

State Water Infrastructure Authority
Meeting Date: February 18, 2026

Agenda Item F – 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 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 February 18, 2025 meeting. This staff report represents applications received between November 4, 2025 and January 9, 2026 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.

Funding awards will be approved by the Authority at its February 18, 2026 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.

Table 1. FY 2024¹ IIJA DWSRF-LSLR Funds Awarded and Available by Funding Round			
SWIA Meeting Award Date	Principal Forgiveness (PF) Available or Awarded	No-interest Loan Available or Awarded	Total Available or Awarded (includes PF)
February 19, 2025	\$0	\$5,260,560	\$5,260,560
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
December 10, 2025	\$5,507,500	\$5,804,900	\$11,312,400
Est. available for February 2026 and future awards	\$9,607,113 + TBD ²	\$11,719,630 + TBD ²	\$21,326,743 + TBD ²

¹ Additional funds to be awarded were added to FY 2024 funds due to declinations of previous awards.

² To be determined based on remaining availability of FY 2024 funds after February 2026 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 January 9, 2026, divided by project type.

Table 2. Summary of Project Applications Considered				
	Replace Known LSLs	Find and Replace	Inventory	Total
Applications Received	2	1	7	10
Applications Reconsidered from previous Round	0	0	0	0
Funding Requested	\$5,244,158	\$1,321,786	\$4,441,600	\$10,977,544

Proposed Funding Scenario for the DWSRF-LSLR Program

In the preliminary funding scenario presented, nine (9) of the ten new funding applications received between November 4, 2025 and January 9, 2026 are proposed for funding. One application was determined to be incomplete and is not included in the preliminary funding scenario. No applications had to be reconsidered from the previous funding round.

The application from the City of Mount Holly did not meet the completeness requirements because its project budget was not signed and sealed by a N.C. Licensed Professional Engineer, as required.

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

All nine projects included in the preliminary funding scenario qualify for PF. Due to the availability of PF funds, additional PF could be awarded to these projects following the procedures listed earlier, and all nine projects are proposed to receive 100-percent PF funding awards.

In the proposed funding scenario, a total of \$6,309,344 would be awarded, all of it in PF. Table 3 below summarizes the proposed preliminary funding scenario.

Table 3. Proposed Funding Scenario for February 18, 2026, Awards

Funding Application Projects	Complete and Eligible Applications Received	Funded Applications in Scenario	Proposed Principal Forgiveness	Proposed Zero-interest Loan	Proposed Total Funding
Replacement Projects	1	1	\$575,958	\$0	\$575,958
Find-and-Replace Projects	1	1	\$1,321,786	\$0	\$1,321,786
Inventory-only Projects	7	7	\$4,411,600	\$0	\$4,411,600
Total	9	9	\$6,309,344	\$0	\$6,309,344

Project-Specific Notes for Applications in the Proposed Funding Scenario

- The Inventory Reserve amount of \$5,331,686 (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.
- Two funding applications were received from local government units designated as Distressed: the Town of Ronda and the Town of Ramseur. Both applications are included in the proposed funding scenario to be fully funded with 100 percent PF.

Table 4 on the next page summarizes the funds available for this round, the proposed funding scenario recommended for awards at the February 18, 2026 meeting, and how the recommendation will impact future funding awards.

Table 4. FY2024 DWSRF-LSLR Funds Available for Future Funding Rounds			
	Principal Forgiveness	No-interest Loan	Total
FY 2024 funds and funds from declinations of previous awards available for awards	\$9,607,113	\$11,719,630	\$21,326,743
Proposed awards for February 2026	\$6,309,344	\$0	\$6,309,344
Est. funds available for future awards after proposed February 2026 awards	\$3,297,769 + TBD ¹	\$11,719,630 + TBD ¹	\$15,017,399 + TBD ¹

¹Additional 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. February 2026 IIJA DWSRF-LSLR Proposed Funding Scenario

App. No.	Applicant Name	County	Project Name	Project Type	Amount of Funding Requested	Proposed Principal Forgiveness	Proposed Zero-Interest Loan	Proposed Unfunded
1	Town of Ronda	Wilkes	LSL Replacement	Replace	\$575,958	\$575,958	\$0	\$0
2	City of Dunn	Harnett	Lead Service Inventory	Inventory	\$500,000	\$500,000	\$0	\$0
3	West Wilkes Water Association	Wilkes	Lead & Copper Service Inventory Phase 1	Inventory	\$1,000,000	\$1,000,000	\$0	\$0
4	Town of Ramseur	Randolph	Lead Service Inventory	Inventory	\$862,000	\$862,000	\$0	\$0
5	Town of Banner Elk	Avery	Lead and Copper Service Inventory	Inventory	\$284,600	\$284,600	\$0	\$0
6	City of Winston-Salem	Forsyth	LSL Zone 5 Find and Replace Project	Find and Replace	\$1,321,786	\$1,321,786	\$0	\$0
7	Town of Boiling Springs	Cleveland	Boiling Springs LSL Inventory	Inventory	\$600,000	\$600,000	\$0	\$0
8	Eastern Pines Water Corp.	Pitt	EPWC LSL Inventory	Inventory	\$165,000	\$165,000	\$0	\$0
9	City of Lumberton	Robeson	Lead Service Inventory (Phase 4)	Inventory	\$1,000,000	\$1,000,000	\$0	\$0
Totals for LSLR Applications in Recommended Funding Scenario					\$6,309,344	\$6,309,344	\$0	\$0