

2.0 State Water Infrastructure Authority

The nine-member State Water Infrastructure Authority (SWIA) was created by the North Carolina General Assembly (NCGA) in 2013 to assess and make recommendations about the state's water, wastewater, and stormwater infrastructure needs and the funding programs available to the state's local government units (LGUs) and other utilities. The NCGA also established the Division of Water Infrastructure (DWI) and consolidated major water and wastewater funding programs within the Department of Environmental Quality (DEQ). The enabling legislation is North Carolina General Statute 159G. Appendix B contains a listing of current SWIA members.

Each year, SWIA is required to provide an overview of its activities, summarize concerns and issues that were discussed, and make recommendations to address those issues. This report fulfills the legislative requirement for FY 2024-2025 (G.S. 159G-72).

2.1 State Water Infrastructure Authority Activities in FY 2024-2025

During this fiscal year, SWIA, in conjunction with DWI staff, continued the application process and intake of funding awards related to all funding sources, including the Infrastructure Investment and Jobs Act (IIJA) specialized funding programs (see Sections X.X and Y.Y). SWIA and DWI continued their work with the Viable Utilities Program (VUP), which is discussed in section X.X of this chapter. DWI and SWIA also completed funding related to the Local Assistance for Stormwater Infrastructure Investment (LASII) stormwater funding program. More specifics related to this funding program are found in chapter 8; SWIA's activities related to this program are discussed later in this chapter.

SWIA's Most Significant Accomplishments in FY 2024-2025

- Funded 199 projects for a total of \$544.9 million
- Completed a fourth assessment round to identify and designate local government units as Distressed.
- Began awarding emerging contaminant studies funding on a rolling basis.
- Approved a draft Priority Rating System for the SRF SA-HMW funds.
- Created a Master Plan Update Committee to update the Statewide Infrastructure Master Plan.

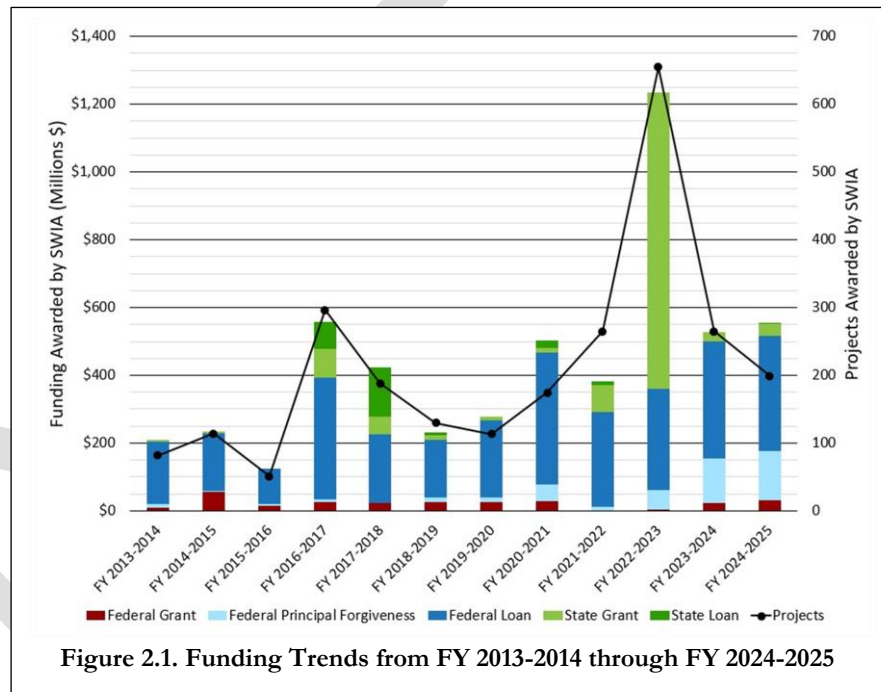
2.1.1 Funding Available and Distribution of Loan and Grant Funds

In FY 2024-2025, approximately \$XXX.X million in funds were available from the following programs:

- Clean Water State Revolving Fund (CWSRF) – \$210.0 million
- Drinking Water State Revolving Fund (DWSRF) – \$165 million
- IIJA CWSRF Emerging Contaminants for (CWSRF-EC) – \$1.9 million
- IIJA DWSRF for Emerging Contaminants (DWSRF-EC) – \$XX.X million

- IIJA DWSRF for Lead Service Line Replacement (DWSRF-LSLR) – \$83.3 million¹
- State Reserve Program (SRP)² – \$13.8 million
- Community Development Block Grant – Infrastructure (CDBG-I) – \$30.3 million
- Viable Utility Reserve (VUR) – \$11.0 million
- Local Assistance for Stormwater Infrastructure Investments (LASII) – \$12.9 million

One of SWIA’s duties is to make funding awards based upon recommendations from DWI. Division staff use Priority Rating Systems (PRSs) developed and approved by SWIA to review applications. Additionally, affordability criteria may impact the awarding of funding.³ Figure 2.1 shows the awarding of funding for the life of SWIA, including FY 2024-2025, for all programs awarded by SWIA. As shown by the chart, the amount funded and number of awards made by SWIA slightly increased and decreased, respectively. The funds awarded included awards made by SWIA related to the DWSRF-LSLR program as well as IIJA EC awards made from the DWSRF-EC and CWSRF-EC programs. The paragraphs below go into more detail related to the different sources of funding and different aspects of other programs.



Water and Wastewater Construction Projects.

For FY 2024-2025, funding for water and wastewater construction projects came from the CWSRF, CWSRF-EC, DWSRF, DWSRF-EC, DWSRF-LSLR, CDBG-I, SRP, VUR, and LASII programs. In total, these funds provided approximately \$544.9 million in funding related to water and

‘Co-funded projects’ refer to projects funded via two or more different funding programs (e.g., CWSRF and SWWR).

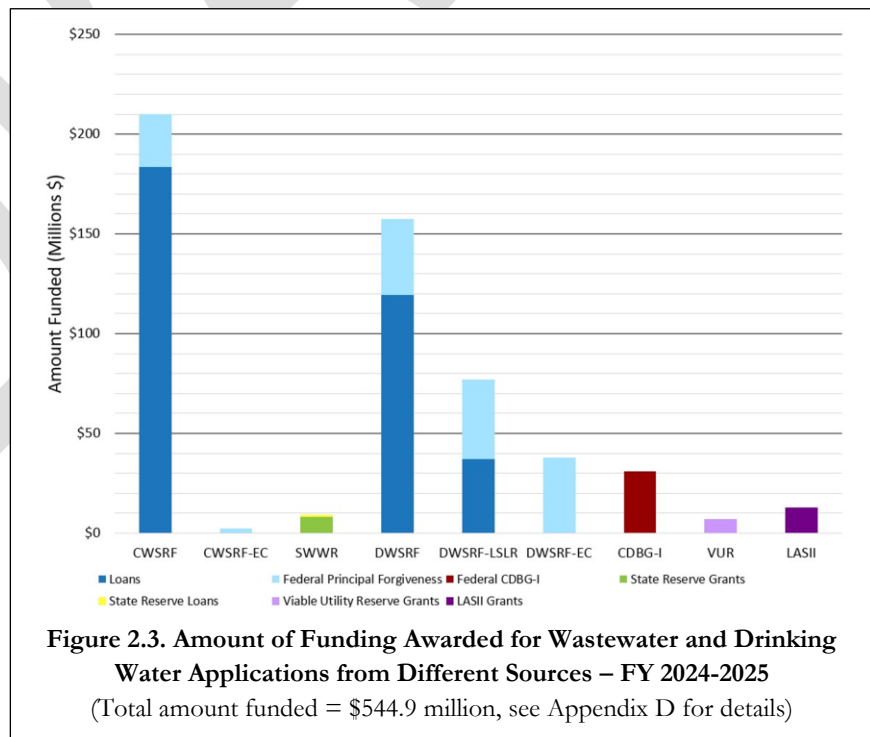
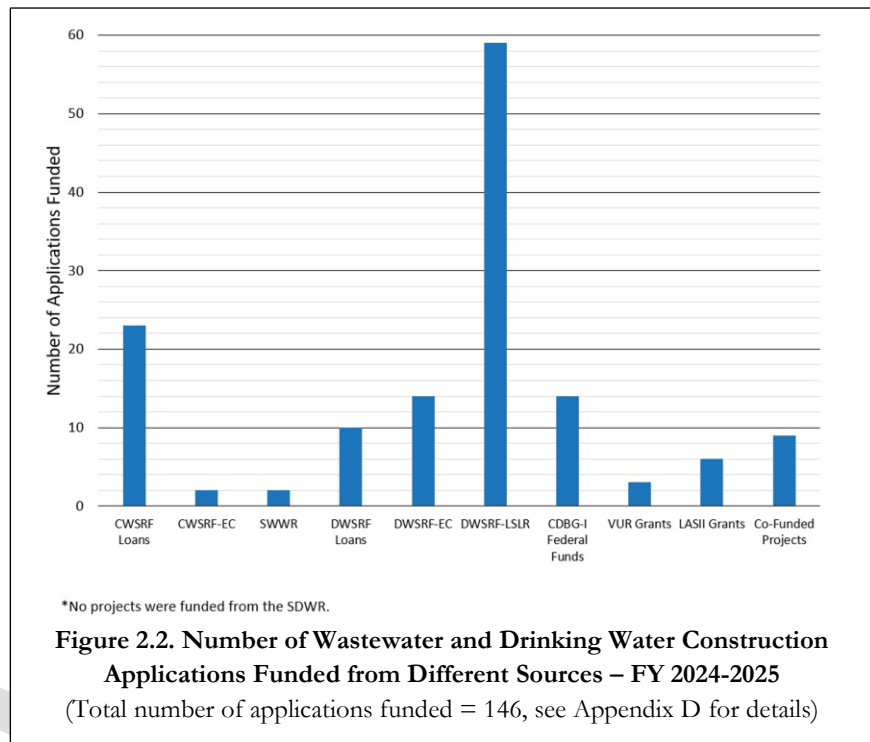
¹ DWSRF-LSLR funds are shown for FFY 2023-2024 funds only.

² State Reserve Program funds include funds from the Wastewater State Reserve, Drinking Water State Reserve, and funds for the Asset Inventory and Assessment and Merger/Regionalization Feasibility planning grants.

³ Duties related to funding may be found in G.S. 159G-71(1-4). See Appendix C for a full listing of SWIA duties.

wastewater infrastructure. Figures 2.2 and 2.3 on the next page show the breakdown of the number of projects awarded and the amount of funding awarded, respectively.

Approximately \$210.1 million and \$157.3 million in funding was provided in the CWSRF and DWSRF programs, respectively, including approximately \$64.3 million in principal forgiveness (PF). The IIJA, which former President Biden signed into law in 2021, included PF funding above previous PF funding levels. SWIA also awarded approximately \$37.8 million and \$2.4 million from the DWSRF-EC and CWSRF-EC, respectively. SWIA awarded approximately \$77.1 million from the DWSRF-LSLR program. The CDBG-I program had two funding rounds during FY 2024-2025, and SWIA awarded approximately \$30.9 million from the CDBG-I funding. SWIA awarded approximately \$9.2 million from the SRP⁴ for both construction projects and approximately \$7.0 million from the VUR for construction projects. The VUR awards expended all VUR funding. Additionally, SWIA awarded the remaining LASII funds, a total of



⁴ No projects were funded from the State Drinking Water Reserve.

approximately \$13 million for stormwater construction projects.

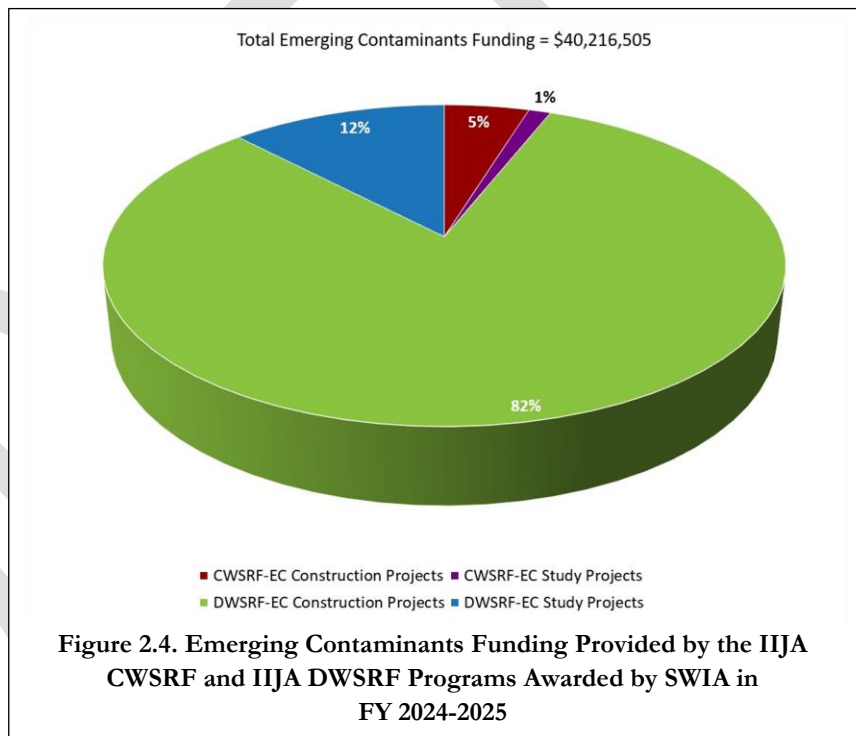
Green Projects. The CWSRF program includes provisions to fund green projects, requiring at least ten percent of the funds available from the capitalization grant to be used for this purpose, subject to receiving sufficient qualifying applications. Green projects address green infrastructure such as certain stormwater control measures (SCMs), energy efficiency improvements, water reuse, rainwater harvesting, and stream restoration. In FY 2024-2025, SWIA awarded funds for one green project from the CWSRF Green Project Reserve (GPR), totaling \$2,106,371.

CWSRF Decentralized Wastewater Treatment System Pilot Program. The CWSRF program also contains a pilot program to fund decentralized wastewater treatment system repairs in LGUs with systems that are either failing or at risk of failing. During FY 2024-2025, SWIA made the inaugural funding award to one LGU for a total of \$500,000.

Emerging Contaminants.

Part of the IIJA included funding to address issues related to Emerging Contaminants. The Intended Use Plans (IUPs) for each of these programs provided allotments for both EC construction projects and EC study projects. During FY 2024-2025, SWIA continued to award EC construction funds during its semi-annual funding award meetings. In September 2024, SWIA began awarding EC study applications on a rolling basis and made its inaugural awards at the December 2024

and February 2025 meetings. All funding provided from the EC programs is 100 percent Principal Forgiveness. Figure 2.4 shows the breakdown of funding between the CWSRF-EC and DWSRF-EC programs.

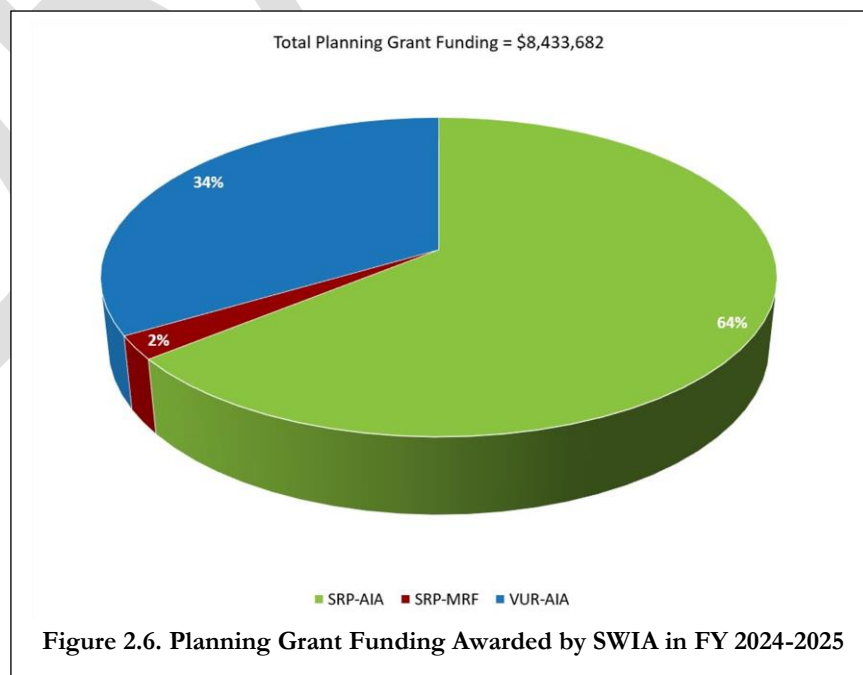
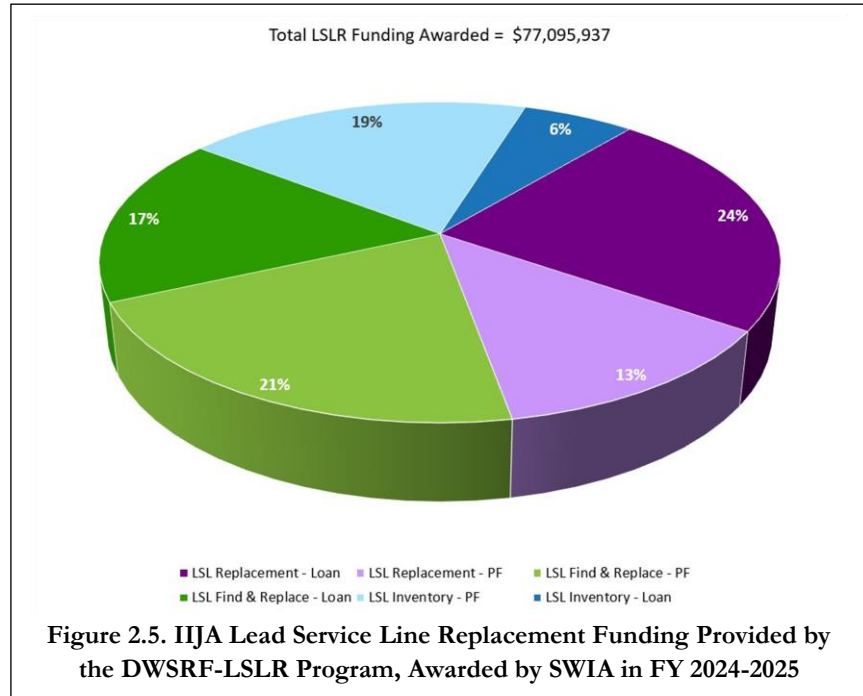


Lead Service Line Replacement. Another part of the IIJA is related to the DWSRF-LSLR program. During FY 2024-2025, SWIA continued to award DWSRF-LSLR projects at its July 2024, September 2024, December 2024, February 2025, and April 2025 meetings. Federal FY 2023-2024 provided \$83.3 million, awarded by SWIA in FY 2024-2025. Forty-nine percent of the funding from capitalization grants is required to be PF. Applicants to the DWSRF-LSLR program could receive funds for lead

service line (LSL) replacement, LSL find-and-replace, and LSL inventory projects. During five meetings in FY 2024-2025, SWIA awarded nine, 20, and 31 LSL replacement, LSL find-and-replace, and LSL inventory projects, respectively. Figure 2.5 shows the breakdown of funding between the project types and PF.

Planning Grants. In FY 2024-2025, SWIA continued to fund planning grants from the VUR and the SRP. These planning grants included Asset Inventory and Assessment (AIA) and Merger/Regionalization Feasibility (MRF) grants. Asset Inventory and Assessment grants provide funding for LGUs to complete an array of tasks ranging from creating mapping of water distribution and wastewater collection systems to developing a complete asset management plan. Merger/Regionalization Feasibility studies enable an LGU to study options to increase the viability of their water and/or wastewater utilities. Some options considered might include merging or consolidating with another utility or gaining economies of scale through working with other LGUs. See Figure 2.6 for the distribution of funds awarded for planning grants.

Small Systems. The Division of Water Infrastructure has always focused on funding for small systems, which DWI characterizes as systems that serve a population of 10,000 or less. The DWSRF program also has a Small System Reserve requirement, which DWI has met consistently. During FY 2024-2025, with



SWIA's recommendation, DWI increased the DWSRF's Small System Reserve from the federally-mandated minimum 15 percent to a minimum of 30 percent of all DWSRF funding awards in North Carolina. In the Priority Rating Systems for water and wastewater construction projects, priority is given to applicants with populations of less than 10,000. The SRP AIA grant program requires that applicants have 10,000 residential connections (a population of approximately

24,500 or less) to be eligible. Upon funding, DWI staff noted which funding recipients have a population of 10,000 or less. Also, the VUR is available to distressed LGUs, and most of the distressed LGUs have populations of 10,000 or less. In FY 2024-2025, 43.2 percent of the funding (\$235.4 million) went to small systems. Of that funding, approximately \$124.4, (52.8 percent), \$62.0 (26.3 percent), \$19.9, (8.4 percent), \$1.2 (0.5 percent), and \$28.0 (11.9 percent) were in loans, PF, state grants, state loans, and federal grants, respectively (see Figure 2.7).

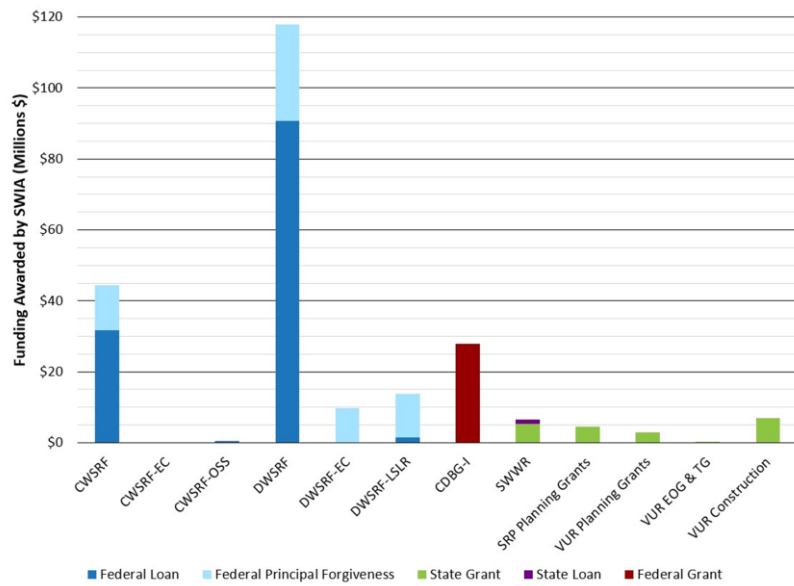


Figure 2.7. Funding Awarded by SWIA to Small Systems from Different Sources in FY 2024-2025

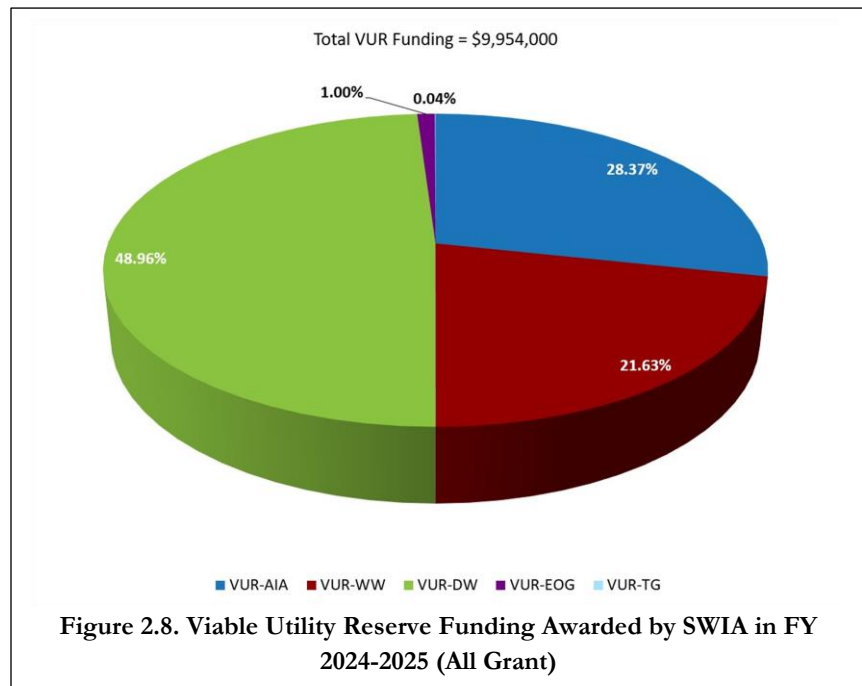
2.1.2 Viable Utilities Program

The State Water Infrastructure Authority, along with DWI, continued to implement the Viable Utilities Program (VUP), which entered its fourth year during FY 2024-2025. The paragraphs below describe the activities SWIA continued or completed during the past fiscal year.

Funding Awarded. As discussed in Section 2.1.1, SWIA awarded funding from the VUR. In FY 2024-2025, SWIA awarded a total of

\$9,954,000 to 22 projects. See Figure 2.8 for a breakdown by percentage. During FY 2024-2025, SWIA awarded both construction funding and AIA funding from the VUR. The State Water Infrastructure Authority also awarded an Emergency Operating Grant (EOG) to Cliffside Sanitary District, which at the time was under fiscal control of the Local Government Commission (LGC), and two training grants to LGUs that were designated as distressed by SWIA and LGC during FY 2024-2025. See [Section 7.X.X](#) of this report for more information.

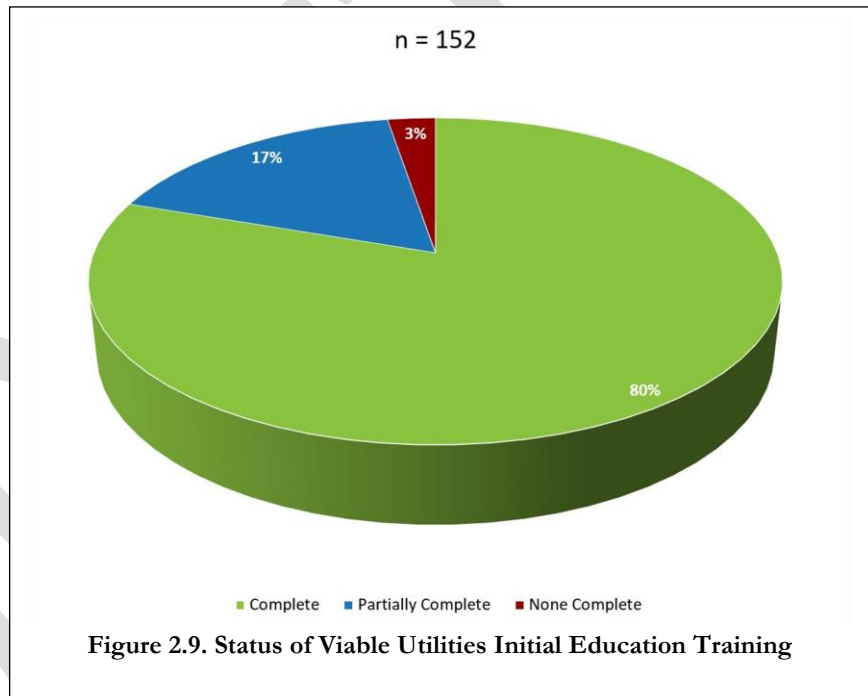
Annual Assessment. With the assessment that occurred in FY 2024-2025, DWI staff have completed four assessments. Late in FY 2023-2024, DWI staff, in conjunction with LGC staff, completed an assessment for the distressed status of all LGUs across the state. This assessment included reviewing each Identification Criterion to determine distressed status. Staff also analyzed Assessment Criteria data related to Identification Criterion 3 (D3). The assessment identified 13 LGUs that could qualify under Identification Criterion 2 (D2) that the LGC could determine later to be distressed under D2. The LGC designated five of these 13 LGUs as distressed, which meant automatic designation by SWIA. The assessment identified two LGUs as having Assessment Criteria scores above the thresholds for the second year in a row. Five LGUs were identified under the D3 Assessment Criteria as having scores above the thresholds for the first time. Of those five, none requested designation. At the July 2024 meeting, SWIA designated two LGUs as distressed. All LGUs designated as distressed received \$2,000 training grant awards to be used within two years of designation.⁵



⁵ The LGC designated these LGUs as distressed at its. August 6, 2024, meeting.

As previously discussed in FY 2023-2024, DWI and SWIA re-evaluated the assessment criteria to determine if more major modifications were needed. Changes made include: (1) revising the assessment criteria Unit Assistance List (UAL) criteria to match LGC revisions; (2) shifting the assessment from spring/summer to summer/fall; (3) using the previous year's audit data for missing audit data; and (4) changing the designation threshold from nine for dual-service providers and eight for single-service providers to nine for all service providers. The Viable Utility Committee (VUC) provided initial feedback at its January 15, 2025, meeting, and SWIA approved these changes at its February 19, 2025, meeting.⁶ See [Section 7.X.X](#) of this report for more information.

Viable Utilities Education. During FY 2024-2025, DWI staff continued the VU education program known as Best Utilities Management Practices (BUMP) training. Staff held training in the Fall of 2024 and Spring of 2025. Staff also held BUMP training at the North Carolina Rural Water Association's annual conference in May 2025. Table 2.1 shows the attendance at each training. Figure 2.9 shows the status of the VU initial education training after the May 2025 training. This figure includes all LGUs designated as distressed through July 2024.



In FY 2025-2026, which is beyond the scope of this report, the VUR training grants SWIA and LGC issue to newly distressed LGUs were set to expire on December 31, 2025. At its January 15, 2025, meeting, the VUC and DWI staff discussed possibilities to extend training grants. At the February 19, 2025, SWIA meeting, members approved training grants from the VUR to be a maximum of \$2,000 per LGU to any LGU designated as distressed, to be paid from available funds from a Training Reserve that would be established and maintained by DWI, at DWI's discretion. See [Section 7.X.X](#) of this report for more information.

Guidance Approvals. Distressed LGUs are required to complete an asset assessment and rate study according to guidance approved by both SWIA and the LGC. At its July 16, 2024, meeting, SWIA approved both asset assessment and rate study guidance.⁷ Division staff posted the rate study guidance

⁶ The LGC provided its approval at its March 4, 2025, meeting.

⁷ The LGC provided its approval at its August 6, 2024, meeting.

on the website in the Spring of 2025. The asset assessment guidance has already been available for LGUs to use. For more information, see [Section 7.X.X](#) of this report for more information.

Long-Term Viability Plan. Discussions also began related to the long-term viability plan (LTVP), which incorporates both the Long-Term Action Plan (LTAP) and the Long-Term Financial Management Plan. This plan would provide a path to viability for distressed LGUs. See [Section 7.X.X](#) of this report for more information.

2.1.3 Other State Water Infrastructure Authority Activities

Along with awarding funding to projects and implementing the VU program, SWIA continued working on other activities related to funding, presenting legislative requests, and hearing from technical assistance providers and LGUs. The paragraphs below describe these activities.

Priority Rating System Approvals. Annually, SWIA and DWI staff review the PRSs associated with all funding programs and make changes based upon DWI recommendations. At its February 19, 2025, meeting, DWI staff presented recommendations to modify the drinking water, wastewater, and CDBG-I PRSs in terms of resilience. The resilience line items were consolidated and revised to better incorporate resilience related to floodplains. Part of the old resilience line item was moved to its own line item. A new line item was also added to the System Management Category to reward LGUs that plan for resilience within their communities.

As a result of the impacts to the western part of the state from Hurricane Helene, DWI has received more funding via the Supplemental Appropriations for Helene and Milton and Hawai'i Wildfires (SA-HMW). Division staff developed and presented PRSs for this program related to drinking water, wastewater, and decentralized wastewater treatment systems (DWTS). At its April 16-17, 2025, meeting, SWIA approved these PRSs to go to public comment. Public comments were received in the May-June timeframe of 2025, and the final PRSs will be approved in July 2025, which is beyond the scope of this report.

To prepare for the potential need to use the State Revolving Funds to provide emergency loan funding in the future, SWIA approved DWI's recommendation that the SRF Intended Use Plans state that emergency loan funding requests can be accepted at any time by the Division and presented to SWIA for an award. Funding for SRF emergency loans will be prioritized by SWIA outside of the regular application review cycles.

Legislative Requests. At the December 10, 2025, SWIA meeting, Division staff presented a legislative request to modify G.S. 159G-36(4-5) to increase the funding limits for AIA and MRF grants funded from the SRP. The State Water Infrastructure Authority voted to increase the AIA funding limits to \$225,000 per system type every three years and the MRF funding limits to \$75,000 each year, provided recipients continue to make progress on a merger or regionalization.

At its April 16-17, 2025, meeting, SWIA approved a legislative request to modify the VUR eligibility language [G.S. 159-G-32(d)(5)] to include debt relief where a long-term viability plan recommended such relief. See [Section 7.X.X](#) of this report for more information.

Hurricane Helene Engagement. At its December 2024 meeting, SWIA was informed by DWI staff and a number of other agencies regarding Hurricane Helene-related impacts to water, wastewater, and DWTS infrastructure in the western part of the state. Presentations included information related to the Federal Emergency Management Agency's (FEMA's) Public Assistance program, the activities of the North Carolina Office of Recovery and Resiliency (NCORR), and the work of the North Carolina Water/Wastewater Agency Response Network (NC WaterWARN).

Onsite Septic System Consultation. Division of Water Infrastructure staff also shared information on work related to onsite septic system funding. This included an update regarding the Pilot Program and a septic system consultation that occurred on November 6, 2024.

Master Plan Update Underway. Division staff also began the process of updating North Carolina's Statewide Water and Wastewater Master Plan, which was first released in 2017. The Master Plan Update Committee (MPUC) held meetings on October 30, 2024, March 19, 2025, and June 26, 2025. By the end of the fiscal year, the MPUC had developed a workable outline for use when drafting the update.

Engagement with Local Government Units and Technical Assistance Providers. As part of their meetings through FY 2024-2025, SWIA had the opportunity to hear from LGUs, technical assistance providers, and industry experts about activities within their agencies. The paragraphs below summarize the presentations of each of these agencies.

UNC Environmental Finance Center (UNC-EFC). At its September 24, 2024, meeting, SWIA heard from Dr.



SCHOOL OF GOVERNMENT
Environmental Finance Center

A.R. El-Khattabi regarding an analysis the UNC-EFC conducted on applications received by DWI and awarded by SWIA. Overall, distressed LGUs are applying for projects that would make their systems more viable, and distressed LGUs claimed points more successfully after 2021. New applicants make up almost 40 percent of all applications for each funding round and are claiming points as successfully as more experienced applicants. Approximately 35 percent of applicants attend training themselves, but consultants comprise most of the attendance. Applicants and/or firms that had not attended training recently fared worse than those who did, though the differences were not statistically significant.

Public Water Supply Section. Mr. Andrew Jarman of the Public Water Supply Section gave a presentation on the status of the LSL inventory program in North Carolina. Lead Service Line Inventories were due on October 16, 2024. Most public water systems had submitted their inventories by the time of the presentation. Approximately 22 percent, 0.34 percent, and 0.01 percent reported statuses of unknown, galvanized, or lead, respectively. Public water supply systems will now



have to comply with a November 1, 2027 date that was published in the Federal Register for the Lead and Copper Rule Improvements (LCRI).

Construction Cost Increases. At its April 16-17, 2025, meeting, Mr. Kim Colson of HDR Incorporated addressed SWIA regarding increases in construction costs in the water and wastewater industry. Overall, several factors can impact construction costs, including potential tariffs, changing economic outlooks, inflation, prices, supply chain issues, and workforce issues. However, the water and wastewater sector remains strong, and for larger, more complex projects, delivery methods are shifting to accommodate changes in construction costs.

Town of Parmele. Mr. Rich Moore, consultant for the Town of Parmele, presented information about the Town. Parmele is a small town (population 246) and has 146 water and sewer connections. Poverty is high at 29.4 percent. Water and sewer bills total \$103.80 for 5,000 gallons of water. Its water system was built in 1977 and faces issues related to aging infrastructure. The sewer system was installed in the late 2000s, and the Town pumps the sewer to the Town of Robersonville for treatment. The Town recently extended sewer service to areas beyond the Town limits to take failing septic systems offline. The Town's limited customer base makes maintaining independent water and sewer systems a challenge.



Town of Edenton. Mr. Corey Gooden, Town Manager and SWIA member, presented on work related to an AIA completed for its water distribution system and advanced meter reading technology. The Town has four AIA grants with DWI. One for the water system is complete, and the other water AIA is in process. Both sewer AIAs are in process. The Town has also developed best management practices (BMPs) to provide daily oversight of their systems. Combined with the AIAs, these BMPs are enabling Town staff to better manage their systems.



Town of Maysville. Mr. Schumata Brown from the Town of Maysville also presented. Maysville has had a steady population of approximately 1,000 over the past 20 years. When Mr. Brown took over as Town Manager in 2016, the Town was struggling and was designated as distressed in 2021. Infrastructure needs in the Town are approximately \$6 million. The Town has sought funding to address these issues and has also engaged in the VUP, including initial training and education as well as continuing education.



2.2 Challenges Identified by the State Water Infrastructure Authority

In FY 2024-2025, SWIA identified six challenges for focus: (1) enhancing access to funding for economically disadvantaged areas; (2) funding dedicated to LSL inventory and replacement; (3) funding dedicated to emerging contaminants; (4) working with LGUs to gain economies of scale; (5) funding distressed LGUs; and (6) funding repair, replacement, and resilience associated with Hurricane Helene.

Challenges Identified by SWIA & Solutions Implemented

- Challenge: Enhance access to funding for economically disadvantaged communities – Solutions: line items developed for PRSs and funding awards to these disadvantaged areas tracked.
- Challenge: Funding dedicated to LSL inventory & replacement – Solution: SWIA awarded funding at five meetings.
- Challenge: Funding dedicated to emerging contaminants – Solutions: SWIA awarded funding at three meetings and began awarding EC study funds on a rolling basis.
- Challenge: Funding distressed LGUs – Solution: SWIA continues funding distressed LGUs beyond VUR funding and tracks awards made.
- Challenge: Addressing impacts related to Hurricane Helene – Solutions: SWIA approved PRSs for the SRF SA-HMW funds for public review. DWI staff began tracking all projects from December 2024 onward that are in Helene-impacted counties.

2.2.1 Enhancing Access to Funding for Economically Disadvantaged Areas

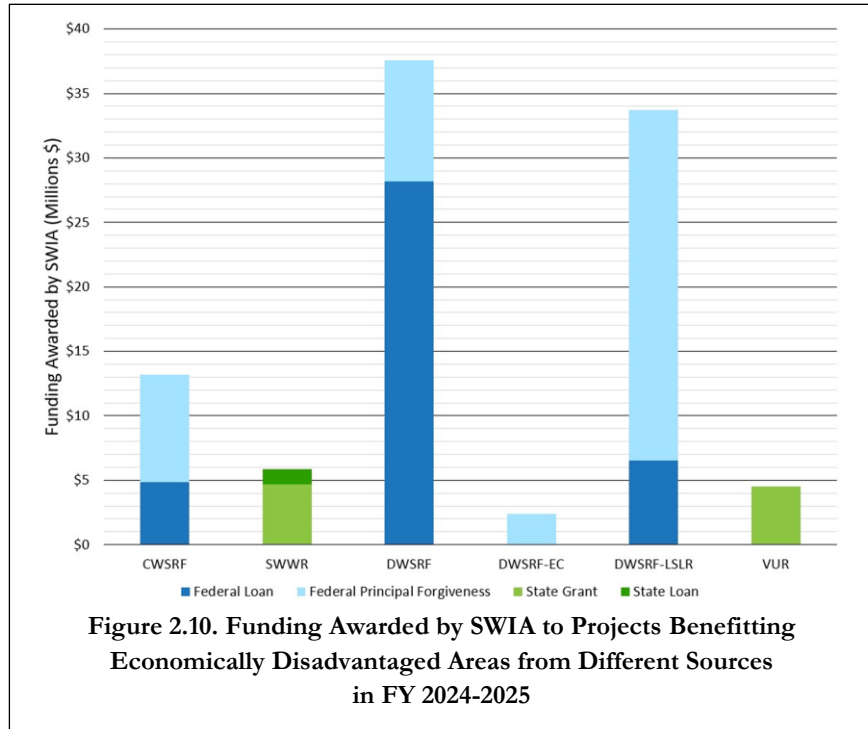
The Department of Environmental Quality recognizes the need to provide access to funding for infrastructure projects in disadvantaged areas. Disadvantaged areas are locations that are economically distressed communities on a smaller scale than an LGU. A few states, including North Carolina, have recognized that while some LGUs do not qualify as disadvantaged communities when assessed as a whole, many have disadvantaged areas within their boundaries where residents face similar affordability and access-to-service challenges as others in LGUs that qualify as disadvantaged communities.

In FY 2022-2023, SWIA approved a revised PRS for construction projects (CWSRF, DWSRF, SRP, and VUR)⁸ to include line items for these disadvantaged areas, which have been used in FY 2024-2025 funding rounds. Line Item 1.E, in the Project Purpose category, enables applicants to claim points for projects that provide service to disadvantaged areas. Line Item 4.C.4, in the Affordability category, allows applicants to claim points for projects that address issues in a disadvantaged area within an LGU that might not be disadvantaged. Additionally, the line items within this category provide more points for economic distress.

⁸ By its nature, the CDBG-I program funds projects that exclusively benefit low-to-moderate income households.

In FY 2023-2024, DWI began tracking funding to disadvantaged areas based upon those who received points for Line Items 1.E and 4.C.4. In FY 2024-2025, SWIA awarded \$97.3 million in funding (17.9 percent of all funding) to projects that address infrastructure in economically disadvantaged areas. Of this funding \$39.6 million (40.7 percent), \$47.2 million (48.6 percent), \$1.2 million (1.2 percent), and \$9.2 million (9.5 percent) were loans, PF, state loans, and state grants, respectively.

Figure 2.10 shows the distribution of funding to disadvantaged areas.



2.2.2 Funding Dedicated to Lead Service Line Inventory and Replacement

Long before Flint, Michigan's water crisis, LSLs have been an issue that environmental agencies across the country, including the U.S. Environmental Protection Agency (USEPA), have needed to address. Part of IIJA specifically appropriated SRF program funds with additional subsidies to address LSL inventorying and LSLR. Coincidentally, the revised Lead and Copper Rule revisions required all public water systems to identify and inventory LSLs by October 2024. The Lead and Copper Rule improvements (LCRI) require completion of all inventories within three years of implementation date. IIJA funding can be used to assist public water systems to achieve this regulatory requirement and to replace known LSLs.

During FY 2024-2025, SWIA continued awarding DWSRF-LSLR funds at its July, September, December, February, and April meetings, with deadlines in June, August, November, January, and March, respectively.⁹ Table 2.1 shows the awards made at each meeting. See Figure 2.5 for the percentages awarded within the program.

⁹ These deadlines were for review purposes only, to enable DWI staff to conduct a review of applications received in time for SWIA meetings.

Table 2.1. Funding from the IIJA Drinking Water State Revolving Fund Lead Service Line Replacement Program

Meeting Date	Project Type			Total
	LSL Replacement	LSL Find & Replace	LSL Inventory	
July 16, 2024	\$8,245,000	\$7,222,700	\$5,746,740	\$21,214,440
September 24, 2024	\$5,993,844	\$4,000,000	\$2,177,415	\$12,171,259
December 6, 2024	\$0	\$6,500,000	\$7,686,474	\$14,186,474
February 19, 2025	\$9,573,900	\$7,742,100	\$7,925,954	\$25,241,954
April 16-17, 2025	\$5,000,000	\$5,129,110	\$0	\$10,129,110
Total	\$28,812,744	\$30,593,910	\$23,536,583	\$82,943,237

2.2.3 Funding Dedicated to Addressing Emerging Contaminants

Emerging contaminants have been an issue of increasing concern across the country, especially in North Carolina where GenX and other PFAS compounds have been a concern for the past several years. IIJA provides funding in the form of additional subsidies, through the SRF programs, to address this issue. In June 2022, USEPA revised Health Advisory Levels for four ECs, significantly lowering the thresholds at which ECs are deemed to be a concern. In March 2023, USEPA released proposed maximum contaminant levels (MCLs) for two PFAS compounds and a Hazard Index (HI) for a combination of four other PFAS compounds. In April 2024, USEPA promulgated MCLs and HIs for six PFAS compounds.

In FY 2024-2025, DWI implemented a rolling application system, similar to the one used in the DWSRF-LSLR program, for EC studies while DWI continued application intake for EC construction projects on a semiannual basis. The rolling applications began with the December 2024 SWIA meeting. All funding awarded for the CWSRF-EC and DWSRF-EC is 100 percent PF. In addition, funding from the DWSRF, CWSRF, SRP, and CDBG-I can be used to address PFAS contamination.

DWI offered \$XX.X million from the remaining FFY 2022-2023 allotment and all of the FY 2023-2024 allotments during FY 2024-2025. DWI staff also allotted a portion of the \$XX.X million for PFAS study grants. Fifty percent of the EC funding for the DWSRF-EC is reserved for PFAS evaluation and assessment studies if there is sufficient demand. For the CWSRF-EC, DWI offered the remains of the FY 2023-2024 allotment (\$X.X million), which SWIA awarded in July 2024 and February 2025. Table 2.2 shows the EC funding awarded by SWIA in FY 2024-2025.

Table 2.2. CWSRF and DWSRF IIJA Emerging Contaminants Funding Awarded in FY 2024-2025

Meeting Date	Project Type				Total
	CWSRF-EC Study	CWSRF-EC Construction	DWSRF-EC Study	DWSRF-EC Construction	
July 16, 2024	\$0	\$0	\$2,000,000	\$18,607,440	\$20,607,440
September 24, 2024					\$0
December 10, 2024	\$0		\$1,500,000		\$1,500,000
February 19, 2025	\$500,000	\$1,919,000	\$1,392,495	\$5,000,000	\$8,811,495
April 16-17, 2025	\$0		\$0		\$0
Total	\$500,000	\$1,919,000	\$4,892,495	\$23,607,440	\$30,918,935

2.2.4 Funding Distressed Local Government Units

In 2020, the NCGA passed S.L. 2020-29, creating the VU program, including a framework for designation of LGUs as Distressed and the establishment of the VUR. LGUs designated as Distressed face significant financial challenges in addressing all of their infrastructure needs and in implementing planning programs and infrastructure projects to ensure the long-term viability of their drinking water and wastewater systems.

While the number of distressed LGUs continues to grow, the post-ARPA funding for distressed utilities, particularly in the VUR, continues to be significantly less than what it has been. The distressed LGUs must complete statutory requirements such as developing an asset inventory, which requires funding. DWI staff continue to work with these LGUs by providing guidance, including review of draft applications in preparation for submittals.

Since 2021, SWIA and the LGC have awarded funds from the VUR to LGUs they have designated as distressed (See Section X.X for more detail about the VU program). Applicants who have been designated as distressed could apply for funding from the VUR as well as other programs. In FY 2024-2025, SWIA awarded \$114.7 million (21.1 percent) of all construction funding to distressed LGUs. Of that funding, \$49.4 million (43.1 percent), \$24.6 million (21.4 percent), \$17.8 million (15.5

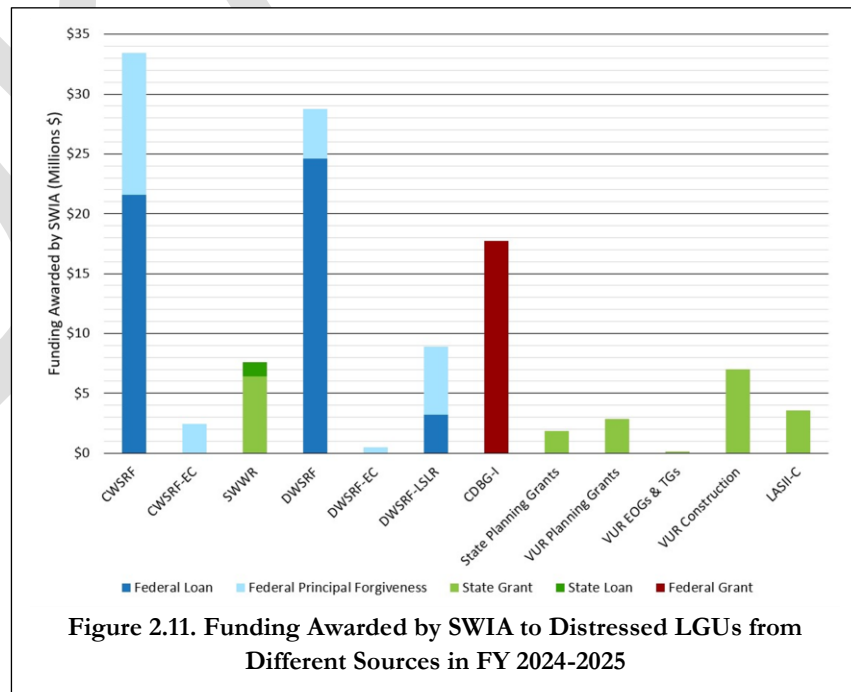


Figure 2.11. Funding Awarded by SWIA to Distressed LGUs from Different Sources in FY 2024-2025

percent), \$1.2 million (1.0 percent), and \$21.8 million (19.0 percent) were awarded as loans, PF, federal grants, state loans, and state grants, respectively. Figure 2.11 shows the distribution of the funding across the funding programs. Figure 2.8 in Section 2.1.2 shows the distribution of planning grant funding. Overall, SWIA awarded \$2,823,682, \$0, \$4,000, and \$100,000 in VUR AIA, MRF, TG, and EOG funds, respectively. For VUR construction funding (\$7,026,318), \$2,152,647 (30.6 percent) was awarded to wastewater projects and \$4,873,671 (69.4 percent) to drinking water projects.

During FY 2023-2024, SWIA considered options and took action to limit access to future VUR programs to distressed LGUs that are current or making progress on their statutory requirements under the VU program, and to fund only projects that result from planning activities that would help the LGU achieve or enhance the viability of its water and/or wastewater service. For the Fall 2024 funding round, DWI required a VUR eligibility form that helped staff determine the eligibility of an application based on these goals.

2.2.5 Addressing Impacts Related to Hurricane Helene

In September 2024, Hurricane Helene swept across western North Carolina and devastated many communities across that part of the state, including their water and wastewater systems. This included more than 300 active projects funded by DWI. In December 2024, SWIA heard from LGUs who had assisted with efforts to address these impacts as well as government agencies and technical assistance providers who have worked in that region since the hurricane.

In March 2025, the USEPA released the SA-HMW funds, and DWI staff proposed a PRS for these funds. SWIA approved the draft PRS, which will go through a public comment period in May/June of 2025. SWIA anticipates approving the final PRS at its July 2025 meeting, which is beyond the scope of this annual report. DWI staff are also preparing project solicitation forms, applications, and other materials to receive funding applications for this program in Summer 2025.

Also, beginning with the December 2024 LSLR and EC study grant rounds, DWI staff have been tracking which projects fall within the Helene-Impacted counties, regardless of funding source.

2.3 Next Steps

As shown in previous sections of this chapter, SWIA has begun several tasks that will continue into FY 2025-2026. This section discusses the steps that will be taken in the coming fiscal year.

Next Steps for SWIA in FY 2025-2026

- Make funding decisions and approve updates to 2026's Priority Rating Systems to use for application intake, including projects related to emerging contaminants and lead service line replacement.
- Approve final Priority Rating Systems and make funding decisions for the State Revolving Fund Supplemental Appropriation for Hurricanes Helene and Milton and Hawai'i Wildfires funding.
- Conduct assessment of local government units using revised Criterion 3 Assessment Criteria.
- Update North Carolina's Statewide Water and Wastewater Infrastructure Master Plan.

2.3.1 Funding Decisions and Application Intake for Construction and Planning Projects, including Projects that Address Emerging Contaminants and Lead Service Line Replacement

On April 30, 2025, DWI staff completed application intake for its water and wastewater construction programs. SWIA will make awards for these applications at its July 16, 2024, meeting. Funding will come from the CWSRF, CWSRF-EC, DWSRF, DWSRF-EC, and DWSRF-LSLR programs, including the base and General Supplemental SRFs. On September 30, 2025, DWI staff will complete Fall 2025 application intake and review applications utilizing the PRSs approved by SWIA at its April 16-17, 2025, meeting. SWIA will make these awards from its planning and construction programs at its February 2026 meeting.¹⁰

It is anticipated that SWIA will review the construction and planning PRSs and update them as needed ahead of the Fall 2026 application funding round.

2.3.2 Funding Decisions and Application Intake for State Revolving Fund Supplemental Appropriation for Hurricanes Helene and Milton and Hawai'i Wildfires

At its April 16-17, 2025, meeting, SWIA approved the draft SA-HMW PRSs for public review. DWI staff anticipate presenting the final PRSs at SWIA's July 16, 2025, meeting. If approved, staff would begin taking applications in August 2025, with plans to award funds on a rolling basis, similar to the DWSRF-LSLR and EC study programs. DWI anticipates presenting the first round of awards, which may be based only on solicitations received between May 2025 and July 2025,

¹⁰ Awards from the VUR and LASII are dependent upon appropriations from the NCGA.

to SWIA at its September 17, 2025, meeting, with additional applications presented at regularly scheduled meetings in December 2025, February 2025, and April 2025.

2.3.3 Conduct Assessment of Local Government Units Using Revised Criterion 3 Assessment Criteria

As part of its February 19, 2025, meeting, SWIA approved revisions to the Criterion 3 Assessment Criteria. Due to the shift in review cycle from spring/summer to summer/fall, DWI staff will present any proposed new designations either at the September 2025 or December 2025 SWIA meeting. The analysis for these designations will occur utilizing the changes approved by SWIA.

2.3.4 Update of Master Plan

The previous master plan, entitled “North Carolina’s Statewide Water and Wastewater Infrastructure Master Plan: The Road to Viability” (the Master Plan), was approved by SWIA in 2017. Since then, the utility management and funding landscape has changed and the SWIA Chair convened the Master Plan Update Committee (MPUC) to begin work on updates to the Master Plan. SWIA anticipates completing the plan and releasing it during FY 2025-2026.

2.4 Recommendations

As part of this annual report, SWIA makes recommendations to the NCGA regarding matters it considers crucial for effective utility management across North Carolina. This section discusses the recommendations SWIA believes will improve funding and viability for water and wastewater systems across the state.

2.4.1 Continue Funding of the Community Development Block Grant – Infrastructure Program

Division staff have implemented the CDBG-I program since the NCGA designated a portion of the Community Development Block Grant (CDBG) to the state for infrastructure. Figure 2.12 shows the historic funding related to the CDBG-Infrastructure (CDBG-I) program since

DWI began administering funds. As shown, funding has varied widely over the years, including a substantial one-year drop in FY 2020-2021, most likely related to American Rescue Plan Act (ARPA) funding devoted to infrastructure that arrived at the beginning of 2022. Funding levels rebounded in FY 2022 (see Figure 2.12).

These funds place projects in low-to-moderate income (LMI) areas of municipalities and counties across the state, directly benefitting residents within these areas. In the past few years, funding has dropped for this program, impacting the ability of municipalities and counties to serve their citizens by providing safe drinking water and safe methods to dispose of wastewater. SWIA recommends that the NCGA continue to fund the CDBG-I program to the maximum extent possible.

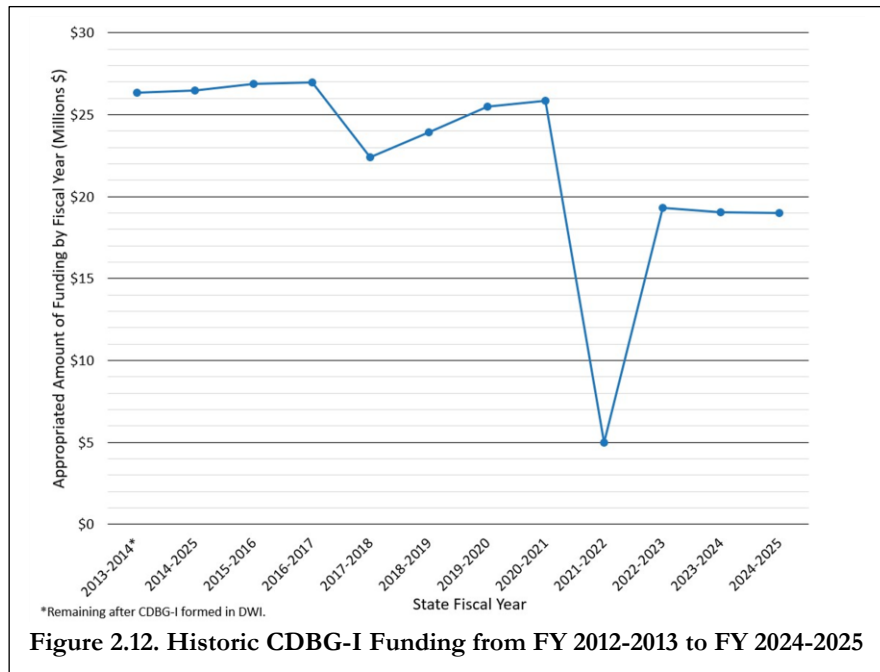


Figure 2.12. Historic CDBG-I Funding from FY 2012-2013 to FY 2024-2025

SWA recommends that the NCGA continue to fund the CDBG-I program to the maximum extent possible.

2.4.2 Provide a Recurring Source of Funding for the Viable Utility Reserve

Since the inception of the VU program in 2020, 151 LGUs (XX percent) are designated as distressed. This number is expected to increase somewhat with the upcoming recommendations for distressed status.¹¹ When LGUs are designated as distressed, they must complete a set of five criteria: (1) complete BUMF training (initial viable utilities education); (2) complete a rate study and asset assessment; (3) complete a short-term action plan; (4) complete a long-term action plan; and (5) complete a long-term financial plan.¹² The end goal of this program is not only to move distressed LGUs more toward viability but also to assist the LGU in creating construction projects that will help achieve the end goal. Fulfilling the statutory requirements found in G.S. 159G-45(b) is mandatory and

¹¹ This recommendation will take place either at the September 2025 or December 2025 SWIA meeting, which is beyond the scope of this report.

¹² The long-term action plan and long-term financial plan are wrapped into a single document called the long-term viability plan.

requires funding, as do construction projects that will benefit the LGUs. In S.L. 2023-134, only \$10 million in non-recurring funds for the biennium were allotted for both planning projects and construction projects. At its meetings on July 16, 2024, and February 19, 2025, SWIA awarded all VUR funding, and no additional funding from direct appropriations is currently available, except for a small amount saved for Emergency Operating Grants and a small Training Grant Reserve. With the average cost of a project at over \$5 million, the only sources of funding now available to distressed LGUs include loans, which may be difficult or impossible for a distressed LGU to receive.

Since nearly 30 percent of the LGUs are designated as distressed, and with that number expected to grow, the need for funding remains constant and needs to increase to better serve the citizens of North Carolina. SWIA recommends that the NCGA provide a recurring source of funding to the VUR of at least \$50 million per year.

SWIA recommends that the NCGA provide a recurring source of funding for the Viable Utilities Reserve of at least \$50 million per year.

2.4.3 Continue Funding Local Assistance for Stormwater Infrastructure Investment

In SL 2023-134, the NCGA provided the LASII program with \$16,169,851 in funding over the biennium. For its Spring 2024 round, DWI accepted applications for stormwater construction projects only and awarded the remaining construction funds (\$12,902,383) at its July 16, 2024, meeting. No additional LASII funds from SL 2023-134 remain. The information in Table 2.3, which is identical to what was presented in the FY 2023-2024 annual report, shows the funding requested and funding awarded through four rounds of LASII funding. This funding met only 28 percent of the demand for funding, based on applications received.

Table 2.3. LASII Funding Awards (February 2023 through July 2024)

Award Month	February 2023	July 2023	February 2024	July 2024
Funding Requested – SW-Planning ^a	\$23,905,235	\$11,718,900	\$5,908,000	Funding not available
Funding Awarded – SW-Planning	\$20,065,335	\$6,354,000	\$2,945,000	Funding not available
% Requested Funds Awarded – SW-Planning	84%	54%	50%	Funding not available
Funding Requested – SW-Construction	\$219,720,193	LASII Funds Expended	Funds Not Offered	\$88,599,413
Funding Awarded – SW-Construction	\$55,646,375	LASII Funds Expended	Funds Not Offered	\$12,982,203
% Requested Funds Awarded – SW-Construction	25%	LASII Funds Expended	Funds Not Offered	14.5%

Table 2.3. LASII Funding Awards (February 2023 through July 2024)

Award Month	February 2023	July 2023	February 2024	July 2024
Total LASII Funding Requested	\$243,625,428	\$11,718,900	\$5,908,000	\$88,599,413
Total LASII Funding Awarded	\$75,711,710	\$6,354,000	\$2,945,000	\$12,982,203
% Requested Funds Awarded – LASII	31.1%	54.2%	49.5%	14.5%

^aSW-P = Stormwater planning

^bSW-C = Stormwater construction

The LASII program has played a vital role in providing stormwater funding for those communities who would experience significant hardship in generating funding themselves (SL 2021-1800). Such funding can provide the assistance needed to construct and rehabilitate stormwater infrastructure. These actions will reduce the water quantity and quality problems many communities without functioning stormwater experience.

As shown in the table, requests for LASII stormwater funding have far exceeded availability. Needs estimated from the UNC-EFC's Stormwater Needs Assessment for FY 2020 through FY 2034, which reviewed capital improvement plans (CIPs) of LGUs within the state, show a need exceeding \$2.76 billion over the next several years.¹³

Additionally, the LASII funding in SL 2023-134 is non-recurring. Due to the needs discussed above, SWIA recommends that the NCGA provide on a recurring basis LASII funding of at least \$25 million a year.

SWIA recommends that the NCGA provide on a recurring basis LASII funding of at least \$25 million a year.

2.4.4 Modify State Statutes per State Water Infrastructure Authority Approvals

During FY 2024-2025, DWI staff presented to SWIA at their December and April meetings two proposals to modify State statute to better enable DWI staff to implement funding to address challenges within LGUs. At both meetings, SWIA approved these actions.

First, DWI staff have realized the necessity of increasing AIA grants to enable completion of asset inventories for LGUs that apply for them and for merger/regionalization studies that tend to take longer and require more funding. These limits found in G.S. 159G-36(c)(5)

SWIA recommends that the North Carolina General Assembly modify N.C.G.S. 159G-32(d)(5) and N.C.G.S. 159G-36(c)(4)-(5) as discussed in this report.

¹³ <https://efc.sog.unc.edu/resource/pilot-north-carolina-stormwater-needs-assessment/>

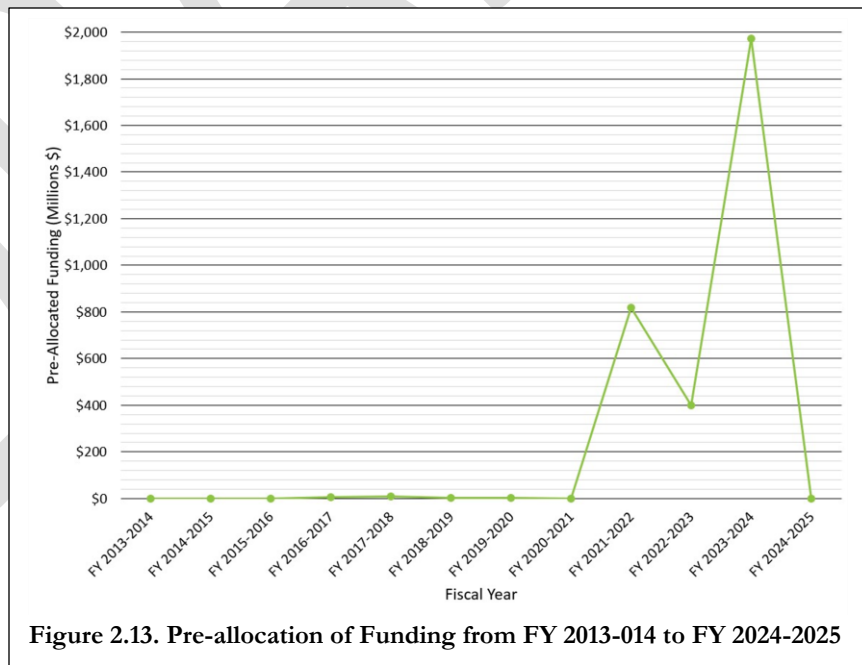
for AIAs and G.S. 159G-36(c)(4) for merger/regionalization studies were set when these programs were created in 2016 and were \$150,000 per project type (e.g., drinking water or wastewater) per applicant every three fiscal years and \$50,000 per project type (e.g., drinking water or wastewater) per applicant every three years. At the December 10, 2024, SWIA meeting, DWI staff presented this information, and SWIA approved the following modifications:

- For AIAs, SWIA voted for the funding limit to increase from \$150,000 per applicant per project type every three years to \$225,000 per applicant per project type every three years.
- For MRFs, SWIA voted for the funding limit to increase from \$50,000 per applicant per project type every three years to \$75,000 per applicant every year, pending demonstration of progress, as determined by staff.

Second, DWI staff determined that, for LGUs that are designated distressed, legacy debt incurred in the past may create potential barriers for a merger/regionalization to go forward. Staff presented this information to SWIA at their April 16-17, 2025, meeting and proposed to modify G.S. 159G-32(d)(5), which discusses other uses of VUR funds. These uses would enable LGUs to decrease utility costs, which could include legacy debt, as deemed feasible and as identified in an LTVP. SWIA members unanimously approved this action.

2.4.5 Limit the Pre-allocation of Project Funding

Between FY 2021-2022 and FY 2023-2024, the NCGA pre-allocated funding for water and wastewater utilities. When ARPA was signed into law, the NCGA determined how the funding would be allocated and pre-allocated \$819,703,286 and \$399,151,655 in FY 2021-2022 and FY 2022-2023 in direct appropriations to LGUs. In the 2023 long session, the NCGA appropriated for FY 2023-2024 an additional \$1,973,930,149 in pre-



allocated funding to LGUs (see Figure 2.13). Had this pre-allocated amount been placed in the competitive portion of the SDWR, SWWR, or VUR, SWIA could have funded most, but still not all

of, the applications submitted for funding in FY 2024-2025. This includes LGUs designated as distressed, all of which have large infrastructure needs. Even if pre-allocated funding had been available for competitive award, approximately \$2.4 billion in projects would not have been funded. Note that while no additional pre-allocated funding was provided during FY 2024-2025, the amount pre-allocated by SL 2023-134 is a historic amount.

As currently estimated by the USEPA's Drinking Water Needs Survey (DWNS) and Clean Water Needs Survey (CWNS), the amount of North Carolina's drinking water infrastructure needs **exceeds \$41 billion in North Carolina**. North Carolina's drinking water infrastructure needs are estimated at \$20.0 billion over twenty years.¹⁴ In addition, North Carolina's wastewater infrastructure needs are estimated at \$21.136 billion, including \$12.548 billion for wastewater treatment and collection, \$2.142

SWIA recommends that the NCGA limit pre-allocation of water, wastewater, and stormwater funding to increase available funding for *all* local governments.

billion for stormwater, \$1.201 billion for nonpoint source control, and \$5.16 billion for decentralized wastewater treatment systems.¹⁵ As shown, the need for infrastructure funding will grow over time, and pre-allocations without coordinated planning with asset assessments and capital improvement plans at best short-circuit the ability of systems to construct appropriate projects or at worst have the potential to shut out those who need funding the most. SWIA recommends that the NCGA appropriate funding to the VUR, SDWR, SWWR, VUR, and LASII, to be awarded through competitive applications following prioritization as established in NCGS 195G. Limiting the amounts made available for pre-allocation (i.e., direct appropriations of specific local government projects) would increase the amount made available for all local government applications.

¹⁴ <https://www.epa.gov/dwsrf/epas-7th-drinking-water-infrastructure-needs-survey-and-assessment#:~:text=The%20survey%20determined%20that%20drinking,cities%2C%20towns%2C%20and%20communities>

¹⁵ <https://www.epa.gov/system/files/documents/2024-05/2022-cwns-report-to-congress.pdf>