

**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 Stormwater Projects  
(Local Assistance for Stormwater Infrastructure Investments Fund)**

*Last updated August 15, 2022.*

This document describes the administration plan for administering the appropriated American Rescue Plan Act (ARPA) State Fiscal Recovery Fund as grants for stormwater projects from the newly-created Local Assistance for Stormwater Infrastructure Investments (LASII) fund. The plan includes eligibility requirements, Priority Rating Systems to evaluate stormwater grant applications, and grant limits.

**Summary**

The North Carolina General Assembly appropriated \$1.69 billion from the state’s allocation of the American Rescue Plan Act for drinking water, wastewater, and stormwater investments in Sections 12.13 and 12.14 of the Current Operations Appropriations Act of 2021 ([S.L. 2021-180](#)).

The North Carolina Department of Environmental Quality’s (NC DEQ’s) Division of Water Infrastructure (Division) will administer approximately \$100.5 million for stormwater projects in the Local Assistance for Stormwater Infrastructure Investments fund, which excludes three percent of the appropriated amounts that may be used for administrative costs. The fund amounts, following statutory and budgetary requirements, are shown in the table below. In addition, federal requirements for the use of American Rescue Plan Act appropriations will apply. All funds must be expended by December 31, 2026.

<b>NC DEQ Fund</b>	<b>Purpose</b>	<b>Allocated directly for specific local governments (directed projects), approx.</b>	<b>Approximate remaining for grant funding (undirected funds)</b>
Local Assistance for Stormwater Infrastructure Investments Fund (ARPA stormwater grants)	Grants for local governments for projects that will improve or create infrastructure for controlling stormwater quantity and quality	\$18.5 million	\$82.0 million
		<b>Total funds: approx. \$100.5 million</b>	

**Administration plan for ARPA grants for directed projects**

Approximately \$18.5 million has been directly allocated by the General Assembly to 11 recipients for stormwater projects in Section 12.14 of the Current Operations Appropriations Act of 2021. The grants are subject to eligibility and federal and statutory requirements and will be processed on a reimbursement basis. Following S.L. 2022-43, directed grant recipients must provide a complete Request for Funding form with a budget describing a project that is eligible for funding under applicable federal and State law no later than June 30, 2023. Directed allocations that are in excess of the budgets for eligible projects included in Request for Funding forms will revert to the Department on July 1, 2023.

## **Administration plan for ARPA grants for all other stormwater funding from the LASII Fund**

Approximately \$82 million will be available for cities and counties (and their regional councils of government and nonprofit entity partners) for projects that will improve or create infrastructure for controlling stormwater quantity and quality. The funds will be awarded through the Division's competitive funding process. Eligibility requirements, Priority Rating Systems by which applications for funding will be evaluated, and maximum funding amounts are listed below.

### **A. Entity Eligibility Requirements**

As defined in Session Law 2021-180 Section 12.14.(d), an eligible entity for a grant is a city<sup>1</sup> or county that (i) documents in a form and manner as the Department may specify a stormwater quality or quantity issue and (ii) demonstrates that it would experience a significant hardship raising the revenue necessary to finance stormwater management activities within its jurisdiction based on income and unemployment data, population trends, and any other data determined relevant by the Department. A regional council of government created pursuant to Part 2 of Article 20 of Chapter 160A of the General Statutes or a nonprofit entity is also an eligible entity under this section if the regional council of government or nonprofit entity partners with a city or county. **These eligibility considerations apply to funding through the Local Assistance for Stormwater Infrastructure Investments (LASII) fund; they do not apply to Clean Water State Revolving Fund (CWSRF) funding for stormwater projects.**

The State Water Infrastructure Authority (SWIA) approved eligibility requirements necessary to implement Session Law 2021-180 Section 12.14.(d). Eligibility is determined in two parts.

#### **Part 1) Documentation of a Stormwater Quality or Quantity Issue – Required by Session Law 2021-180 Section 12.14.(d)(i)**

For all stormwater grant applications, applicants will be required to provide:

- A. A narrative that describes the stormwater quality issue and/or stormwater quantity issue based on historic or projected precipitation, and how the grant will be used to address the issue;
- B. A map and/or a narrative that identifies the location of the stormwater quality and/or stormwater quantity issue. The map and/or narrative must show or describe the watershed above the location, and if possible, identify the acreage, percentage of impervious area and land use cover in the watershed above the location; and
- C. If available, photographs of the stormwater quality and/or stormwater quantity issue and identification of the amount of rainfall that caused the issue, based on the nearest reliable rain gauge, news articles about the issue, or other information that clearly demonstrates the issue.

To complete Part (1), applicants are required to complete the LASII Fund Entity Eligibility Certification Form (Stormwater Funding Eligibility Form) and submit it along with the Application for Funding. The application forms, including the LASII Stormwater Funding Eligibility Certification Form, are available on the Division's website at <https://deq.nc.gov/about/divisions/water-infrastructure/i-need-funding/application-forms-and-additional-resources>.

In addition, applicants must demonstrate that they meet Part 2, described below.

---

<sup>1</sup> "City" means municipality and includes towns and villages. For brevity, "city" is used throughout this document.

**Part 2) Demonstration of “Significant Hardship Raising the Revenue ...”** – Required by Session Law 2021-180 Section 12.14.(d)(ii)

The criteria that will be considered when making the determination of significant hardship raising the revenue necessary to finance stormwater management activities will vary by the type of stormwater grant application as follows.

**I. For applications for Stormwater Construction Grants and applications for Stormwater Planning Grants (except applications to Develop and Implement a New Stormwater Utility)**

An applicant will demonstrate eligibility by meeting either of the two criteria below:

**Criterion 1:** At least one (1) of the five (5) Local Government Unit (LGU) Indicators for the city or county are worse than the state benchmarks shown in the table below. Information on how to calculate these indicators is provided in the Priority Rating System Guidance and Form for the LASII Fund, posted along with application forms on the Division’s website. An LGU Indicator Calculator for Stormwater Funding Eligibility is also posted online as a spreadsheet calculator to assist the application in calculating these values.

Local Government Unit Indicator		State Benchmarks for Fall 2022 Applications
Population Change	< =	4.5%
Poverty Rate	> =	14.0%
Median Household Income	< =	\$56,642
Unemployment Rate	> =	7.1%
Per Capita Appraised Value of Property	< =	\$125,015

**OR**

**Criterion 2:** The city or county as a whole does not meet Criterion 1 but has stormwater projects that benefit disadvantaged areas within the city’s or county’s jurisdiction. To be eligible, 75 percent or more of the project construction costs (as delineated in the Project Budget of the application) must be used to directly benefit disadvantaged areas.

Disadvantaged areas may be subsections or pockets of a city’s or county’s jurisdiction, rather than the entire city or county. For instance, disadvantaged areas may be census block groups that meet qualifying characteristics. The targeted project area will be determined a “disadvantaged area” based on factors that shall include:

- Median household income, poverty rates, per capita appraised property values of property, and/or employment rates of the targeted project area,
- Additional factors that may qualify the targeted project area as disadvantaged, such as but not limited to demographic, historical, cultural, linguistic, socioeconomic stressors, or cost-of-living stressors may also be considered.

Use of federal or state-generated maps to demonstrate that a targeted project area is disadvantaged is encouraged. For instance, using screenshots or printouts of NC DEQ's [Community Mapping System](#), labeling and identifying on the map the targeted project area overlapping "Potentially Underserved Block Groups" and/or "Tribal Boundaries" that appear on the online map as shaded areas (these are considered disadvantaged areas).

For Criterion 2, the proposed project is not required to be located *within* a disadvantaged area, but the project *must result in* water quality improvements within the disadvantaged area and/or reduce water quantity impacts within the disadvantaged area. Over 75 percent of the project's construction costs must be used to provide these benefits to the disadvantaged areas to qualify under Criterion 2.

## **II. For applications to Develop and Implement a New Stormwater Utility**

If the city or county does not have a stormwater utility with a Stormwater Enterprise Fund, and the project purpose described in the application is to develop and implement a new Stormwater Utility, the city or county will have met the requirement to demonstrate that there is a significant hardship in raising the revenue necessary to finance stormwater management activities within its jurisdiction. The grant amount for which a city or county will be eligible will be capped at different levels based on the number of LGU Indicators (from Criterion 1) that are worse than the state benchmarks. See Section D for more information.

Applicants will indicate on the LASII Fund Entity Eligibility Certification Form (Stormwater Funding Eligibility Form) whether they are using Method I or Method II to complete Part (2), demonstrating that the applicant would experience a significant hardship raising the revenue necessary to finance stormwater management activities within its jurisdiction. The application forms, including the LASII Stormwater Funding Eligibility Certification Form, are available on the Division's website at <https://deq.nc.gov/about/divisions/water-infrastructure/i-need-funding/application-forms-and-additional-resources>.

### **B. Types of Grants**

Session Law 2021-180 Section 12.14.(e) provides for two types of grants from the Local Assistance for Stormwater Infrastructure Investments fund:

(1) Construction grants. – A construction grant is available for the development and implementation of a new stormwater utility or stormwater control measure (SCM), the rehabilitation of existing SCMs, the retrofitting of existing stormwater conveyances to provide SCMs for quantity and quality control purposes, or the installation of innovative technologies or nature-based solutions. The Department shall allow nature-based solutions where feasible and possible.

(2) Planning grants. – A planning grant is available for research or investigative studies, alternatives analyses, the preparation of engineering concept plans or engineering designs, and similar activities intended to help an eligible entity determine the best solutions for the entity's stormwater quality or quantity issue and to engineer and permit the solutions. The Department shall allow nature-based solutions where feasible and possible.

Session Law 2021-180 Section 12.14.(h) provides the following definition: "For purposes of this section, "nature-based solutions" are sustainable planning, design, environmental management, and engineering practices that weave natural features or processes into the built environment to store, infiltrate, and

treat water by enlisting natural features and processes in efforts to promote resilience, reduce flood risks, improve water quality, protect coastal property, restore and protect wetlands, stabilize shorelines, and add recreational space.”

**C. Priority Rating Systems to Evaluate Stormwater Grant Applications**

Applications for funding for stormwater projects will be evaluated and scored according to two Priority Rating Systems established by SWIA: a Priority Rating System for Stormwater Construction Projects and a Priority Rating System for Stormwater Planning Studies.

The [Division’s website](#) provides the Stormwater Construction and Planning Priority Rating Systems and Guidance (For LASII) in one document. The “Guidance” document presents each Priority Rating System, includes detailed information about each of the line items in each Priority Rating System, and instructions on how applicants can document their claims under each line item in the Application Narrative. Please refer to that Guidance for more information.

The Priority Rating System for Stormwater Construction Projects, used to evaluate applications for LASII funds only, is shown below:

<b>Priority Rating System Score Sheet for Stormwater Construction Projects</b> Funded with the Local Assistance for Stormwater Infrastructure Investment (LASII) Grants			
Instructions for Applicant: For each line item, place an <b>“X” to claim the points for that line item</b> . Be sure that the required 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 Total Points for All Categories in the last line. <b><i>Note that some categories have a maximum allowed points that may be less than the total of individual line items.</i></b>			
Line Item #	Category 1 – Project Purpose Points will be awarded for <u>only one</u> Project Purpose: 1.A or 1.B or 1.C	Place “X” in this box if claimed	Points
<b>1.A</b>	More than 50 percent of the construction cost of the project will be used to create new stormwater control measures (SCMs) or to improve, retrofit, repair, rehabilitate or replace existing SCM infrastructure to control stormwater quality		
1.A.1	Proposed SCMs are nature-based solutions, <b>OR</b>		35
1.A.2	Proposed SCMs are not nature-based solutions		25
<b>1.B</b>	Restoration of streams, wetlands, buffers, or estuaries to control stormwater quality		25
1.B.1	Project includes restoration of a first order stream and includes stormwater infiltration SCMs		2 (additional points)
1.B.2	Project includes restoration of permanent riparian buffers to at least 30 feet on both sides of the stream		2 (additional points)

**Priority Rating System Score Sheet for Stormwater Construction Projects**  
 Funded with the Local Assistance for Stormwater Infrastructure Investment (LASII) Grants

<b>1.C</b>	More than 50 percent of the construction cost of the project will be used to create or improve, retrofit, repair, rehabilitate or replace existing stormwater infrastructure to control stormwater quantity		25
<b>Maximum points available for Category 1 – Project Purpose</b>			<b>35</b>
<b>Subtotal claimed by Applicant for Category 1 – Project Purpose</b>			
<b>Line Item #</b>	<b>Category 2 – Project Benefits</b>	<b>Place “X” in this box if claimed</b>	<b>Points</b>
<b>2.A</b>	Water Quality Improvement		
2.A.1	Project <u>directly benefits</u> subwatersheds that are impaired as noted on the most recent final version of the Integrated Report, <b>OR</b>		15
2.A.2	Project <u>directly benefits</u> specific classified waters, <b>OR</b>		10
2.A.3	Achieves at least 35% reduction in both Total Nitrogen (TN) and Total Phosphorus (TP) in Nutrient Sensitive Waters, <b>OR</b>		10
2.A.4	Achieves at least 35% reduction in both Total Nitrogen (TN) and Total Phosphorus (TP) in Non-Nutrient Sensitive Waters, <b>OR</b>		5
2.A.5	Directly benefits a NC Natural Heritage Program natural area		3
<b>2.B</b>	Flood Reduction		
2.B.1	Increases public safety by improving the applicant’s ability to access and operate critical infrastructure during flood events such as water and/or wastewater treatment infrastructure, schools, hospitals, and/or emergency response facilities, including NC Department of Transportation (NCDOT) Evacuation Routes, <b>OR</b>		15
2.B.2	Reduces structural flooding in habitable structures or improves ability to access habitable structures during a flood event, <b>OR</b>		8
2.B.3	Reduces street flooding		5

**Priority Rating System Score Sheet for Stormwater Construction Projects**  
 Funded with the Local Assistance for Stormwater Infrastructure Investment (LASII) Grants

<b>2.C</b>	By working together, <u>two or more units of local government</u> improve stormwater quality and/or quantity control through collaborative efforts that are necessary in order to accomplish the project		10
<b>2.D</b>	Project has been identified through a local or regional resilience planning process that included a vulnerability assessment for future conditions and long-term strategies for addressing flooding, sea level rise, or other environmental changes		3
<b>2.E</b>	Includes an innovative stormwater project to address stormwater quality or stormwater quantity		5
<b>2.F</b>	Includes a public education component such as signage describing the function of the stormwater quality or quantity infrastructure		1
<b>Maximum points available for Category 2 – Project Benefits</b>			<b>30</b>
<b>Subtotal claimed by Applicant for Category 2 – Project Benefits</b>			
<b>Line Item #</b>	<b>Category 3 – System Management</b>	<b>Place “X” in this box if claimed</b>	<b>Points</b>
<b>3.A</b>	Local Planning		
3.A.1	Applicant has developed or is developing a local flood resiliency plan, watershed plan, stormwater management plan, stream restoration plan, or estuary restoration plan, and the proposed project is included in the plan, as of the date of application, <b>OR</b>		5
3.A.2	Applicant has implemented an Operation and Maintenance Plan for stormwater infrastructure which includes inspections, repairs, and maintenance, as of the date of application		3
<b>3.B</b>	Applicant has a current Stormwater Capital Improvement Plan (CIP) that spans at least 5 years and proposed project is included in the CIP		2
<b>3.C</b>	Stormwater Utility		
3.C.1	Applicant has established or is developing or implementing a Stormwater Utility with a Stormwater Enterprise Fund, <b>OR</b>		5

**Priority Rating System Score Sheet for Stormwater Construction Projects**  
 Funded with the Local Assistance for Stormwater Infrastructure Investment (LASII) Grants

3.C.2	Applicant has established or is developing or implementing a Stormwater Management Program without a Stormwater Enterprise Fund		3
<b>Maximum points available for Category 3 – System Management</b>			<b>10</b>
<b>Subtotal claimed by Applicant for Category 3 – System Management</b>			
<b>Line Item #</b>	<b>Category 4 – Affordability</b>	<b>Place “X” in this box if claimed</b>	<b>Points</b>
<b>4.A</b>	Population		
4.A.1	Population is less than 10,000, <b>OR</b>		3
4.A.2	Population is greater than or equal to 10,000 but less than 20,000		2
<b>4.B</b>	Local Government Unit (LGU) Indicators		
4.B.1	1 out of 5 LGU indicators worse than state benchmark, <b>OR</b>		4
4.B.2	2 out of 5 LGU indicators worse than state benchmark, <b>OR</b>		6
4.B.3	3 out of 5 LGU indicators worse than state benchmark, <b>OR</b>		8
4.B.4	4 out of 5 LGU indicators worse than state benchmark, <b>OR</b>		10
4.B.5	5 out of 5 LGU indicators worse than state benchmark		12
<b>4.C</b>	Project benefits disadvantaged areas: 50 percent or more of the total project cost will benefit disadvantaged areas		10
<b>Maximum points available for Category 4 – Affordability</b>			<b>25</b>
<b>Subtotal claimed by Applicant for Category 4 – Affordability</b>			
<b>Total Points Claimed by Applicant for All Categories for Stormwater Construction Project</b>			
<b>Maximum Points Available for All Categories for Stormwater Construction Project</b>			<b>100</b>



The Priority Rating System for Stormwater Planning Projects, used to evaluate applications for LASII funds only, is shown below. Although the development and implementation of a new stormwater utility is identified in Section 12.14.(e) as a Construction project, the application for grants and activities related to the development and implementation of a new stormwater utility more closely resembles those of Planning projects. The Division and SWIA will evaluate applications to develop and implement a new stormwater utility using the Stormwater Planning Grant Priority Rating System, and SWIA will fund the awarded projects with Construction grants.

<b>Priority Rating System Score Sheet for Stormwater Planning Study</b> Funded with the Local Assistance for Stormwater Infrastructure Investment (LASII) Grants		
Line Item #	Category 1 – Project Benefits	Points
1.A	Link between challenges and how the study will help address the challenges	Range from 0 – 5
1.B	How the study will be used to develop and prioritize future projects that address the challenges	Range from 0 – 3
1.C	Study will investigate new procedures to implement, add to, or make improvements to at least one (1) of the six (6) Stormwater Minimum Control Measures	2
1.D	Study is a collaborative effort with other local government units which is necessary in order to accomplish the goals of the study	3
1.E	Study will evaluate potential projects that will benefit: a subwatershed that is impaired as noted on the most recent final version of the Integrated Report; specific classified waters; Nutrient Sensitive Waters such that the project will achieve at least 35% reduction in both Total Nitrogen (TN) and Total Phosphorus (TP); or a NC Natural Heritage Program natural area	2
1.F	Study will evaluate nature-based stormwater solutions to address the identified stormwater quality or stormwater quantity issue	2
1.G	Study will investigate the applicability of an innovative stormwater project to address stormwater quality or stormwater quantity	2
1.H	Study will evaluate potential projects that will address flooding, sea level rise, or other environmental changes with the goal to decrease vulnerability to future conditions	1
Line Item #	Category 2 – System Management	Points
2.A	At least one person working for or with the applicant is designated as responsible for stormwater management and provides at least 0.5 Full Time Equivalents (FTEs) on stormwater management activities	1

**Priority Rating System Score Sheet for Stormwater Planning Study**  
 Funded with the Local Assistance for Stormwater Infrastructure Investment (LASII) Grants

<b>2.B</b>	Status of implementing results of previous planning study or studies	1
<b>2.C</b>	Level of applicant's staff involvement in planning project development and implementation	1
<b>2.D</b>	Applicant has already adopted a stormwater management plan for the study area or by the completion of this project will have adopted a stormwater management plan for the study area	4
<b>2.E</b>	Stormwater Utility and Stormwater Enterprise Fund	
2.E.1	Applicant has a Stormwater Utility with a Stormwater Enterprise Fund, <b>OR</b>	4
2.E.2	Applicant has a Resolution to Develop and Implement a Stormwater Utility with a Stormwater Enterprise Fund	5
<b>Line Item #</b>	<b>Category 3 – Affordability</b>	<b>Points</b>
<b>3.A</b>	Population	
3.A.1	Population is less than 10,000, <b>OR</b>	2
3.A.2	Population is greater than or equal to 10,000 but less than 20,000	1
<b>3.B</b>	Local Government Unit (LGU) Indicators	
3.B.1	1 out of 5 LGU indicators worse than state benchmark, <b>OR</b>	2
3.B.2	2 out of 5 LGU indicators worse than state benchmark, <b>OR</b>	4
3.B.3	3 out of 5 LGU indicators are worse than the state benchmark, <b>OR</b>	6
3.B.4	4 out of 5 LGU indicators are worse than the state benchmark, <b>OR</b>	8
3.B.5	5 out of 5 LGU indicators are worse than the state benchmark	10
<b>3.C</b>	Study benefits disadvantaged areas	8
<b>Maximum Points Available for All Categories for Stormwater Planning Study</b>		<b>52</b>

**D. Grant Limits**

Per Section 12.14.(c), of the approximately \$82 million in undirected funds, seventy percent of the funds are allocated for construction grants (approximately \$57.4 million) and thirty percent of the funds are allocated for planning grants (approximately \$24.6 million). There will be no match requirements for grants from the Local Assistance for Stormwater Infrastructure Investments Fund.

Session Law 2021-180 Section 12.14.(f) defines the statutory maximum limits that apply to grants from this Fund as: “(1) Construction grants may not exceed fifteen million dollars (\$15,000,000), and (2) Planning grants may not exceed five hundred thousand dollars (\$500,000)”. To extend access of the limited available stormwater grant funds to more units of local government, the Division will limit stormwater construction grants, stormwater planning grants, and new stormwater utility grants as follows:

**1. Stormwater Construction Grants**

Stormwater construction grants, except for the development and implementation of a new stormwater utility, will be limited to up to \$5,000,000 per applicant per grant cycle. If two or more units of local government work together to improve stormwater quality and/or quantity control under one project, the total amount of the stormwater construction grant will be limited to up to \$7,500,000 per grant cycle.

**2. Stormwater Planning Grants**

Stormwater planning grants will be limited to up to \$400,000 per applicant per grant cycle. If the study is a collaborative effort with other local government units, the total amount of the stormwater planning grant will be limited to up to \$500,000 per grant cycle.

**3. Development and Implementation of New Stormwater Utility Grants**

The grant amount for an eligible entity to develop and implement a new stormwater utility will be limited to different amounts based on the number of Local Government Unit (LGU) Indicators that are worse than the state benchmarks shown in the table below:

<b>Local Government Unit (LGU) Indicator</b>		<b>State Benchmarks for Fall 2022 Applications</b>
Population Change	< =	4.5%
Poverty Rate	> =	14.0%
Median Household Income	< =	\$56,642
Unemployment Rate	> =	7.1%
Per Capita Appraised Value of Property	< =	\$125,015

- If an entity demonstrates that 0, 1, or 2 of its five LGU Indicators are worse than the state benchmark, the amount of grant funds that may be awarded for the development and implementation of a new stormwater utility is limited to up to \$400,000.
- If an entity demonstrates that 3, 4 or 5 of its five LGU Indicators are worse than the state benchmark, the amount of grant funds that may be awarded for the development and implementation of a new stormwater utility is limited to up to \$500,000.

A city or county is eligible for both the construction grant limit and the planning grant limit. Any ARPA funds directly allocated to recipients in the Current Operations Appropriations Act of 2021 for directed projects under Section 12.14.(b) will count towards an entity's initial award and additional incremental awards.

**E. Applications for Funding**

The Division will accept applications for stormwater funding to be awarded from the Local Assistance for Stormwater Infrastructure Investments fund starting with the Fall 2022 funding round, with applications due September 30, 2022 and awards determined in February 2023. LASII (ARPA) funds may not all be awarded after one funding round. Future funding rounds will be used to award any remaining LASII (ARPA) funds not awarded in the Fall 2022 round. The Spring 2023 applications are due May 1, 2023.

Applicants must complete the Application for Funding form, the Stormwater Funding Eligibility Certification Form, provide a resolution by the governing body, include a narrative and provide documentation to support claims of specific line items in the relevant Priority Rating System following the Guidance. All forms and Guidance documents are on the Division's website at <https://deq.nc.gov/about/divisions/water-infrastructure/i-need-funding/application-forms-and-additional-resources>.