

New Hampshire Department of Environmental Services' American Rescue Plan Act (ARPA) Grant Funds Work Plan

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Table of Contents

1.0 ARPA Funding Requirements.....	1
2.0 NHDES’ Use of ARPA Funds.....	2
2.1 Drinking Water and Clean Water Infrastructure Projects	3
2.2 Critical Flood-Risk Projects.....	3
2.3 Drinking Water, Wastewater and Stormwater Planning Grants	4
2.4 Assistance for Disadvantaged Communities Drinking Water & Wastewater Grants	4
2.5 Sustainability Grants	5
Drinking Water Systems Sustainability Grants	5
Clean Water (Wastewater and Stormwater) Sustainability Grants.....	7
Combined Drinking Water and Wastewater Sustainability Grants	8
2.6 PFAS Projects	8
2.7 Strategically Important Water Supply Projects	9
3.0 Administration of ARPA Projects	10
Appendix A – Assistance for Disadvantaged Communities Drinking Water and Wastewater Grant Program – American Rescue Plan Act (ARPA)	11

1.0 ARPA Funding Requirements

Federal funding totaling \$150,000,000 from the American Rescue Plan Act of 2021 (ARPA) has been made available to the New Hampshire Department of Environmental Services (NHDES) by the Legislature and Governor and Executive Council to fund water infrastructure. ARPA stipulates that among other things, funds can be used “to make necessary investments in water, sewer, or broadband infrastructure.” The U.S. Department of Treasury administers the federal funding originating from ARPA. Rules from the U.S. Department of Treasury further clarify the use of these funds, stating:

“A recipient may use funds to make investments in ... Clean Water State Revolving Fund and Drinking Water State Revolving Fund investments. Projects or activities of the type that would be eligible under section 603(c) of the Federal Water Pollution Control Act (33 U.S.C. 1383(c)) or section 1452 of the Safe Drinking Water Act (42 U.S.C. 300j-12) [sic]”.

Supplemental material that provides added guidance on the use of ARPA funds clarifies that states may use existing programs to guide decisions when complying with these requirements. The supplemental material specifically notes a number of potential projects including those to:

- Construct, improve and repair wastewater treatment plants.
- Control non-point sources of pollution.
- Improve resilience of infrastructure to severe weather events.
- Create green infrastructure.
- Protect waterbodies from pollution.
- Improve drinking water infrastructure.
- Build or upgrade facilities and transmission.
- Build distribution systems.
- Build storage systems, including replacement of lead service lines.
- Consolidate or establish drinking water systems.
- Construct publicly-owned treatment infrastructure.
- Manage and treat stormwater or subsurface drainage water.
- Facilitate water reuse.
- Secure publicly-owned treatment works.
- Address climate change by:
 - taking steps to manage potential sources of pollution and preventing these sources from reaching sources of drinking water.
 - reducing energy required to treat drinking water.
- Conserve and reuse water.
- Reduce the energy consumption of public water treatment facilities.
- Create “green” infrastructure investments and projects.
- In cases of a natural disaster:
 - interconnect water systems.
 - rehabilitate existing wells during an extended drought.

2.0 NHDES' Use of ARPA Funds

Federal funding totaling \$150,000,000 has been made available to the NHDES through ARPA.

Some funds will be used to cover administrative costs. Other funds will be deposited in existing water infrastructure programs. Finally, other funds will be set aside for use in various new or expanded water infrastructure programs.

With respect to funds for new or expanded programs, NHDES anticipates that applicants may request funding for a wide range of projects in various ways. NHDES may develop forms and guidance to help applicants ensure that requests are likely to be recommended by NHDES. As with all grants, requests for funding in excess of \$10,000 must be approved by the Governor and Executive Council (G&C) prior to disbursement. In addition to G&C requirements, NHDES plans to refer to existing program parameters and describe various other parameters that will help applicants achieve the highest likelihood of obtaining a NHDES recommendation for funding and, eventually, final approval from G&C. NHDES will also recommend to the Governor and Executive Council that they become familiar with and be guided in their final decision by the NHDES budget, intended use plan(s), existing programs when applicable, and any relevant NHDES guidance to applicants. By proceeding in this way, NHDES will:

- Maintain and respect the discretionary nature of ARPA fund disbursements.
- Efficiently and expeditiously use ARPA funds as envisioned by the federal rule by taking advantage of existing systems and programs either directly or as guidance to ensure that funding is being recommended and approved immediately.
- Achieve the required prioritization by looking to existing programs either for implementation or for guidance to ensure compliance with applicable health and environmental safety requirements, address the most serious risks to human health and assist systems most in need on a per household basis according to State affordability criteria.
- Target the specific projects noted by the federal government in its supplemental information.
- Achieve transparency and fairness through its recommendation process and the processes already related to State spending such as approval by G&C.

For the purpose of planning and budgeting for the use of ARPA funding, NHDES recommends that ARPA funding be distributed into the category of projects listed in Table 1 below. The activities associated with these projects are explained in sections 2.1 through 2.6. Funding distribution may be altered based on category demand.

Table 1: Proposed ARPA Grant Water Infrastructure Categories

Category	Allocation	
Drinking Water and Clean Water Infrastructure Projects	\$75M	\$120M
Critical Flood-Risk Projects	\$6M	
Drinking Water, Wastewater and Stormwater Planning Grants	\$7.5M	
Assistance for Disadvantaged Communities Drinking Water and Wastewater	\$21.5M	
Sustainability Grants	\$10M	
PFAS Projects	\$25M	
Administration	\$5M	
Total Potential Appropriation	\$150M	

2.1 Drinking Water and Clean Water Infrastructure Projects

NHDES administers a [Drinking Water State Revolving Loan Fund \(DWSRF\) Program](#) and a [Clean Water State Revolving Loan Fund \(CWSRF\) Program](#). These programs provide low interest loan funds to eligible water and wastewater systems for eligible projects as defined by USEPA. Funds for these programs come from:

1. USEPA annual capitalization grant.
2. New Hampshire’s annual capital budget, which is required to provide a 20% match to the USEPA capitalization grant.
3. Repaid loan funds from prior year loans. Annually the DWSRF and CWSRF programs each develop an Intended Use Plan (IUP) for review and approval by USEPA. One of the elements of an IUP is to establish the criteria that will be used to develop a Project Priority List (PPL), which ranks projects that water and wastewater systems submit for funding. Projects on the PPL are funded based on their ranking and the availability of funding.

NHDES seeks to couple ARPA grant funds with SRF loans based on the 2021 PPLs for DWSRF and CWSRF programs. Additionally, some projects on the PPLs that rank too low to receive available SRF loan funding who are able to secure grants and/or loans from other sources of funding may also receive an ARPA grant. The recommended ARPA grant amount will be determined by using an Affordability Index as described in the [DWSRF IUP](#) and Affordability Score as described in the [CWSRF IUP](#).

For initial budgeting and planning purposes, \$75M (\$37.5M each) of the \$150M allocated to NHDES has been set aside for grants for projects on the PPLs. The budget allows for grant amounts for drinking water and clean water (wastewater and stormwater) projects that were submitted in the 2021 SRF round as described in Table 2, below.

Table 2a: Proposed ARPA Grant Amount Associated with DWSRF Applications – Drinking Water

Affordability Index	Percent of SRF Requested Funded with ARPA Grant
0.0 to < 0.7	20%
0.8 to < 1.4	30%
1.5 to < 1.9	40%
2.0 to < 5.0	50%

The maximum total grant amount to any water system is \$2,000,000.

Table 2b: Proposed ARPA Grant Amount Associated with CWSRF Applications –Wastewater and Stormwater

Affordability Score (Wastewater Only)	Percent of SRF Requested Funded with ARPA Grant
0.0 to 1.32	20%
1.33 to 2.65	30%*
2.66 to 3.99	40%
>= 4.0	50%

The maximum total grant amount to any community is \$2,000,000.

*All stormwater infrastructure projects shall receive this amount.

2.2 Critical Flood-Risk Projects

As evidenced by the recent flooding in the southwestern part the state, and previous storms, community infrastructure is highly susceptible to damage from extreme conditions. In addition, seacoast

communities are doubly at risk from both rainwater and extreme tides. Finally, many communities in the southeastern part of the state are subject to federal permits that require improved stormwater management. Fortunately, there are ways to mitigate these risks by addressing outdated, undersized culverts and other stormwater infrastructure that, if unaddressed, result in road closures, property loss, and increased pollution discharged to waterbodies.

Targeted funding for flood mitigation actions and stormwater infrastructure projects are crucial for saving money, infrastructure, and lives, as well as providing regulatory relief for many communities. A grant program will utilize ARPA funds for project categories that target these concerns with a solicitation for applications in January 2022. For initial budgeting and planning purposes, \$6M will be allocated to critical flood-risk projects.

2.3 Drinking Water, Wastewater and Stormwater Planning Grants

A percentage of the ARPA funds appropriated to drinking water and wastewater infrastructure will be allocated to support grants for planning projects. Planning grants are critical to improve project development, increase project readiness, assist communities in applying for funding for implementation of the project, and ensures efficient use of funds. The clean water program (wastewater and stormwater) solicited for project applications in this category in June 2021 as part of its 2021 CWSRF solicitation. A solicitation for drinking water planning grants will likely occur late fall/early winter 2021. Additional solicitations are anticipated. For initial budgeting and planning purposes, it is anticipated that \$7.5M will be allocated to drinking water and clean water (wastewater and stormwater) planning grants.

2.4 Assistance for Disadvantaged Communities Drinking Water & Wastewater Grants

NHDES will set aside a portion of the ARPA funds to assist small and disadvantaged communities to provide funding assistance for improvements to their drinking water and wastewater systems. The purpose of this program is to provide ARPA grant funding to [New Hampshire resident-owned communities/manufactured-home cooperatives](#) (COOPS) for comprehensive drinking water and wastewater systems improvements. This will occur through a solicitation of applications.

Most manufactured home parks (MHPs) developed from the late 1950s to the late 1970s are facing water and wastewater infrastructure that are at the end of their useful service life. Private investors often neglected to properly maintain and/or update water and wastewater systems, passing along the deteriorated infrastructure to the next buyer, in this case, to the COOP residents. An engineering evaluation of existing needs is prepared as part of the system purchase and conversion to a resident-owned COOP. This means COOPs have identified the infrastructure needs and costs, including wastewater (sewer piping, utility hole, pump stations, septic tanks, leach fields) and drinking water (all components from water supply sources to treatment, pumping, storage and distribution). The projects that will be funded through this program will assist underserved communities with Median Household Income (MHI) below the state average. ARPA grant funds can cover costs associated with engineering, design, bidding and construction, and documentation/reporting requirements including submittal of paper and electronic record drawings as a condition of the funding.

For initial planning and budgeting purposes, NHDES has set aside \$26.5M of the \$150M of ARPA funds allocated to NHDES for use on disadvantaged communities that are COOPs. The NHDES budget provides for a maximum grant amount of \$1,000,000 for drinking water and the maximum grant amount of

\$1,000,000 for wastewater. If the COOP has a combined drinking water and wastewater project, the maximum grant amount is \$2,000,000.

Appendix A provides a recommended detailed approach for providing APRA grant funds to assist disadvantaged communities drinking water and wastewater grant program.

2.5 Sustainability Grants

DRINKING WATER SYSTEMS SUSTAINABILITY GRANTS

The NHDES Drinking Water and Groundwater Bureau (DWGB) has developed recommendations for ARPA grant funds for projects that improve water system sustainability. Potential grants that can improve Capacity Development for community water systems (CWS) by increasing their sustainability through improvements in technical, managerial, and/or financial operations.

Budgeted grant funding amounts and matching percentages vary for different sustainability project types (see Table 3). Water systems can pursue multiple funding for multiple types of projects, but it is recommended that the applications be independent of each other. Any water system that has previously been awarded an Asset Management Grant should complete that grant project before requesting new funds for asset management projects.

Table 3: Recommended Water System Sustainability Grant Project Categories

Category	Types of Activity	Recommend Requested Maximum Funding Amount	Recommended Minimum Funding Provided by the Water System
<u>Asset Management Grant Program</u>	<ul style="list-style-type: none"> •Asset Management Plans/Programs •Infrastructure Mapping/ Inventory •System Hydraulic Modeling -Studies •Comprehensive System Facilities Plans • Capital Improvement/Water System Business Plans • Rate Analysis 	<p>\$100,000</p>	<p>The budget does not assume a minimum amount of funding be required from the water system. However some contribution from the water system may be necessary to complete the project.</p>
<u>Strategic Planning</u>	<ul style="list-style-type: none"> • Preliminary Engineering Evaluations • Source Exploration / Hydrogeological Investigation Reports for locating new water supplies • Capital Improvement / Water System Business Plans • Master Plans • Comprehensive Community Planning Studies which include a public water infrastructure component. Consideration will be given for funding the “drinking water” portion of such studies • Other professionally prepared documents that can be used to enhance system capacity, as determined by the DWGB 	<p>\$50,000</p>	<p>The budget does not assume a minimum amount of funding be required from the water system. However some contribution from the water system may be necessary to complete the project.</p>

Table 3 (continued): Recommended Water System Sustainability Grant Project Categories

Category	Types of Activity	Recommend Requested Maximum Funding Amount	Recommended Minimum Funding Provided by the Water System
Green Projects	<ul style="list-style-type: none"> • Water Audits • Energy Audit Reports 	\$20,000	No minimum amount is recommended. However some contribution may be essential to complete the project.
	<ul style="list-style-type: none"> • Implementation of the Energy Audit findings 	\$200,000	In order to make efficient use of funds, the program budget allows for funding when a community provides a match of 100 percent (1:1).

[The Drinking Water System Sustainability Grant Application](#) provides more recommended parameters associated with the project category listed in Table 3. The application also provides recommended program provisions and forms that applicants may use to request ARPA funds for sustainability projects.

CLEAN WATER (WASTEWATER AND STORMWATER) SUSTAINABILITY GRANTS

The CWSRF program asked for project applications in this category in June 2021 as part of its 2021 CWSRF solicitation. NHDES budgeting of ARPA funds supports the following.

Asset Management, 100% grant

NHDES has budgeted for ARPA grants ranging from \$30,000 to \$180,000 for wastewater and/or stormwater asset management programs. Grant amount for wastewater assets will be recommended based on the size and complexity of wastewater system. Stormwater grant amounts have been budgeted to not exceed \$30,000 per community. NHDES has developed an [Asset Management Guidance Document](#).

Comprehensive Energy Audit Measure Implementation, 100% up to \$250,000 – Wastewater

NHDES has budgeted ARPA funds to provide grants of 100% up to \$250,000 for projects with components that implement recommendations from a comprehensive energy audit conducted within the past five years. Applications for available energy efficiency incentives from electric and gas utilities incentives should be pursued. NHDES will make its recommendation for ARPA grant funding on the project costs after incentives from the electric or gas utility have been applied.

Planning, 100% grant up to \$100,000

NHDES has budgeted ARPA funds for grants of 100% up to \$100,000 for wastewater and/or stormwater planning evaluations. Planning evaluations will address wastewater and/or stormwater conveyance and

treatment needs and consider solutions that promote energy efficiency, water conservation and flood resiliency. NHDES has developed a [Wastewater and Stormwater Planning Guidance Document](#).

COMBINED DRINKING WATER AND WASTEWATER SUSTAINABILITY GRANTS

Cybersecurity

For initial budgeting and planning purposes, NHDES has set aside \$2M for cybersecurity improvements. A cybersecurity grant program will be developed to assist drinking water and wastewater systems in improving cybersecurity. NHDES only intends to recommend systems for funding that complete an approved cybersecurity assessment. The Wastewater Engineering Bureau (WWEB) and the DWGB will solicit for cybersecurity grants in early 2022. Contracts for cybersecurity activities may be considered if funding is available.

Energy Audits

For initial budgeting and planning purposes, the WWEB and DWGB anticipate entering into a \$500,000 contract with a New Hampshire-based energy auditor who specializes in comprehensive process-level wastewater and drinking water system energy audits. Through this contract, NHDES will provide comprehensive process-level energy audits for:

- wastewater treatment facilities.
- wastewater pumping stations.
- drinking water treatment facilities.
- drinking water booster stations.

WWEB and DWGB staff will recommend funding for participating systems based on level of interest as well as need.

Vulnerability Assessments

For initial budgeting and planning purposes, WWEB and DWGB anticipate entering into a \$500,000 contract with a climate change vulnerability assessment (CCVA) expert to conduct CCVAs at selected wastewater and drinking water systems, including both treatment and distribution/collection assets. WWEB and DWGB staff will recommend funding for participating systems based on the status of the system's asset management program, need and level of interest. The outcome of this initial contract will be used to develop a broader program for the whole state.

2.6 PFAS Projects

In July 2020, RSA 485-H established the Per- and Polyfluoroalkyl Substances Remediation Loan Fund (PFAS RLF) providing up to \$50 million in loans for public water systems and wastewater facilities to address PFAS contamination. With the passing of House Bill 271 in August 2021, a grant component was added for up to the greater of \$1.5 million or 30% of the total eligible project cost. ARPA funds will be used to support the grant portion of the PFAS RLF. Solicitation for applications is ongoing with no specific targeted timeframe, and applications are reviewed in the order in which they are received. Grant funding will be applied to each eligible application first with the remainder being awarded as loans. For initial budgeting and planning purposes, NHDES has set aside \$25M in ARPA grants for PFAS projects.

Currently, there are 12 applicants requesting a total of \$63 million. There are an additional six potential applicants that NHDES is aware of at this time.

2.7 Strategically Important Water Supply Projects

ARPA funds will be used to support projects that are strategically important to New Hampshire. U.S. Department of Treasury made significant changes in its [final rule](#) that were published on January 6, 2022 after the date of the initial version of this workplan dated December 21, 2021. The new rules are effective April 1, 2022. Specifically, the final rule allows for the following expanded use of funds:

- 1) Infrastructure projects that improve access to and provision of safe drinking water for individuals served by residential wells. Eligible projects include rehabilitation of private wells, testing initiatives to identify contaminants in wells, and treatment activities and remediation strategies that address contamination.
- 2) Funds for projects that are needed to support increased population in certain cases including activities associated with the installation of transmission lines as part of the development of new housing occurring during the period of performance.

Projects that address the following needs may be recommended for funding as a strategically important water supply project:

- 1) Planning and construction projects that mitigate contaminated drinking water in private and public drinking water supplies.
- 2) Planning and construction projects that mitigate water supply shortages arising from reasonable expectations of population growth.
- 3) Planning and construction projects that improve the efficiency and reliability of water supply in a region.
- 4) Planning and construction projects of regional strategic significance for New Hampshire including but not limited to:
 - Improvements in the cooperation in the regional management of water resources;
 - Improvements in water supply mutual aid interconnections and agreements; and
 - Integration of water supply projects with other priorities of the state such as the development of affordable housing that improves New Hampshire's workforce housing shortage.

The recommended funding for strategic water supply projects have not been established in the workplan but will be determined by either reallocating funds budgeted for the categories in Table 1 or by obtaining funds that are in addition to the \$150,000,000 initially obtained from the Legislature and that were budgeted in the December 20, 2021 workplan.

3.0 Administration of ARPA Projects

Some funds will be used to cover administrative costs. For budget and planning purposes, it is estimated that approximately 3.3% or \$5M of the funds described in section 2 will be utilized to cover the costs for NHDES staff administering ARPA projects.

Appendix A – Assistance for Disadvantaged Communities Drinking Water and Wastewater Grant Program – American Rescue Plan Act (ARPA)