

Deadline for H2O PA 'Round 2' applications set for July 1, 2010

By Erik A. Ross, Delta Development Group, Inc.

Back on July 14, 2009, the Commonwealth Financing Authority (CFA) approved 286 water, wastewater and stormwater projects for a total grant amount of \$489,324,680 under Act 63 of 2008 – the H2O PA Act. Due to the unprecedented competition and limited availability of bond funds to be leveraged from the Gaming Economic Development and Tourism Fund, only 286 of the 774 applications submitted for water, wastewater and stormwater projects were approved by the CFA in the first round.

Therefore, the CFA has established July 1, 2010 as the deadline for the second round applications seeking funding for water, wastewater, stormwater, flood protection, and dam safety projects, with an expected award announcement in November 2010. Under Act 63, \$665 million was dedicated for water, wastewater and stormwater projects, which leaves approximately \$175 million in available grant funding under the act. Similarly, approximately \$71.3 million is available for flood control and \$3.4 million for high-hazard unsafe dam projects.

In addition to new applications, projects not funded in the first round will likely roll over for consideration in the second round, but may be resubmitted with updated information. Moreover, the CFA has indicated that applicants who received funding in the first round are not permitted to apply for the same project in the second round regardless of the amount of assistance awarded. However, they may apply for second round funding for a different project. The following is a brief summary of the H2O PA Program:

Local participation/match requirements

- Water and wastewater projects: Local share shall be at least 50% of the total CFA award. Applicants must be public entities (Privately owned water and wastewater systems are not eligible).
- Flood control projects: Applicant must provide easements and rights-of-way, relocation of buildings and utilities, alteration or rebuilding of inadequate bridges, and operation and maintenance of completed project.
- High-hazard unsafe dams: Applicant must provide at least 25% of the total CFA award. The Commonwealth or an independent agency shall not be required to match.

Limitations and other considerations

- Grants shall be awarded for projects of \$500,000 or more, but shall not exceed a total of \$20 million for any project.
- Priority shall be given to eligible applicants that are currently subject to a federal or state court or agency order, or consent decree.
- The recipient of a PENNVEST loan or grant shall not disqualify an applicant from receiving a grant from H2O PA.
- No funding shall be authorized or distributed for any project within Allegheny or Philadelphia counties.

Evaluation process & criteria

The Pennsylvania Department of Environmental Protection (PA DEP) evaluates the applications based on the criteria included in the H2O PA Act Guidelines¹ for water, wastewater and stormwater projects. A short summary of those criteria follows:

- Addresses a consent order
- Helps avoid an enforcement action or proactively addresses environmental issues
- Physical or managerial consolidation effort of two or more systems
- Addresses issues of an existing regional system
- Has not commenced construction, but can begin construction within 120 days (permits should be in hand)
- Most cost-effective alternative to address deficiencies
- Serves existing developed areas of the community
- Implements practices, as part of the project, to promote the sustainability of the system
- Infrastructure will impact on the regional economy
- Unaffordable without some H2O PA funds (The CFA used a 1.2% Median Household Income (MHI) affordability criteria)

However, the CFA has adopted separate guidelines for flood control² and high-hazard unsafe dam³ projects. The Department of Community and Economic Development (DCED) works with the PA DEP to score and rank the projects, while the CFA makes the final determination of awards.

Conclusion

Applicants seeking second round funding should begin now! Among other things, applicants should complete their engineering work, submit any permit applications necessary to undertake the project and secure financing for their local share. With limited funding available, applications that consolidate two or more systems will likely receive priority consideration.

Finally, water and wastewater systems should make sure their user rates are at or above 1.2% of the MHI of their service territory. Meeting the affordability criteria will increase the chances of your project receiving an award (few projects were awarded more than \$5 million per project in the first round, but applicants not meeting the affordability criteria only received 10% of their request up to \$1 million).

If you should have any questions or need assistance with your application, please do not hesitate to contact Erik Ross.

Erik A. Ross is a Government Relations Associate with Delta Development Group, Inc. He may be reached at eross@deltaone.com. Delta Development Group specializes in securing public funding through legislation and economic development programs.