

State Water Infrastructure Authority
Meeting Date: July 16, 2025
Agenda Item E – Funding Awards for Drinking Water State Revolving Fund Lead Service Line Replacement

Division of Water Infrastructure Staff Report

This report presents a *preliminary* funding scenario proposed for consideration by the State Water Infrastructure Authority (Authority). Subsequent updates and corrections to the application information and funding scenario (including application scores, ranking, potential funding amount, etc.) may occur and will be presented to the Authority during the July 16 meeting. This staff report represents applications received as of June 2, 2025 for Infrastructure Investment and Jobs Act (IIJA) Drinking Water State Revolving Fund Lead Service Line Replacement (DWSRF-LSLR) funding. Applications are selected for funding by the Authority during the meeting, and the Authority's selections are final.

Background

Congress appropriated funds to the Drinking Water State Revolving Fund (DWSRF) in the IIJA of 2021. The IIJA appropriated funds for five fiscal years (FY 2022 – FY 2026) specifically for the purpose of inventorying and replacing lead service lines (LSLs). These funds are referred to as the DWSRF-LSLR funds.

North Carolina's FY2024 DWSRF-LSLR allotment is \$76,201,000. No state match is required for this funding. A portion of the allotment, up to 26 percent or \$19,812,260, will be used for set-asides.

The draft DWSRF-LSLR program's Intended Use Plan (IUP) for FY 2024 funds was published for public comment on February 28, 2025, and public comments were due by March 14, 2025. At its April 2024 meeting, the Authority approved a final Priority Rating System (PRS) for DWSRF-LSLR funds after the public comment period.

Funding awards that will be approved by the Authority at the July 16, 2025 meeting are contingent upon funds being released by the U.S. Environmental Protection Agency (USEPA).

Table 1 on the next page shows the FY 2024 DWSRF-LSLR funds awarded at the April 2025 Authority meeting and funding that remains available for award in 2025. Note that more funds may be awarded at any Authority meeting than what is presented in the table.

Table 1. FY 2024¹ IJIA DWSRF-LSLR Funds Awarded and Available by Funding Round			
SWIA Meeting (Award Date)	Total Available or Awarded (includes PF)	Principal Forgiveness (PF) Available or Awarded	No-interest Loan Available or Awarded
February 19, 2025	\$5,360,560 (awarded)	\$0 (awarded)	\$5,360,560 (awarded)
April 16-17, 2025	\$10,129,110 (awarded)	\$1,129,110 (awarded)	\$9,000,000 (awarded)
July 16, 2025	\$17,009,394	\$12,446,164	\$4,563,230
September 17, 2025	\$17,009,392	\$12,446,162	\$4,563,230
December 10, 2025	Any unobligated FY2024 amt. + TBD ²	Any unobligated FY2024 amt. + TBD ²	Any unobligated FY2024 amt. + TBD ²

¹ Additional funds to be awarded due to declinations of previous awards may be added to FY2024 funds.

² To be determined based on remaining availability of FY2024 funds after September 2025 awards. It will be supplemented with additional funding from FY2025 funds if demand exceeds availability of FY2024 funds.

Funding Caps

The following maximum DWSRF-LSLR funding loan amounts, including principal forgiveness (PF), apply per applicant for each round of funding awarded at Authority meetings:

- Replacement projects: \$5 million for projects replacing known LSLs.
- Find-and-Replace projects: \$2 million for projects finding and replacing LSLs in areas suspected of having LSLs. These projects must result in service lines of unknown material within the project area being categorized as “known lead” or “known not lead” using methods approved for completion of the LSL inventory as required in the Lead and Copper Rule Revisions (LCRR). The budget must limit service line material verification (i.e., non-replacement activities) to \$1 million.
- Inventory-only projects: \$1 million for projects to conduct an LSL inventory.

The maximum loan amount per applicant per round can exceed the funding cap if additional funding is available in the funding round as defined in Table 1. Maximum loan amounts will be increased by \$500,000 increments, up to the funding amount requested by the applicant, in priority order until all funds available during the funding round are awarded.

Summary of Applications Considered

Table 2 shows the number of new applications received, number of applications reconsidered because they were either not funded or only partially funded in the previous round, and the funding requested as of June 2, 2025, divided by project type.

Table 2. Summary of Project Applications Considered				
	Replace Known LSL	Find and Replace	Inventory	Total
Applications Received	3	2	4	9
Applications Reconsidered from previous Round	1	0	0	1
Funding Requested	\$8,624,600	\$4,000,000	\$4,000,000	\$16,624,600

Principal Forgiveness (PF)

There are six applications that qualify for PF. The following steps were used to determine PF awards in the proposed preliminary funding scenario:

1. Per the DWSRF-LSLR IUP, starting with the highest scoring application, PF and repayable loan funds were applied to all projects eligible for PF to either fully fund the projects or up to the applicable funding cap.
2. After all projects were awarded PF up to the respective percent PF eligibility, additional PF funding remained available. In accordance with the IUP, additional PF can be awarded above the PF eligibility in ten-percent increments, up to 100 percent of the funding requested for applicants that qualified for PF. For this round, all projects eligible for PF would be provided with additional ten-percent PF increments, up to 100 percent.

Proposed Funding Scenario for the DWSRF-LSLR Program

The Authority may consider different funding scenarios.

In the preliminary funding scenario presented, eight of the nine projects for which new applications were received are proposed for funding. One new project application and the project reconsidered from the previous funding round are not proposed for funding.

All projects proposed for funding would be funded in full. No projects would be partially funded.

Of the eight projects proposed for funding, six qualify for PF. Additional PF may be awarded to these applicants following the procedures listed above, and all six projects are proposed to receive 100 percent PF funding awards due to PF funding availability in this round.

In the proposed funding scenario, a total of \$14,374,300 would be awarded, \$12,374,300 of which would be in PF and \$2,000,000 in zero-percent interest loans. Table 3 below summarizes the proposed preliminary funding scenario.

Table 3. Proposed Funding Scenario for July 16, 2025, Awards					
Application Projects	Eligible Applications Considered	Funded Applications in Scenario	Potential Principal Forgiveness	Potential Zero-interest Loan	Potential Total Funding
Replacement Projects	3	2	\$6,374,300	\$0	\$6,374,300
Find-and-Replace Projects	2	2	\$4,000,000	\$0	\$4,000,000
Inventory-only Projects	4	4	\$2,000,000	\$2,000,000	\$4,000,000
Total	9	8	\$12,374,300	\$2,000,000	\$14,374,300

Project-Specific Notes for Applications in the Proposed Funding Scenario

- The Inventory Reserve amount of \$8,504,697 (i.e., 50 percent of the total available funds for this round) was not met. However, since all applications for Inventory-type projects for this round would be fully funded in the proposed funding scenario, the remaining funds from the Inventory Reserve were made available to other project types.
- Four applications from the City of Mount Holly were considered: Three are new applications (one for a Find-and-Replace project and two for Replacement projects), and one is a reconsideration for the unfunded balance from the previous round.
 1. Cumulatively, the funding requested for the two Replacement projects (i.e., \$4,023,600 and \$2,350,700) exceeds the \$5 million funding cap for Replacement-type projects. Per the IUP, the funding cap per project type may be exceeded if additional funding is available for the round after all eligible projects are fully funded. Because of the availability of funds, both projects are proposed to be funded in full to meet the respective requested funding amounts.
 2. The Find-and-Replace project is included in the proposed preliminary funding scenario to be awarded the full requested amount.
 3. The project application to be reconsidered from the previous round for the unfunded balance (i.e., *Lead and Copper Service Replacement – Area 2*) is proposed to be awarded no funding because the Applicant declined the April 2025 funding award and submitted a new application for the same project scope requesting the same funding amount (\$2,350,700).
- One application, the City of Winston-Salem *LSL Replacement Project*, was determined to be incomplete and was not considered for funding because it was not accompanied by a valid Resolution from the governing board authorizing the filing of the funding application.

Table 4 below summarizes the funds available for this round, the proposed funding scenario recommended for awards at the July 16, 2025, meeting, and how the recommendation will impact future funding awards.

Table 4. FY 2024 DWSRF-LSLR Funds Available for Future Funding Rounds¹			
	Principal Forgiveness	Zero- interest Loan	Total
Estimated FY2024 minimum funds available for July 2025 awards	\$12,446,164	\$4,563,230	\$17,009,394
Recommended July 2025 awards	\$12,374,300	\$2,000,000	\$14,374,300
Est. FY2024 funds and funds from declinations of previous awards available for future awards after recommended July 2025 awards ²	\$24,234,432	\$9,921,390	\$34,155,822

¹ All July 2025 awards are contingent on the Division's receipt of the IJA DWSRF-LSLR Funds from the USEPA.

² Additional funds from the FY2025 IJA DWSRF-LSLR allotment may be awarded to meet demand once all of the FY2024 funds have been awarded.

Table 5 on the next page identifies the projects that would be awarded funding under this proposed preliminary funding scenario.

A full list of applications is shown in Attachment E-1. The Application Number in the first column in the table below refers to the Application Number in the attached DWSRF-LSLR spreadsheet.

Other Funding Scenarios

Staff can assist the Authority with other scenarios during the meeting. Note that all awards from the DWSRF-LSLR Funds are contingent on the Division's receipt of the LSLR funds from the USEPA.

Table 5. July 2025 IIJA DWSRF-LSLR Proposed Funding Scenario

App. No.	Applicant Name	County	Project Name	Project Type	Amount of Funding Requested	Potential Principal Forgiveness	Potential Zero-Interest Loan	Potential Unfunded
1	City of Mount Holly	Gaston	Lead and Copper Service Replacement - Area 1	Replacement	\$4,023,600	\$4,023,600	\$0	\$0
2	City of Mount Holly	Gaston	Lead and Copper Service Replacement - Area 2	Replacement	\$2,350,700	\$2,350,700	\$0	\$0
3	City of Sanford	Lee	Sanford/TriRiver Water - Siler City LSL Inventory	Inventory	\$1,000,000	\$1,000,000	\$0	\$0
5	City of Mount Holly	Gaston	Lead and Copper Service Replacement - Find and Replace	Find and Replace	\$2,000,000	\$2,000,000	\$0	\$0
6	City of Winston-Salem	Forsyth	LSL Zone 2 Find and Replace Project	Find and Replace	\$2,000,000	\$2,000,000	\$0	\$0
7	City of Sanford	Lee	Sanford/TriRiver Water - Chatham Co. LSL Inventory	Inventory	\$1,000,000	\$0	\$1,000,000	\$0
8	Carolina Water Service	(multiple)	Lead Service Line Program - Identification	Inventory	\$1,000,000	\$0	\$1,000,000	\$0
9	City of Lenoir	Caldwell	City of Lenoir Lead Service Line Inventory - Phase 3	Inventory	\$1,000,000	\$1,000,000	\$0	\$0
Totals for LSLR Applications in Recommended Funding Scenario						\$12,374,300	\$2,000,000	\$0