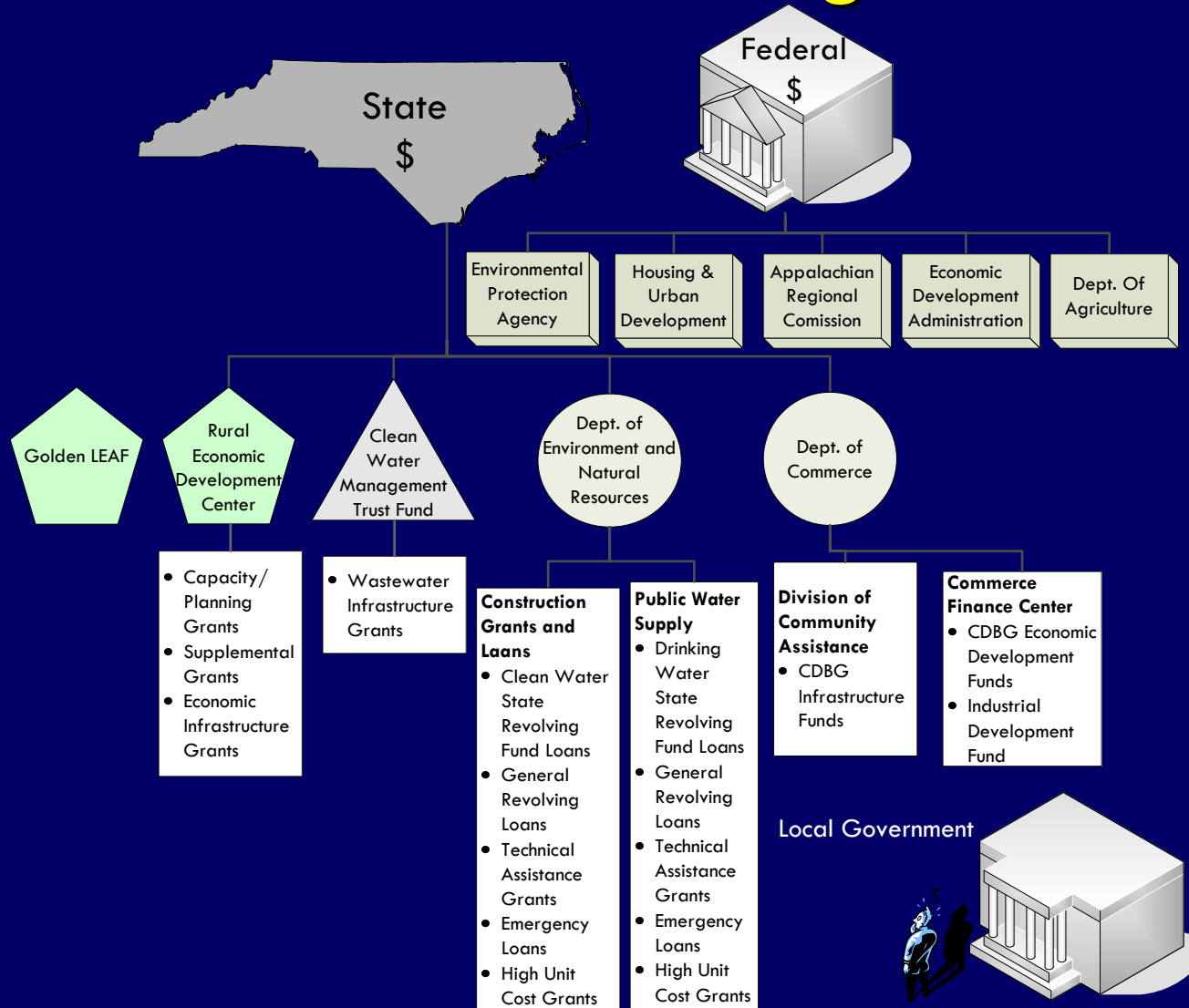
1. System operators identify capital needs and funding sources.

2. Applications are submitted to the appropriate funding entities.

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Infrastructure Funding Entities



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State Water Infrastructure Commission (SWIC)



SWIC

- **Primary Objectives**
 - identify the state's water infrastructure needs
 - develop a plan to meet those needs
 - monitor the implementation of the plan
- **Additional Duties**
 - assess, prioritize, and make recommendations for funding
 - ensure that funds are used in a coordinated manner

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Findings



Finding 1. SWIC Has Fallen Short of Achieving Its Mission

- **Lacks authority to require compliance with practices or policies**
- **Lacks adequate resources to achieve objectives**

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Finding 2. No Statewide Strategic Plan Has Been Developed

Lack of a strategic plan has compromised the state's ability to

- identify and prioritize needs**
- determine the type and amount of money required to meet needs**
- calculate return on investment**

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Finding 3. System for Infrastructure Funding is Complex, Fragmented, and Burdensome

- **Six entities administer funding for infrastructure**
- **Each funding entity operates independently**
- **Each entity has an individual application process with different eligibility requirements**
- **Award dates vary from entity to entity**
- **Informal cooperation exists**

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Finding 4. Funding is Skewed Towards Grants Rather than Loans

- **Loans are sustainable, whereas grants are not**
- **Grant funding limits North Carolina's ability to optimize scarce state dollars**
- **Grant funding is, and will continue to be, essential**

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Recommendations



Recommendation 1. Develop a Strategic Plan for Infrastructure Funding

- **SWIC should develop a statewide strategic plan and needs assessment**
- **A strategic plan would**
 - **provide mechanisms to identify and establish statewide priorities**
 - **establish the state's role in financing infrastructure across funding entities**
 - **establish policy goals that are linked to performance measures**

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Recommendation 2. Improve Oversight of Infrastructure Funding

- **General Assembly should require better oversight by authorizing an entity to**
 - **implement a statewide strategic plan**
 - **establish and track performance measures**
 - **develop and manage a centralized database**

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Option A. Empower SWIC to Coordinate and Oversee Funding

- **Replaces current informal cooperation with formal coordination**
- **SWIC has the authority and responsibility to coordinate water and wastewater funding**
- **Six funding entities continue to operate and are required to adhere to the standards set by SWIC**

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Option B. Establish Single Independent Authority

- **Eliminates system fragmentation**
- **Responsible for administering water and wastewater infrastructure funds**

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Recommendation 3. Increase Emphasis on Loans

- **Loans optimize scarce state dollars**
- **Grant money is focused on communities with greater financial needs**
- **Statewide strategic plan would identify the appropriate mix of grants and loans**

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Summary

- **North Carolina's water and wastewater infrastructure funding system lacks strategic focus and coordination**
- **A strategic plan for funding water and wastewater infrastructure will identify statewide priorities**
- **Better oversight will improve coordination and reduce fragmentation**
- **Increased emphasis on state loan programs will optimize scarce state dollars**



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Report available online

[http://www.ncleg.net/PED/Reports/Topics/Environmentand
NaturalResources.html](http://www.ncleg.net/PED/Reports/Topics/EnvironmentandNaturalResources.html)

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