

**North Carolina Clean Water State Revolving Fund
Draft Intended Use Plan
Capitalization Grant Under the
American Recovery and Reinvestment Act of 2009
March 10, 2009**

I. Introduction

This Intended Use Plan (IUP) accompanies North Carolina's application for a \$70,729,065 capitalization grant for the Clean Water State Revolving Fund (CWSRF) Program under the American Recovery and Reinvestment Act (ARRA) of 2009.

II. CWSRF Program Goals

North Carolina is committed to using the capitalization grant for which it is applying to provide assistance to wastewater, non-point source, and/or estuary projects, which will proceed quickly to construction, creating jobs and furthering the objectives of the Clean Water Act. North Carolina's goal is to enter into binding commitments for projects, in an amount at least equal to the capitalization grant, which will proceed to construction or award of construction contracts by February 17, 2010.

North Carolina recognizes that the goal of the ARRA is to expeditiously fund eligible projects that will create jobs, promote economic recovery, and generate long-term benefits from infrastructure investment. In this grant, the State is being called upon to accomplish goals that may not previously have been priorities in its base SRF program. Some priorities and activities that may not practically be attainable within the timeframes associated with the ARRA may be pursued using funds made available through the base CWSRF program.

III. Sources and Uses of Funds

North Carolina is applying for a capitalization grant in the amount of \$70,729,065. This represents the amount that the State is eligible to receive under the State's allotment from the supplemental appropriation enacted under the ARRA.

Table 1 summarizes the sources and uses of the capitalization grant for which the State is applying:

**Table 1
Sources and Uses of Capitalization Grant**

| SOURCES | AMOUNT |
|---|-------------------------|
| Capitalization Grant | \$ 70,729,065.00 |
| USES | |
| Project Assistance Loans | |
| Program loans | \$ 19,804,138.00 |
| Green Project Reserve loans | \$ 14,145,813.00 |
| Project Assistance Subsidization | \$ 33,949,951.00 |
| Administration (4 percent) | \$ 2,829,163.00 |
| TOTAL USES | \$ 70,729,065.00 |

IV. Criteria and Methods for Distribution of Funds

A. Project List / Application / Ranking

The State conducted a comprehensive outreach campaign to alert potential recipients of federal plans to provide economic recovery funding. In February 2009, a request for letters of intent to apply was widely distributed through local government organizations and posted on the CWSRF's web site. Information has been updated as details of the economic recovery funding changed and became finalized at the federal level. The State has focused on reaching out to communities with projects that can quickly go to construction. As a result of this effort, the CWSRF Program has identified over \$2.0 billion in potentially eligible projects that may be ready to proceed to construction within the time deadlines established by the ARRA. The attached project list includes projects that have shown interest in ARRA funding through the CWSRF Program.

Subsequent to the public review and comment process discussed in Section V, applications for funding will be accepted until close of business on April 3, 2009 at the Construction Grants and Loans Section office. Applications will then be ranked based on the ARRA Integrated Priority Rating System, which is available for review and use at www.nccgl.net. Apparent successful applicants will also be notified.

B. Additional Subsidization / Loan Terms, Fees, Maximums

The ARRA states "each State shall use not less than 50 percent of the amount of its capitalization grants to provide additional subsidization to eligible recipients." North Carolina, under the authority of General Statute 159G, has authority to offer principal forgiveness to eligible recipients through the State's CWSRF Program.

The following is the process and criteria the State will use:

In the light of the economic conditions now facing the residents of North Carolina, the Secretary's Office of the Department of Environment and Natural Resources has determined, in consultation with the North Carolina Office of Economic Recovery and Investment, that recipients of assistance under the ARRA will be provided with loans that include principal forgiveness for 50% of the total amount of assistance they receive. The remaining 50% of the total amount of assistance will be in the form of a loan at 0% interest rate, the term of which will be set by the North Carolina Local Government Commission.

Additionally, loan origination fees will be set at 1.0% for communities with combined water and sewer rates less than 1.5% of the median household income and 0% (zero dollars) for communities with combined water and sewer rates greater than 1.5% median household income. The maximum assistance amount will be \$3.0 million per project.

The State project list demonstrates that at least 50% of the available funding for projects will be provided via principal forgiveness. Any subsequent revision to this project list will likewise demonstrate that at least 50% of the available funding for projects will be provided via principal forgiveness.

C. Green Infrastructure

The ARRA requires that, to the extent there are sufficient eligible project applications, not less than 20% of the funds provided for projects must be used for water or energy efficiency, green

infrastructure, or other environmentally innovative activities. The attached project list shows that 20% of the total assistance amount of \$70,729,065 will be for projects meeting one or more of the specific objectives required by this provision.

D. Preference for Expeditious Activities

The ARRA requires priority be given to projects that will be ready to proceed to actual construction within 12 months of the date of enactment. In anticipation of compliance with this requirement, North Carolina is consulting with potential assistance recipients with projects on the project priority list and making a determination as to which of these projects can be started and completed expeditiously. After receiving a capitalization grant, the State will provide ARRA assistance to projects that qualify for this preference.

In addition, Title XVI, SEC. 1602 of the ARRA states that recipients [States] shall give preference to activities that can be started and completed expeditiously, including a goal of using at least 50 percent of the funds for activities that can be initiated not later than 120 days after enactment of the Act. North Carolina intends to implement this preference requirement by first selecting for ARRA funding those projects that appear most likely to be able to enter into construction contracts by June 17, 2009.

E. Reallotment of Funds / Relationship to Base Program

In order to meet the requirements and deadlines of the ARRA for the expeditious and timely commitment and expenditure of funds and to avoid reallotment, North Carolina will regularly review the progress of the program. If timeliness issues are identified, North Carolina intends to work with EPA to resolve such issues. The State will include conditions in its assistance agreements to ensure that recipients make timely progress with respect to entering into contracts and/or construction. If a recipient fails to maintain progress with these conditions, funding from other CWSRF monies may be made available so that ARRA funding can be provided for a project that is ready to proceed.

The State understands that the EPA shall de-obligate and reallot grant funds from States that fail to meet requirements on use of ARRA funds. In that case, North Carolina intends to provide EPA with a list of projects from its project priority list that are prepared to use any reallotted funds and quickly proceed to construction.

V. Public Review and Comment

In compliance with the CWA, Section 606(c), this Intended Use Plan, in draft form is posted on the North Carolina Construction Grants and Loans Section web site at www.nccgl.net and a public hearing is scheduled for March 17, 2009 to provide for public review and comment. The State will also provide statewide notification of the IUP public hearing through various local government organizations.

VI. Assurances

To the extent possible under the ARRA, the NC Department of Environment and Natural Resources agrees to comply with the Federal program requirements as outlined in the Operating Agreement between EPA and North Carolina dated June 1, 2008.