



American Recovery Plan Act (ARPA) funds for Water Infrastructure

August 17, 2022





\$300M for Water Infrastructure Projects

The options presented in this engagement session are for consideration and comment

DEP proposals for use of ARPA Water Infrastructure funds will be open to public comment and described in upcoming Amendments to the Final State Fiscal Year 2023 Clean Water and Drinking Water State Revolving Fund (SRF) Intended Use Plans.

The DEP considered the following factors in developing these options:

- ✓ Eligible Uses of ARPA funds for Water and Sewer Infrastructure as described in the U.S. Department of the Treasury's Final Rule for Coronavirus State & Local Fiscal Recovery Funds
- ✓ Allocate funds to projects that can meet the deadlines for the obligation and disbursement funds of ARPA fund
- ✓ Allocate funds to projects that serve Disadvantaged and Environmental Justice Economic Overburdened Communities
- ✓ Allocate funds to projects that address high priority clean water and public health concerns

\$300M ARPA for Water Infrastructure

\$50M? for Drinking Water Projects

\$250M? for Clean Water Projects

- **December 31, 2024** – Deadline for DEP to **obligate** the \$300 million dollars by entering into funding agreements with project sponsors.
- **December 31, 2026** – Deadline for DEP to **disburse** all funds to project sponsors through **reimbursement** of APRP eligible project expenses incurred by project sponsors.
- Allowable use of ARPA funds:
 - ✓ **Clean Water State Revolving Fund** (CWSRF) Eligible Projects
 - ✓ **Drinking Water State Revolving Fund** (DWSRF) Eligible Projects
 - ✓ Additional types of projects— such as **residential wells** — beyond the CWSRF and DWSRF, if they are found to be “necessary” according to the definition provided in the Final Rule issued by the US Department of Treasury.

Recap of SFY 2023 SRF Programs



SFY 2023 Drinking Water SRF Principal Forgiveness

SFY23 PRINCIPAL FORGIVENESS (PF) OPPORTUNITIES

Drinking Water PF	Principal Forgiveness Share	Principal Forgiveness Cap per Applicant	Projected Amount of PF Available
Nano (serving ≤ 10,000 customers)	50%	\$500,000	\$8M
Very Small Water System (serving ≤1,000 customers)	100%	\$750,000	\$3M
Lead Line Replacement	50%	\$5M	\$25M*
Emerging Contaminants (including PFAS)	100%	\$1M	\$13M*
High Rank Affordability Projects	100%	\$1M	\$5M
General Supplemental PF* (Lead or PFAS)	Per above	Per above	\$10M

* Once the principal forgiveness funds for emerging contaminants (\$13 million) and lead line replacement (\$25 million) have been allocated to higher ranked projects, \$10 million in principal forgiveness from the DWSRF Supplemental Funds will be directed in priority ranked order to qualifying lead or PFAS projects in other disadvantaged communities that meet NJ's affordability criteria in Appendix 3.

SFY 2023 Drinking Water SRF Funding Packages

SFY23 FUNDING PACKAGES (LONG-TERM LOANS)

Drinking Water Categories	DEP Share**	I-Bank Share**
Affordability*	75% (Minimum) Interest Free Loan and Principal Forgiveness	25% (Maximum) AAA Market Interest Rate Loan
Base DWSRF – Public	50% Interest Free Loan	50% AAA Market Interest Rate Loan
Base DWSRF – Investor-owned	25% Interest Free Loan	75% AAA Market Interest Rate Loan

*Costs in excess of \$10 million will be financed under the Base DWSRF package.

**I-Bank share may be higher and DEP share lower if I-Bank is able to source below market interest rate funds through the Water Infrastructure Finance and Innovation Act (WIFIA) from USEPA. The effective interest rate will be no greater than would have resulted from financing with I-Bank's AAA bond funds at market interest rates and Department interest-free loan funds at shares shown in table.



SFY 2023 Clean Water SRF Principal Forgiveness

SFY23 PRINCIPAL FORGIVENESS (PF) OPPORTUNITIES

Clean Water PF	Principal Forgiveness Share	Principal Forgiveness Cap per Applicant	Projected Amount of PF Available
CSO Abatement	50%	\$5M**	\$30M*
CSO Abatement in Communities that meet the CWSRF Affordability Criteria	100%		\$30M*
Water Quality Restoration	50%	\$2.5M	\$6M
Affordability Criteria	100%	\$2M	\$36M
Energy and Water Efficiency Projects	50%	\$2M	\$10M
Emerging Contaminants	100%	\$2M	\$4M
Overflow and Stormwater Grant (OSG) CW SRF PF Loans***	20%	\$0.2M	\$1M

SFY 2023 Clean Water SRF Funding Packages

SFY23 FUNDING PACKAGES (LONG-TERM LOANS)

Clean Water Categories	DEP Share***	I-Bank Share***
CSO Abatement, CSO Abatement/Affordability*, Water Quality Restoration, Affordability Criteria, Energy and Water Efficiency, and Emerging Contaminants Projects (All capped at \$10 million)	75% (Minimum**) Interest Free Loan and Principal Forgiveness	25% (Maximum**) AAA Market Interest Rate Loan
All Other Water Quality Projects (Base CWSRF)	50% Interest Free Loan	50% AAA Market Interest Rate Loan
Brownfield Redevelopment (Conduit Projects)	25% Interest Free Loan	75% AAA Market Interest Rate Loan

Affordability/Disadvantage Community Criteria

A project meets either of the following two criteria are considered to have satisfied the State's Affordability Criteria:

- Project Affordability Score of 80 or less; or
- The project is eligible to receive Environmental Justice Economic Overburdened Community Criteria ranking points.

Project Affordability Score:

Project (MHI) Factor – Project (UE) Factor – (PT) Factor

Environmental Justice Economic Overburdened Community Ranking Points Criteria:

35% of the households served by the project, on a municipal basis, qualify as low-income households (at or below twice the poverty threshold).

\$50M for Drinking Water Projects



\$50M for Drinking Water Projects

\$45 Million: Projects for Water Treatment Plant Upgrades

- Projects for treatment plants addressing multiple MCL violations for multiple contaminants at one system
- Projects addressing climate change concerns and ensuring resilience for years to come
 - Flooding
 - Degradation of freshwater wells
 - Rehabilitating of essential desalinization treatment plants
- Prioritizing disadvantaged communities and systems that meet DWSRF affordability criteria under the IUP



\$50M for Drinking Water Projects

\$5M for Addressing Contaminants in Private Wells

- Private Well Testing Act (PWTA)
 - Testing requirements for individual private wells prior to sale or lease
- ~ 8,000 home sales each year subject to PWTA testing
- Expected that approximately 10 % of wells sampled will have exceedances of applicable standards
- Funds will be used for private well owners, particularly those located in overburdened communities to provide treatment to meet applicable PWTA standards





\$50M for Drinking Water Projects

ARPA Funding Program Example

- **Eligibility**
 - **Drinking Water Projects that:**
 1. Meet DWSRF Eligibility Requirements;
 2. Can be completed by 12/31/26.
- **ARPA Funding Program Terms**
 - **Funding Package:**
 - ✓ Large % principal forgiveness (grant like) funding (ARPA Funds)
 - ✓ Interest Free Water Bank (DEP) Loan for 50% of remaining costs
 - ✓ AAA Market Rate Water Bank (I-Bank) Loan for 50% of remaining costs
 - No or high cap on project costs
 - Water Bank Coordination – Attractive SRF financing after ARPA funds are exhausted
 - Reserve Large % of funds for **Disadvantaged Communities**
 - Award funds on readiness to proceed basis –
 - ✓ Meet ARPA deadlines
 - ✓ Incentivize sponsors to expeditiously implement high impact projects.

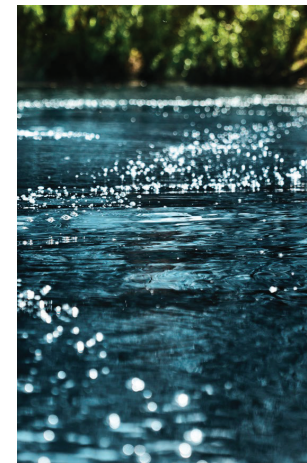
\$250M for Clean Water Projects



\$250M for Clean Water Projects

Targeting CSO LTCP Capital Projects

- Combined Sewer Overflow (CSO) Long Term Control Plans submitted to the DEP in 2021 included Capital Project Needs of:
 - ✓ Total > **\$2.2B**
 - ✓ Year One > **\$395M**
 - ✓ Five Year > **\$610M**
- CSO discharges are a water quality concern and public health concern.
- CSOs are predominately located in **disadvantaged urban communities**:
 - Very high population densities and environmental justice concerns
 - Disproportionately high number of environmental and public health stressors.
 - Limited means to address the needed capital improvements.
- DEP would like to incentivize the implementation of the high impact, cost effective and environmentally beneficial capital projects identified in LTCPs by offering project sponsors Water Bank financing with a high percentage of **principal forgiveness (grant like funding)**.





\$250M for Clean Water Projects

ARPA Funding Program Example

- **Eligibility**
 - **Clean Water Projects that:**
 1. Meet existing CWSRF Eligibility Requirements;
 2. Meet Priority PF Set Aside Eligibility (ex. CSO LTCP); and
 3. Can be completed by 12/31/26.
- **ARPA Funding Program Terms**
 - **Funding Package:**
 - ✓ Large % principal forgiveness (grant like) funding (ARPA Funds)
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 - ✓ Meet ARPA deadlines
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Next Steps



**Mid-August
2022**

Stakeholder engagement session (8/17) and public comment period (ends COB Friday 8/19) to gather input on potential use of ARPA funds.



**Late August
2022**

Publish proposed Amended IUPs incorporating use of ARPA funds, open 30-day public comment period, provide notice of public hearing date.



**Early September
2022**

Conduct public hearing, collect comments on Amended IUPs.



**Late September
2022**

30-day comment period ends, draft response to comments and draft final Amended IUPs.



**Late September
2022**

Publish Final Amended IUPs



**Mid-October
2022**

Submit Amended May Report to Legislature. Begin introduction of updated appropriation bills.



**Late December
2022**

Appropriation Bills signed into law, begin executing funding agreements with ARPA PF packages.

Stakeholder Input

- Allocation of Funds DW/CW
- Project Categories for ARPA funds
- Level of Principal Forgiveness
- Ranking Criteria
- Project Caps
- Disadvantaged Community Set Aside



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Thank you!



Water Resources Management