

## **Funding Sources Infrastructure Projects in NJ**

Report by Gary Brune, Senior Policy Advisor, New Jersey Future

*January 2023*

*Report for the Jersey Water Works Steering Committee*

**Jersey Water Works believes there is a connection between investment in water infrastructure and community benefits (clean rivers, healthy neighborhoods, public health).** Understanding options to funding and knowing how to apply for funding can often be a barrier. JWW is committed to inform utilities and municipalities of various funding options for water infrastructure projects. The list below identifies the major funding sources for infrastructure projects including water-related investments and local transportation initiatives.

### **I. Water-Related Programs**

#### **Federal**

For an overview of New Jersey's Water Infrastructure Investment Plan (WIIP), see the link below:

- [NJDEP | Water Infrastructure Investment Plan | Upcoming Engagement Sessions](#)

#### **STATE REVOLVING FUND (SRF)**

Long standing program of low interest loans and grants (principal forgiveness) for water, wastewater, and stormwater management projects. Funding provided by New Jersey Department of Environmental Protection (NJDEP) (0% loans) and the NJ Infrastructure Bank (below market loans).

- [Clean Water SRF](#) (State FY23): \$1,353 million
- [Drinking Water SRF](#) (State FY23): \$481 million

In recent years, a sizable portion of the SRF program has been splintered off as federal “[earmarks](#)” forwarded directly to specified local communities. In SFY23, Congress directed \$1.5 billion (53%) of the total \$2.8 billion SRF appropriation to 715 projects nationally, leaving only \$1.3 billion for states to allocate. This process bypasses the normal project priority ranking system and reduces the federal capitalization grant to NJ (e.g., DWSRF by \$8 million and CWSRF by \$17 million), thus shrinking the overall program for the remaining communities.

#### **BIPARTISAN INFRASTRUCTURE LAW (BIL)**

This national infrastructure program authorized a total of \$1.2 trillion for a variety of infrastructure needs, including water and wastewater, lead in drinking water (\$15 billion), and roadways and transit. NJ is projected to receive \$169 million in SFY23, the first of five years of BIL funding, for lead exposure (\$48 million), clean water SRF projects (\$73.3 million), drinking water SRF projects (\$30.6 million), and emerging contaminants (e.g., PFAS, \$16.7 million). These amounts are counted within the SRF total shown above, however other aid categories are administered by other state

agencies (e.g., transportation-related aid is overseen by the New Jersey Department of Transportation (NJDOT and NJ Transit.)

Program Overview:

[Bipartisan Infrastructure Law | US EPA](#)

[President Biden's Bipartisan Infrastructure Law | The White House](#)

Infrastructure Investment and Jobs Act (HR3684, November 15, 2021)

[H.R.3684 - 117th Congress \(2021-2022\): Infrastructure Investment and Jobs Act | Congress.gov | Library of Congress](#)

BIL Funding to NJ (FY2022)

[EPA awards New Jersey nearly \\$169 million in Bipartisan Infrastructure Law funding for water infrastructure improvements | US EPA](#)

### **WATER INFRASTRUCTURE FINANCE AND INNOVATION ACT (WIFIA)**

As established in 2014, WIFIA is a federal credit program for water and wastewater infrastructure projects that are eligible under the DWSRF and CWSRF. Awards are issued on a competitive basis and the interest rate is typically at or below US Treasuries. WIFIA can pay a maximum of 49% of the project cost with a minimum project size of \$20 million for large localities or \$5 million for small communities. Loans are repaid over 35 years and may be deferred for up to five years from substantial completion.

EPA has prioritized lead service line replacement for WIFIA funding, and several utilities have taken advantage, including [Missouri American Water](#).

See <https://www.epa.gov/wifia/what-wifia>.

### **STATE INFRASTRUCTURE FINANCING AUTHORITY WIFIA (SWIFIA)**

As authorized by Congress in America's Water Infrastructure Act (AWIA) of 2018, SWIFIA is a loan program exclusively for State infrastructure financing authority borrowers. EPA awarded the first SWIFIA loan of \$500 million to NJ in January, 2023. Those funds will be distributed through the SRF program noted above. See <https://www.epa.gov/wifia/what-swifia>.

### **WATER INFRASTRUCTURE IMPROVEMENTS FOR THE NATION (WIIN)**

WIIN grants are awarded to states to help public water systems in underserved communities meet and comply with SDWA requirements (e.g., lead in drinking water, lead testing, and water violations) as well as improvements to harbors, locks, dams, flood protection, and other water resources infrastructure. Of the four primary programs, two are awarded on a competitive basis and two are non-competitive (i.e., formula based distribution.)

#### Non-competitive

- Small, Underserved, Disadvantaged Communities Grant, [learn more](#)
- Voluntary School and Child Care Lead Testing and Reduction Grant, [learn more](#)

## Competitive

- Reducing Lead in Drinking Water Grant, [Learn more.](#)
- America's Water Infrastructure Act (AWIA) 2018 Grants  
(Details coming soon)

As a prime example, NJ's Department of Children and Families (DCF) received a \$1.5m WIIN grant in 2018 to comprehensively test for lead in drinking water at child care facilities. Additional WIIN funds are expected to be appropriated for this purpose in the future. For an overview, see [here](#).

## **AMERICAN RESCUE PLAN (ARP)**

Enacted by Congress in 2021 in response to the Covid crisis, this program authorizes a total of \$55 billion in national investment in water infrastructure. Appropriations provided by the NJ Legislature to date include the following:

- \$300m for water-related investments, including:
  - \$248 million combined sewer overflow grants
  - \$45 million stormwater and treatment plant improvements to address frequent water quality violations
  - \$5 million to address contaminants in private wells
  - [PowerPoint Presentation \(nj.gov\)](#)
- \$54.5 million to EDA for a pilot program of full cost grants supporting capital improvements to child care facilities, including environmental remediation (e.g., lead paint and water, asbestos).
  - [Child Care Facilities Improvement Program - NJEDA](#)

**As of January, 2023, NJ has not allocated approximately \$1 billion of its ARP funds.**

The [Clean Water, Healthy Families, Good Jobs Campaign](#) continues to press for an additional investment in water projects totalling up to \$700 million of the remaining funds.

- Local governments across NJ also received ARP funds, specifically \$1.8 billion to counties and \$1.7 billion to municipalities.
- [See What Each NJ Town Is Getting From COVID Relief Law | Montclair, NJ Patch](#)

For an overview of the federal ARP program, see the link below:

[American Rescue Plan | The White House](#)

## **FLOOD CONTROL**

### **ARMY CORPS OF ENGINEERS**

Flood control projects are primarily funded from competitive financing provided by the Army Corps of Engineers, which requires a state and local match. These amounts fluctuate significantly from year to year, and a single large project can easily distort any calculation of an "annual average".

## **Building Resilient Infrastructure and Communities (BRIC) and Flood Mitigation Assistance (\$1.6 billion U.S.)**

In 2021, FEMA made \$1.16 billion available nationally for the Building Resilient Infrastructure and Communities (BRIC, \$1b) and Flood Mitigation Assistance (FMA, \$160 million) grant programs, conducting two rounds of selections. FEMA received 982 sub-applications requesting \$4.7 billion in Flood Mitigation Assistance and BRIC grant funding.

- For [BRIC](#), every state and territory submitted sub-applications requesting \$4.2 billion in federal cost share funding.
- For Flood Mitigation Assistance, 25 states submitted 194 sub-applications requesting \$534 million in federal cost share funding.
- See this [page](#) for more information about selections.

## **[Hazard Mitigation Grants \(FEMA\) \(\\$3.5 billion U.S.\)](#)**

FEMA's Hazard Mitigation Grant Program provides funding to state and local governments to develop hazard mitigation plans and rebuild in a way that mitigates future disaster losses in their communities. Homeowners and businesses cannot apply for a grant. However, a local community may apply for funding on their behalf. Applicants must adopt hazard mitigation plans to receive funding. As noted [here](#), \$3.5 billion was authorized for this program in August 2021.

## **Safeguarding Tomorrow Revolving Loan Fund (STORM) (\$50 million U.S.)**

The [Safeguarding Tomorrow through Ongoing Risk Mitigation \(STORM\) Act](#) (Jan. 1, 2021) authorizes FEMA to provide capitalization grants to states (et al) to establish revolving loan funds that provide hazard mitigation assistance for local governments to reduce risks from natural hazards and disasters. The Act amends the [Robert T. Stafford Disaster Relief and Emergency Assistance Act](#). These low interest loans will allow jurisdictions to reduce vulnerability to natural disasters, foster greater community resilience and reduce disaster suffering. On Dec 20, 2022, FEMA released the Notice of Funding Opportunity making available \$50 million for this program. The application period ends April 28, 2023.

### **[The funding opportunity is available on Grants.gov.](#)**

<https://www.fema.gov/grants/mitigation/storm-rlf>

## **Flood Mitigation Assistance Grant (FMA) (\$160 million U.S.)**

Flood Mitigation Assistance is a competitive grant program that provides funding to states and localities to reduce or eliminate the risk of repetitive flood damage to buildings insured by the National Flood Insurance Program. FEMA chooses recipients based on the applicant's ranking and the eligibility and cost-effectiveness of the project. Applicants must adopt hazard mitigation plans as a condition for receiving certain types of non-emergency disaster assistance, including funding for hazard mitigation assistance projects. The FY22 application period opened on Sept. 30, 2022 and closes on Jan. 27, 2023. Flood Mitigation Assistance funds may be used for Project Scoping; Technical Assistance; Community Flood Mitigation Projects; Individual

Structure/Property-Level Flood Mitigation Projects; and Management Costs. See the [FY 2021 Flood Mitigation Assistance selections](#), as well as previous years.

For more on FEMA grants, see: <https://www.fema.gov/grants>.

### **Selected EPA Grants**

#### **[Water Quality Management Planning \(604B\) Grants to States](#) (\$1.2 million NJ)**

NJDEP received \$1.2 million in 2022 for this program to determine the nature and extent of point and nonpoint source water pollution and to develop water quality management plans to address them.

#### **[319H Grants](#) (\$2.5 million NJ)**

EPA grants issued on a formula basis to states to implement an approved nonpoint source management program, including financial and technical assistance and demonstration projects. Includes \$2.5m in competitive “pass through” grants for localities to eliminate water quality impairments (e.g., harmful algae blooms) of local waterways.

#### **The Environmental Justice Government-to-Government Program (EJG2G) (\$70 million U.S.)**

This program provides state and local funding for government activities that lead to measurable environmental or public health impacts in communities disproportionately burdened by environmental harms. Model EJG2G programs should leverage existing resources to integrate EJ considerations into governmental decision-making at all levels. EJG2G will award \$70m through 70 cooperative agreements in four tracks:

1. \$20 million annual appropriations for states partnering with CBOs proposing projects for up to \$1 million each.
2. \$20 million of [Inflation Reduction Act](#) appropriations for tribal governments partnering with CBOs.
3. \$20 million of [Inflation Reduction Act](#) appropriations for local governments partnering with CBOs proposing projects for up to \$1 million each.
4. \$10 million annually for U.S. Territories, Freely Associated States, Puerto Rico, and tribes in remote areas for projects for up to \$1 million each.

### **State**

- **State Revolving Fund (\$60 million NJ)**

Annual appropriations to the SRF provide the required State match to federal SRF funds and additional funds for projects. In SFY23, a total of \$60 million was appropriated, of which approximately \$10 million was needed to supply the state match.

- **Dedicated Funds (\$300 million NJ)**

- **Corporation Business Tax Dedication**

Per the State Constitution, 6% of the revenue realized from the Corporation Business Tax (CBT) is dedicated to environmental programs annually:

- 78% for open space purchases (green acres, farmland, and historic preservation) by the state and through local or nonprofit grants (not fully appropriated in recent years)
- 12% for hazardous discharge remediation (\$36.8 million)
- 5% for water pollution monitoring/prevention (\$15.3 million)
- 5% for removal of underground storage tanks (USTs, \$15.3 million)

In some years, a substantial supplemental appropriation is provided to NJDEP to account for higher than anticipated CBT revenues. In FY22, this included \$236 million to the NJ Green Acres Program (open space), \$9 million for Water Resources Monitoring and Planning, and \$30 million for Hazardous Site Remediation and UST removal.

#### State Budget

The CBT dedication for environmental programs consistently appears in program class 29 across DEP’s budget. See the following pages from the [FY2023](#)

[Governor’s Budget Message](#) (GBM):

<u>Pages of GBM</u>	<u>Program</u>
● D117 - D118	Open Space
● D123 - D125	Water Monitoring/Planning, Non-point Source Pollution
● D128 - D130	Hazardous Waste Remediation
● D139 - D140	Underground Storage Tanks

#### **Shore Protection Fund: (\$45 million NJ)**

In SFY23, dedication of revenue from the realty transfer tax provided \$45 million for shore protection projects funded through the Shore Protection Fund (N.J.S.A. 13:19-16 et seq), either through a federal-state-local cost share or a state-local cost share, depending on the size and scope of the project. Design and real estate acquisition costs being the responsibility of the local sponsor.

In the [FY2023 Governor’s Budget Message](#), see the following pages:

- D-120 Shore Protection Fund appropriation

#### **HR-6 Flood Control (\$16.5 million, NJ)**

In SFY23, an appropriation of \$16.5 million was provided for this part of the State’s Flood Control Program. Annual state flood control funding is used to match federal funding to the US Army Corps of Engineers, including operation and maintenance of existing flood control projects.

In the [FY2023 Governor’s Budget Message](#), see the following pages:

- D-120 HR-6 Flood Control appropriation

#### **State Bond Acts (Water Related)**

### **Securing Our Children’s Future (\$94 million NJ)**

Of the \$100 million authorized by the voters in 2018 for water improvements in public schools (including lead in drinking water), \$94 million remains as of Jan 2023.

- [Grant Application](#)
- [NJ Department of Education Regulations](#) (see subchapter 3)
- [Initial Grants - Water Improvements to Schools](#) (July 2021)

### **Selected State Appropriations**

#### **School Testing—Lead in Drinking Water (\$1.2 million NJ)**

A State appropriation (\$5 million in FY2022) is provided to the NJ Department of Education every three years to support comprehensive lead in drinking water testing of public schools.

In the [FY2023 Governor’s Budget Message](#), see the following pages:

- D-92 and D-96 Lead Testing for Schools

#### **Stormwater Competitive Grants and Resilience/Stormwater Utility Feasibility Technical Assistance Grants (\$10 million NJ)**

This program provides grants to modernize stormwater management systems and to provide technical assistance to municipal, county, and utility authorities to plan to become more resilient. This includes conducting feasibility studies for forming stormwater utilities and resilience planning for local governments impacted by Tropical Storm Ida to better manage the impacts of stormwater. See [NJDEP | Watershed and Land Management |](#)

#### **Lake Stormwater Management Grants (\$10 million NJ)**

An annual total of \$10 million is provided in grants for stormwater and nonpoint source pollution management activities to protect the use of a publicly accessible lake for recreation and conservation purposes.

[NJDEP New Jersey Department of Environmental Protection Grant & Loan Programs](#)

#### **[Natural Climate Solution Grants](#) (\$15 million NJ)**

State grants issued by NJDEP for projects in six categories:

- Living shorelines
- Restore tidal flow in tidal wetlands
- Salt marsh vegetation restoration
- Submerged aquatic vegetation restoration
- Forestry and wetlands restoration
- Urban canopy and water quality restoration

Maximum \$5 million and minimum \$250 thousand per applicant.

## Local

### Stormwater Utilities

State law enacted in 2019 authorizes localities to implement, at their discretion, a stormwater utility to provide a more equitable alternative to the use of property tax revenue for projects that control stormwater runoff.

### Lead Service Line Replacement (LSLR)

Beyond the federal (e.g., BIL, SRF) and state sources listed above, here are some other potential funding options for LSLR projects:

- Water Utilities—typically issue bonds backed by water rate revenue for LSLR projects.
- HUD Community Development Block Grant (CDBG)  
This federal grant can address a wide range of community development needs, including LSLR.

[View CDBG lead reduction case studies.](#)

## II. Transportation—Local Initiatives

- **Transportation Trust Fund**  
See <https://www.state.nj.us/ttfa/>.
- **Transportation Infrastructure Bank**  
Housed within the NJ Infrastructure Bank (NJIB), the New Jersey Transportation Infrastructure Bank is an independent State Financing Authority responsible for providing low interest rate loans to qualified municipalities, counties, and regional authorities in New Jersey for the purpose of financing transportation infrastructure projects.
- **Bipartisan Infrastructure Law**  
TBD

### Additional Information

[NJDEP | Water Infrastructure Investment Plan |](#)

---

***Disclaimer: This information is based on readily available information on different funding programs and may not be comprehensive. The report was written for the January 25, 2023 Steering Committee meeting.***