



Stormwater Program Funding Options Summary

Stormwater Drainage Fee Feasibility Study Phase 2

Stormwater Program Funding Options Review

This summary examines the funding mechanisms available to Laramie to support a stormwater management program. The background information assists Laramie in making policy decisions regarding the right mix of funding methods to achieve the target level (and extent) of service for the stormwater program.

Funding policy issues highlight principles of equity (linking revenue sources with revenue purpose) and funding adequacy (the ability of a potential source to produce a sufficient and stable revenue stream). Revenue generation methodologies are defined by the capacity to fund an entire program (primary sources), and those with the capacity to fund specific program elements (secondary sources). As stated in Goal D, Milestone #2, for the Adopted FY23 budget, the City will “explore stormwater as a municipal enterprise to ensure sustainability and functionality of the utility for both current and future residents.” An enterprise meets the test of capacity to fund an entire program of services to maintain and operate the drainage system and improve water quality in receiving streams and the Laramie River.

While there are several potential secondary sources of revenue, there are only a few commonly recognized primary sources of revenue for all stormwater management services. These are the General Fund, and a user fee(s) for service. As a result, after considering how secondary sources can fund specific program elements, the Laramie’s major options for primary stormwater funding include the following:

- Maintain the status quo (same level of service and funding sources)
- Redistribute General Funds from other programs to fund stormwater management services at a level to meet current and future resource needs.
- Raise additional General Funds and dedicate to stormwater management services to meet current and future resource needs.
- Implement a dedicated fee for service (enterprise funding like drinking water and wastewater charges as well as solid waste services) as the primary source of revenue to support current and future resource needs.

The Laramie General Fund is supported primarily through Intergovernmental Revenue. According to the FY23 budget summary, There are four major types of intergovernmental revenue sources:

- sales and use taxes;
- severance taxes and mineral royalties;
- the direct distribution revenue (which is derived from over-the-cap collections of mineral royalties and severance taxes); and
- other intergovernmental sources. Other intergovernmental sources include shared state taxes like gasoline tax, cigarette tax, pari-mutuel wagering, lottery, and special fuels tax, as well as property tax and auto tax.

It is important to understand the source of funds currently used to support stormwater services. Many of the primary methods within the revenues of the General Fund are not controlled by the City but come from tax allocations set by the State or the County.

In other states, many local governments depend upon property tax revenues that are based on value of real property. In Wyoming, the levy for cities and towns may not exceed eight “mills” and is defined in W.S. Section 39-13-104.

A. Overview of Stormwater Funding Mechanisms

Stormwater funding mechanisms for primary cost coverage, commonly used by local governments include taxes (e.g., on property, retail sales, real property sales, income, and business gross or net profits taxes; special purpose taxes), exactions, special assessments, and service fees (sometimes also termed user fees or service charges). Each has a different underlying philosophy that guides the structure of the funding mechanism and the use of the revenues. To support capital construction projects, Laramie adopted a Special Purpose Tax (one penny sales tax) for specific infrastructure needs.

Funding mechanisms can also be distinguished as *ad valorem* or *non-ad valorem*. *Ad valorem* simply indicates that the revenue basis is a function of value. By contrast, *non-ad valorem* is associated with or conditioned upon the performance of an act, the engaging in an occupation, or the enjoyment of a privilege. The following is a brief overview of the funding mechanisms.

Table 1: Summary of Common Laramie Funding Methods

<p>Taxes</p>	<p>Most general purpose local governmental functions are primarily funded through taxes that generate general revenues. The General Fund is a governmental fund, which means that activities within the Fund are generally supported through taxes, intergovernmental revenues, and other non-exchange transactions, rather than direct fees for services provided. The purpose is to provide revenue to defray the expenses of general government, as distinguished from the expense of a specific function or service. It is not necessary for a tax to have a demonstrable association with any particular purpose or function. Dedicated tax policies play a key role in many municipalities such as the Specific Purpose Tax (“5th Penny” voter approved general purpose sales tax adopted in 2018 and the “6th Penny” sales tax for Capital Funds for projects presented on the ballot). The Specific Purpose Tax does not expire after four years. Instead, this tax remains in place until approved projects are fully funded. Specific purpose taxes may not fund ordinary operations [emphasis added] of local government except those operations that are related to a specific project.</p>
<p>Exaction</p>	<p>An exaction, or excise tax, is associated with franchise rights and development-related activities or impacts. Over many years the term has come to mean and include any tax that is not an <i>ad-valorem</i> tax. An example is a franchise fee on a cable utility. The franchise tax/fee is based on the privilege of running wires along</p>

	public rights-of-way, rather than any assessment of the value of the information transmitted. However, like other taxes, the ultimate use of the revenue does not need to be associated with its source.
Special Assessment	The essential characteristic of a special assessment is that it must confer some direct and special benefit to the property being assessed. A special assessment is based on the premise that the property assessed is enhanced in value at least to the amount of the assessment. Like service fees, special assessments are intended for a specific purpose rather than simply as a revenue generating mechanism. Assessments may be based on property value (ad valorem) or other factors (non-ad valorem) such as frontage along a street for a sidewalk improvement or a proportional share for length of pipe to extend water or sewer service lines.
Service Fee/ Stormwater Drainage Fee	A stormwater service fee is for charges that are related to the cost of providing the services and facilities. User fee funding establishes dedicated resources not authorized for other government purposes. Dedicated enterprise accounting provides a mechanism for receipt and allocation of multiple revenue sources allocated to stormwater management only. A service fee is for the purpose of recovering the cost of providing service. A stormwater service charge rate methodology sets the appropriate fees and charges.

As mentioned earlier, the stormwater funding options available are “primary” and “secondary.” Primary methods are those that have the capacity to support the entire program, while secondary methods are applicable to special needs or situations but are not capable of funding a full program.

Table 2: Primary and Secondary Stormwater Funding Mechanisms

Primary Funding Methods	Secondary Funding Methods
General Fund Appropriations Stormwater Service Fees/Drainage Fees	Other Service Fees (e.g., inspections, plan review fees) Specific Purpose Tax Capital Funds (one cent sales tax)/Enrolled Act 23 tax Special Improvement Districts (or Tax Increment Finance Districts) Federal and State Funding/Grants/Loans Development Exception Charges General Obligation and Revenue Bonds

Local governments across the United States have used all the funding mechanisms to some degree. Legislative and/or charter authority and the mission and priorities in each

community have guided the selection of a preferred approach. There is no single funding mechanism that is best for every setting. Some funding sources are better suited to operations and maintenance (fees), while others are used strictly for capital improvements (bonds, dedicated tax). Adequate, consistent funding of a stormwater program is the most important factor for long-term success for the delivery of services to the community.

B. Grants and Loans - Opportunities for Infrastructure Project Funding:

Grant funding for capital projects is often considered a key component for many communities. Local funding investments for the required match can be as much as 50% of project costs depending on the granting agency terms and conditions. There are financing sources that provide no-interest loans or provide for loan forgiveness methods that functionally change a loan to grant. Over the past two years, Federal legislation has made grants and loans for infrastructure investments more viable, though often competitive for local governments.

1. The Infrastructure Investment and Job Act (IIJA), **Public Law 117-58**, passed in 2021, focuses attention on stormwater through several existing and new programs, targeting local investment in infrastructure. It is important to track each grant/loan program as rules and regulations are issued and filing dates occur. At the Federal level, many opportunities are managed by the Environmental Protection Agency (EPA) for stormwater as well as through FEMA, USACE and NOAA for hazard mitigation and management.

- **PL 117-58:** State Revolving Fund: The Act increased the available funding for water/wastewater/stormwater project funding for the traditional State Revolving Fund programs. These are low-cost loans, with some grants. Stormwater projects are eligible for these funds; however, competition for these dollars often requires significant documentation and a local match commitment.
- **PL 117-58:** Clean Water Infrastructure Resiliency and Sustainability Grants established in the IIJA, is a targeted program, with a funding of \$25 million a year. Stormwater projects are often focused on establishing or maintaining community resiliency, with particular benefit for those projects that address mitigation of flood waters.
- **PL 117-58:** EPA will oversee the Stormwater Reuse Municipal Grants funded at \$280 million a year with a mandate to support green infrastructure projects.
- **PL 117-58:** Disaster Relief Fund (DRF) for pre-disaster hazard mitigation assistance under FEMA's Building Resilient Infrastructure and Communities grant program is part of the \$6.7 billion for flood mitigation assistance. \$1 billion is targeted specifically for pre-disaster hazard mitigation. This funding does include a cost-benefit study when applying and information can be found at:
 - www.fema.gov/grants/guidance-tools/benefit-cost-analysis

- **PL 117-58:** Increased NOAA funding supports inland mapping and flood mitigation grants as well.
- **PL 117-58: STORM Act** – Safeguarding Tomorrow Through Ongoing Risk Mitigation is fully funded at \$500 million over 5 years. The focus is climate-impact mitigation which address flood mitigation and building/creating resilient infrastructure.

2. Federal Emergency Management Agency (FEMA) Grants

- **Flood Mitigation Assistance (FMA) Program** – This FEMA program provides funds for planning and projects implementation to reduce or eliminate the risk of flood damage to buildings that are insured annually under the National Flood Insurance Program.
- **Hazard Mitigation Grant Program (HMGP)** – This FEMA program provides funds annually for hazard mitigation planning and project implementation. Hazard Mitigation Assistance grants are provided to states, local, tribal, and territorial governments. This funding is authorized with a Presidential Major Disaster Declaration as requested by the Governor and the funding made available to the applicant is generally 15% of the total federal assistance amount provided for recovery. Having an approved FEMA Hazard Mitigation Plan is requisite.
- **BRIC – Building Resilient Infrastructure and Communities** – This is a competitive grant program, initiated in FY20 and managed by FEMA. BRIC replaces the Pre-Disaster Mitigation Program and is authorized by Section 203 of the Stafford Act as amended. The purpose of the grant program is to shift away from recovery to a proactive investment in community resilience. Applicants must apply on a yearly basis. The program encourages public infrastructure projects, especially projects incorporating nature-based solutions along with the adoption of building codes designed to protect structures.

3. State of Wyoming – Summary Provided by SFG Member Tom Mattimore

- *The Clean Water State Revolving Account Fund, created by the 1987 amendments to the Clean Water Act, requires twenty percent (20%) state matching funds for each federal grant payment to the account. The state statutes governing this program are found in W.S. 16-1-201 through 16-1-207. W.S. 16-1-202(a) establishes the state water pollution control revolving loan account, which holds the monies received from the federal grants and all state matching funds.*

This federal program may be used for assistance to any public, private or nonprofit entity for measures to manage, reduce, treat or recapture stormwater or subsurface drainage water. In Wyoming this program is administered by the Office of State Lands and Investments. The balance of the state water pollution control revolving loan account as of December 21, 2023, is \$142,139,568. The Governor's 2025-2026 budget

recommendations increase this account by \$38,309,217 (\$31,041,672 FF and \$7,267,545 SR).

- *Clean water projects are also eligible for ARPA funds and based upon the most recent information available, December 14, 2023, a total of \$52,988,305 unobligated ARPA funds remain. LSO anticipates JAC will take up a bill draft to address the unobligated ARPA funds in January 2024.*
- *Another program administered by the Office of State Lands and Investments may be available for the maintenance or construction of storm water infrastructure or surface water drainage infrastructure. This is the Capital Construction Loan program under W.S. 16-1-111. This loan program provides loans to assist cities, towns, counties, community college districts and school districts to fund infrastructure projects that do not have many other funding options. These loan funds may be used to renovate or upgrade existing infrastructure, planning, and construction. These loans are made from the permanent Wyoming mineral trust fund.*
- *Under W.S. 9-4-604(g)(ii), grants may be provided to joint powers boards for projects for street, curb, gutter, or storm drainage improvements. These grants are funded by local government mineral royalties and as of December 21, 2023 the balance is \$32,899,092. The Governor's 2025-2026 budget recommendations increase this account by \$14,000,000 for the local government capital construction account. The Governor's exception request recommendations include anticipated coal lease bonus payments. No new coal lease sales have occurred or are scheduled so, that revenue may be overstated. There is also an \$8,000,000 recommended appropriation to the Business Ready Communities program for this same revenue. The revenue received for the biennium could potentially be less than the recommendations. LSO staff have adjusted the forecast revenue consistent with CREG.*
- *I reached out to the Wyoming Water Development Office who indicated that storm water and surface water drainage projects are not eligible for the Wyoming Water Development Program. Therefore, the water development accounts may not be used for storm water and surface water drainage projects.*