

**State Water Infrastructure Authority**  
**Meeting Date: December 10, 2025**  
**Agenda Item F – Funding Awards for Drinking Water State Revolving Fund Lead Service Line Replacement**

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**Division of Water Infrastructure Staff Report**

This report presents a preliminary funding scenario proposed for consideration by the North Carolina 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 December 10 meeting. This staff report represents applications received as of November 3, 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 FY 2024 DWSRF-LSLR allotment is \$76,201,000. No state match is required for this funding. A portion of the allotment, up to 26 percent (\$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 will be approved by the Authority at its December 10, 2025, meeting and 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 funding awarded at the Authority meetings in the year 2025 and funding that remains available for award. Note that more funds may be awarded at any Authority meeting than what is presented in the table.

<b>Table 1. FY 2024<sup>1</sup> IJIA DWSRF-LSLR Funds Awarded and Available by Funding Round</b>			
<b>SWIA Meeting Award Date</b>	<b>Principal Forgiveness (PF) Available or Awarded</b>	<b>No-interest Loan Available or Awarded</b>	<b>Total Available or Awarded (includes PF)</b>
February 19, 2025	\$0	\$5,360,560	\$5,360,560
April 16-17, 2025	\$1,129,110	\$9,000,000	\$10,129,110
July 16, 2025	\$12,374,300	\$2,000,000	\$14,374,300
September 17, 2025	\$11,186,000	\$3,343,100	\$14,529,100
Est. available for December 2025	\$6,689,672	\$8,465,915	\$15,155,587
Est. available for future awards	\$6,689,671 + TBD <sup>2</sup>	\$8,465,915 + TBD <sup>2</sup>	\$15,155,586 + TBD <sup>2</sup>

<sup>1</sup> Additional funds to be awarded may be added to FY 2024 funds due to declinations of previous awards.

<sup>2</sup> To be determined based on remaining availability of FY 2024 funds after September 2025 awards. It will be supplemented with additional funding from FY 2025 funds if demand exceeds availability of FY 2024 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 indicated 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.

### **Principal Forgiveness**

The following steps are 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 are applied to all projects eligible for PF to either fully fund the projects or up to the applicable funding cap.

2. In accordance with the IUP, if additional PF funds remains available after all projects are awarded PF up to the respective percent PF eligibility, then 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. Due to the availability of PF funds for this round, all projects eligible for PF would be provided with additional ten-percent PF increments, up to 100 percent.

### **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 November 3, 2025, divided by project type.

<b>Table 2. Summary of Project Applications Considered</b>				
	<b>Replace Known LSLs</b>	<b>Find and Replace</b>	<b>Inventory</b>	<b>Total</b>
Applications Received	2	2	7	<b>11</b>
Applications Reconsidered from previous Round	0	0	0	<b>0</b>
<b>Funding Requested</b>	<b>\$3,069,100</b>	<b>\$3,999,800</b>	<b>\$4,243,500</b>	<b>\$11,312,400</b>

### **Proposed Funding Scenario for the DWSRF-LSLR Program**

In the preliminary funding scenario presented, ten of the 11 new funding applications received by November 3, 2025, are proposed for funding. No applications had to be reconsidered from the previous funding round.

One new application, the *Town of Dallas Lead and Copper Service Replacement*, is not included in the proposed funding scenario because it is a duplicate of a previous application that was awarded funding in full at the September 17, 2025, meeting of the Authority. No additional funds were needed by the Applicant.

All projects included in the proposed funding scenario would be fully funded. No project would be partially funded.

Six project applications qualify for PF. Due to the availability of PF funds, additional PF could be awarded to these applications following the procedures listed above, and all six projects are included in the proposed funding scenario to receive 100-percent PF funding awards.

In the proposed funding scenario, a total of \$9,119,300 would be awarded, \$5,507,500 of which would be in PF and \$3,611,800 in zero-percent interest loans. Table 3 below summarizes the proposed preliminary funding scenario.

<b>Table 3. Proposed Funding Scenario for December 10, 2025, Awards</b>					
<b>Funding Application Projects</b>	<b>Eligible Applications Considered</b>	<b>Funded Applications in Scenario</b>	<b>Proposed Principal Forgiveness</b>	<b>Proposed Zero-interest Loan</b>	<b>Proposed Total Funding</b>
Replacement Projects	2	1	\$876,000	\$0	\$876,000
Find-and-Replace Projects	2	2	\$2,000,000	\$1,999,800	\$3,999,800
Inventory-only Projects	7	7	\$2,631,500	\$1,612,000	\$4,243,500
<b>Total</b>	<b>11</b>	<b>10</b>	<b>\$5,507,500</b>	<b>\$3,611,800</b>	<b>\$9,119,300</b>

**Project-Specific Notes for Applications in the Proposed Funding Scenario**

- The Inventory Reserve amount of \$7,577,793 (i.e., 50 percent of the total available funds for this round) was not met for this round. 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.
- Two funding applications were received from local government units designated as Distressed, the Town of Pink Hill and the Town of Micro. Both applications are included in the proposed funding scenario to be fully funded with a 100-percent PF award.

Table 4 on the next page summarizes the funds available for this round, the proposed funding scenario recommended for awards at the December 10, 2025, meeting, and how the recommendation will impact future funding awards.

<b>Table 4. FY2024 IIJA DWSRF-LSLR Funds Available for Future Funding Rounds</b>			
	<b>Principal Forgiveness</b>	<b>No-interest Loan</b>	<b>Total</b>
FY2024 funds and funds from declinations of previous awards available for awards	\$13,379,343	\$16,931,830	\$30,311,173
Estimated minimum funds available for December 2025 awards	\$6,689,672	\$8,465,915	\$15,155,587
Proposed awards for December 2025	\$5,507,500	\$3,611,800	\$9,119,300
Est. funds available for future awards after proposed December 2025 awards	\$7,871,843 + TBD <sup>1</sup>	\$13,320,030 + TBD <sup>1</sup>	\$21,191,873 + TBD <sup>1</sup>

<sup>1</sup>Additional funds from the IIJA DWSRF-LSLR FY2025 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 F-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 US EPA.

**Table 5. December 2025 DWSRF-LSLR Proposed Funding Scenario**

<b>App. No.</b>	<b>Applicant Name</b>	<b>County</b>	<b>Project Name</b>	<b>Project Type</b>	<b>Amount of Funding Requested</b>	<b>Proposed Principal Forgiveness</b>	<b>Proposed Zero-Interest Loan</b>	<b>Proposed Unfunded</b>
1	Town of Pink Hill	Lenoir	Lead and Copper Service Line Inventory	Inventory	\$342,100	\$342,100	\$0	\$0
2	Town of Wallace	Duplin Pender	LSL Find and Replace Project	Find and Replace	\$1,999,800	\$0	\$1,999,800	\$0
3	Town of Dallas	Gaston	Lead and Copper Service Replacement	Replacement	\$2,193,100	\$0	\$0	\$2,193,100
4	City of Winston-Salem	Forsyth	LSL Replacement Project	Replacement	\$876,000	\$876,000	\$0	\$0
5	Town of Micro	Johnston	Lead and Copper Service Inventory	Inventory	\$289,400	\$289,400	\$0	\$0
6	City of Winston-Salem	Forsyth	LSL Zone 4 Find and Replace Project	Find and Replace	\$2,000,000	\$2,000,000	\$0	\$0
7	City of Dunn	Harnett	Lead Service Inventory	Inventory	\$500,000	\$0	\$500,000	\$0
8	Town of Oakboro	Stanly	LSL Inventory	Inventory	\$112,000	\$0	\$112,000	\$0
9	Maggie Valley Sanitary District	Haywood	LSL Inventory	Inventory	\$1,000,000	\$0	\$1,000,000	\$0
10	City of Lumberton	Robeson	Lead Service Inventory (Phase 3)	Inventory	\$1,000,000	\$1,000,000	\$0	\$0
11	City of Wilson	Wilson	LSL Inventory (Phase III)	Inventory	\$1,000,000	\$1,000,000	\$0	\$0
<b>Totals for LSLR Applications in Recommended Funding Scenario</b>					<b>\$11,312,400</b>	<b>\$5,507,500</b>	<b>\$3,611,800</b>	<b>\$2,193,100</b>