



Community and Economic Development in North Carolina and Beyond Blog: Update on CDBG Funding for Water and Sewer Projects in North Carolina

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Article: <https://ced.sog.unc.edu/update-on-cdbg-funding-for-water-and-sewer-projects-in-north-carolina/>

This entry was posted on January 28, 2014 and is filed under Built Assets & Housing, Community Development, Financial Assets

The Community Development and Block Grant Program (CDBG) is one of the key public sources of funds for community water and sewer projects in North Carolina and across the country. While the amount of funds available for water and sewer projects is not as large as other federal programs such as joint EPA/State funded Clean Water and Drinking Water Revolving loan programs, or the United States Department of Agricultural Water and Waste Disposal Grant and Loan Program, the State Administered program has been an essential tool for lower wealth communities that may not have had the financial capacity to take out commercial or subsidized government loans. Larger units of government receive funds directly from the Housing and Urban Development (HUD) through their entitlement program and are responsible for how those funds are allocated.

Water and Sewer funding is one of many eligible uses of the pool of CDBG funds that states receive each year from HUD to help smaller local governments. States must adhere to federal regulations and guidelines in allocating and using funds, but have a wide latitude to customize their programs to meet the needs of their individual states. Recent legislative changes in North Carolina have resulted in significant changes in the amount of funds available for water and sewer and how the funds are managed and awarded. At the time of this post, certain aspects of the program including details about funding criteria and eligibility are still being developed but key changes that have already taken place include:

Amount of Funds Dedicated to Water and Sewer. In past years, the state has spread their CDBG allocation (approximately 44 million in FY 2013) across a larger number of eligible uses. The Appropriations Act of 2013 not only allocated funds for specific programs, but it also made a number of changes in program management and processes as described in this past blog post by Tyler Mulligan. One of the changes was limiting the use of CDBG programs to two primary programs, Infrastructure and Economic Development. Water and Sewer projects can fit into either category, but will likely dominate the Infrastructure category. To put the increase in perspective, approximately \$26 Million are targeted towards infrastructure in 2013 compared to approximately \$20 million in the last year. This increase in the amount of CDBG funds allocated for water and sewer continues a trend over the last few years. According to disbursement reports from as recent as 2011, only \$9 million of CDBG funds were spent on water and sewer projects in North Carolina. At that time, much of the grant making for water and sewer was done by the Rural Center or the Clean Water Management Trust Fund, neither of which are now involved in new water and sewer system grants.

Program Administrator Change. Up until this year, the water and sewer projects, like all CDBG projects had been managed by the NC Department of Commerce. The Appropriations Act shifted the management of the Infrastructure portion of CDBG (as well as a number of other programs) to the newly created State Water Infrastructure Authority. The Authority now has management over all the state's major water and sewer programs. The Economic Development CDBG programs, which may include some water and sewer funding will be managed by the Department of Commerce.

Future developments will be covered in future blog posts as they occur. For more information, see an overview presentation of the CDBG Water and Sewer Program presented to the State Water Infrastructure Authority during their first meeting this month.