ALIGNING NEW FEDERAL FUNDING WITH LOCAL PRIORITY PROJECTS

THE CHALLENGE

The recently passed federal Bipartisan Infrastructure Law (BIL), alongside other recent federal legislation, such as the American Rescue Plan Act (ARPA) and Inflation Reduction Act (IRA), present an immense opportunity to address current and emerging needs around watershed health, infrastructure improvements, and conservation programming. Determining the best approach to accessing these funding and financing opportunities does not have to be a daunting and complex undertaking. The step-by-step approach to matching federal dollars with local priorities outlined below can help ensure communities pursue the options that are the best fits for their project priorities, staff capacity, and state and local tax and labor rules.

THE FIX

This Explainer builds on a Project Accelerator project, in which WaterNow and Steamboat Springs, a community of approximately 13,000 people in Northern Colorado's Yampa Valley, partnered to develop a strategic approach to maximize the impact of BIL and ARPA funds. The project researched BIL and ARPA opportunities and aligned them with high-priority City goals, such as: forest and watershed restoration to protect drinking water sources; improving the efficiency of park irrigation systems; establishing a stormwater utility to help fund the stormwater management program; addressing water quality and temperature regulations through nature-based approaches; implementing multi-objective river restoration projects; and developing new efficient water infrastructure for low-income and affordable housing communities. This Explainer shares the key learnings and tools created in this project, including a stepwise process for identifying and prioritizing projects, developing a matrix of funding and financing options, and pairing priority projects with available federal dollars.

WHERE TO START? A FIVE STEP PROCESS

Step 1: Identify Priority Projects

Gather key stakeholders to identify a list of priority projects. Ideally, participants will include stakeholders involved across different elements of a potential project, including those involved with the application process, project implementation, hiring and onboarding of additional contractors or staff, reporting processes, and project operation and maintenance. Key documents, such as long-range plans and reports – for instance, watershed management plans, water supply plans, wildfire protection plans, water conservation plans, project feasibility studies, hazard mitigation plans, and/or climate action plans – can help identify potential projects that support a wide range of different objectives and have already been adopted or approved by the governing entity. Vitally, these reports also typically include and capture community and stakeholder engagement on project needs and priorities.

Tips and Examples

Steamboat Springs holds regular Water Team meetings, which occur every other week and include participants from the City Water Utility, Public Works Department, City Attorney, City Manager, and City Council representatives. The Water Team reviewed priority projects identified across several long-range plans and studies to determine the highest priorities to seek funding for to advance the community's water resiliency goals. The City also annually re-ranks and re-prioritizes the projects in its 6-year Capital Improvement Plan. These discussions help ensure the City has an up-to-date list of key projects that can be quickly compared to upcoming funding and financing opportunities.

Photo of the Yampa River by Jeffrey Beall.

As part of this process, it can be helpful to understand any relevant past grant application and administration experiences, along with the relevant capital improvement plans and budgets, debt issuances, and grant applications. For example, if pursuing loans, or grants with matching requirements that a community will meet with debt, it will be important to know what the past debt was for and to be aware of any limitations that existing debt imposes on new debt.

Step 2: Scope and Rank Priority Projects

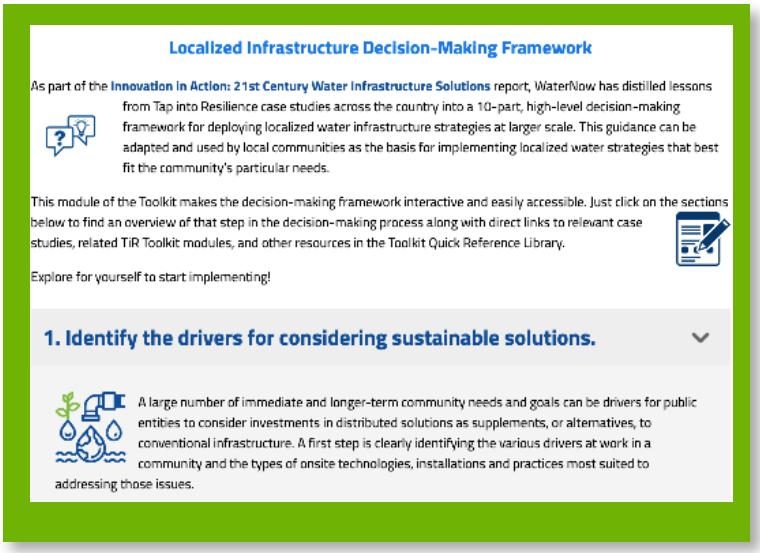
Identify criteria for summarizing and comparing this short list of project priorities. For instance, this might include gathering information about the anticipated project timeline, estimated costs, inclusion in capital planning budgets, key project partners and stakeholders, project benefits (e.g., range of environmental, social, economic, and equity-related impacts of project), project urgency, and potential obstacles and roadblocks. This process can also identify any key considerations around staff capacity to implement and administer different funding opportunities and programs (e.g., the people, time, and money likely to be associated with both the pursuit of funding or financing and the project's implementation).

Tips and Examples

- An example of a template for summarizing and comparing this information for key projects is available here.
- The scoping process provides an important opportunity to apply an equity lens and identify projects that can bring benefits to communities disproportionately affected or susceptible to environmental and health impacts. This can look like including projects with key equity-related outcomes, and/or integrating a meaningful equity lens into localized water infrastructure planning and programs, by:
  - Measuring community disparities
  - Providing local planners, public officials, community organizations, and foundations with the tools they need to engage marginalized populations and advocate for equity objectives
  - Transforming equity goals into targeted discussions on disparities to be tackled
  - Initiating and executing a visible public planning process
  - Developing specific measurable objectives and achievable action items
  - Eliminating barriers to participation by bridging language and cultural barriers, expanding programs to multi-family homes, creating flexibility for customers with late or overdue payments

Additional resources and frameworks for utilizing an equity lens in project planning are available here.

A 10-step, high-level decision-making framework on WaterNow's Tap into Resilience Toolkit walks through the steps for deploying localized water infrastructure strategies, such as green infrastructure, rebate programs for efficient appliances and turf conversion, and turf placement programs – at larger scale.



Step 3: Identify Key Funding and Financing Opportunities

Identify key federal funding and/or financing opportunities that could align with the community's priority projects. Databases compiling these opportunities are collected here.

Step 4: Match Projects with Opportunities

Compare priority projects with funding and financing opportunities to determine potential areas of alignment.

Tips and Examples

- One template for doing this, which includes key water-related federal funding and financing opportunities, is available here, along with a detailed description of each of the opportunities included in this template.
- Some localized infrastructure projects can raise unique legal, accounting, and tax questions. A resource for navigating these questions is available here.
- Think broadly about opportunities and what counts as infrastructure. For instance, through the Green Project Reserve, the Clean Water State Revolving Fund can fund green infrastructure, water and energy efficiency, or other environmentally innovative activities. The Water Infrastructure Finance and Innovation Act (WIFIA) provides financing for energy efficiency projects at drinking water and wastewater facilities, and for drought prevention, reduction, or mitigation projects, in addition to supporting gray infrastructure projects.

Green infrastructure in Tuscon, Arizona. Photo by Alisha Goldstein, courtesy of EPA.

Examples of water efficient gardens in Sacramento, California. Photo courtesy of California Department of Water Resources.

Step 5: Develop a Short-Term Roadmap for Pursuing Opportunities

Once you have identified potential opportunities, next you will want to re-engage the stakeholders identified in Step 1, to align on a short-term roadmap for which projects and opportunities to pursue. In this phase, it may be especially important to consider:

- **Staff bandwidth**: if all funding and financing applications are successful, will any one staff member or department be overloaded as they implement projects? Are there ways to distribute applications across different staff and departments to avoid overloading any one team?

- **Administrative overhead**: How will an award fit in a community's overall budget plan and strategy? If the project includes partners, who will be responsible for managing the grant process and coordinating the project team?

- **Administrative processes**: Does the organization have the technical capability, past performance, and staffing the effort requires? Does the staff have experience applying for and administering this program, or a similar one? If not, would seeking out technical assistance be helpful?

- **Matching funds**: Does the community have strong sources of matching funds identified? What is the timeline and staff time anticipated to access these?

- **Regulatory context**: Does this roadmap need to consider any state or local requirements around funding and financing? For example, in Colorado, maintaining the status of being a TABOR Enterprise fund requires not accepting more than 10% of revenues in grants on an annual basis.[1]

- **Program competitiveness**: What are the competitive considerations? How closely do the priority projects match the funders' goals?

Before applying to any opportunities, it's vital to contact and discuss potential projects with grant administrators, to ensure project and applicant eligibility and to talk through initial questions about the funding application process and requirements of participating.

1 Colorado Constitution, art. X, 20(2)(d).

THE INFLATION REDUCTION ACT FUNDS WESTERN DROUGHT RESILIENCE

Alongside the BIL, the Inflation Reduction Act (IRA), passed in 2022, is significantly expanding funding for water management projects, especially as they relate to drought resilience in the Western U.S. The IRA represents the most significant legislation in U.S. history to tackle the climate and energy crisis and strengthen American energy security. The Department of the Interior is distributing a portion of these funds directly to states, tribes, and local governments, and other portions of funds will be distributed to existing federal programs. Specifically, this includes $4 billion for water management and conservation efforts in the Colorado River Basin and other areas experiencing similar levels of drought. These funds will be made available by the Bureau of Reclamation over the next few years through existing and new program offerings. The Department is also working to invest in long-term system efficiency improvements across the Basin, including $500 million in the Upper Basin states of Colorado, Utah, Wyoming, and New Mexico, that will result in additional water conservation for the entire region. In addition to the $4 billion for drought mitigation projects, some recent announcements include Reclamation providing $22 million in new funding to implement projects at the Salton Sea in southern California; $550 million for domestic water supply projects; $25 million for canal improvement projects; and $12.5 million for emergency drought relief projects for tribes.

Website: https://www.usbr.gov/inflation-reduction-act/
Contact: USBR.IR.Act@usbr.gov

TECHNICAL SUPPORT FOR STATE REVOLVING FUND APPLICANTS

The BIL appropriates more than $43 billion to be administered through the Clean Water and Drinking Water State Revolving Fund (SRF) programs, a federal-state partnership that provides communities a permanent, independent source of low-cost financing for a wide range of water infrastructure projects. Though the SRFs can make a major difference in communities' ability to implement their water management priorities, navigating the application process and administering loans can prove challenging, especially for under-resourced and otherwise disadvantaged communities. Luckily, several options are available for support. Communities seeking help navigating the SRFs or other BIL funding opportunities can turn to their regional Environmental Finance Centers (EFCs), a group of organizations which the Environmental Protection Agency (US EPA) has charged with helping communities access federal funding for infrastructure projects that improve public health and environmental protection. While not every state SRF uses its funding set-asides in this way, many have set aside funds to provide application support for small and disadvantaged utilities. Contact your state's Clean Water and Drinking Water State Revolving Funds to learn more about what's available in your location. WaterNow's Tap Into Resilience Library has also compiled resources related to navigating and applying for SRF funding.

Additional Resources

The Atlas's IIJA Water Funding & Local Government Implementation

AWWA's U.S. Infrastructure Investment & Jobs Act: Resources for the Water Sector

The Brooking Institute's Seizing the water infrastructure moment nationally and locally

Congressional Research Service's Federally Supported Projects and Programs for Wastewater, Drinking Water, and Water Supply Infrastructure

Environmental Policy Innovation Center's Funding Navigator

The Local Infrastructure Hub's Grant Application BootCamp

The River Network's Infrastructure Investment and Jobs Act Resources

Ten Strategies Federal Funding Opportunities

US EPA's Bipartisan Infrastructure Law Water Infrastructure Investments

The WaterNow Compilation of Databases Tracking and Organizing Funding and Financing Opportunities

WaterNow Tap into Resilience Toolkit's Resources on Debt-Financing Localized Infrastructure

WateReuse Association's A Water Recycling Practitioner's Guide to the Infrastructure Investment and Jobs Act of 2021

The White House's Guidebook to the Bipartisan Infrastructure Law for the State, Local, Tribal, and Territorial Governments, and Other Partners

FAQ on the BIL

The White House's Fact Sheet on the Inflation Reduction Act

Visit the Project Accelerator Library and Tap into Resilience Resource Library and Toolkit to find additional resources and strategies related to funding and financing sustainable, distributed infrastructure.