

State Water Infrastructure Authority
Meeting Date: September 17, 2025
Agenda Item H – 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 September 17 meeting. This staff report represents applications received as of August 1, 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, 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 will be approved by the Authority at its September 17, 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 funds awarded at the July 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	Principal Forgiveness (PF) Available or Awarded	No-interest Loan Available or Awarded	Total Available or Awarded (includes PF)
February 19, 2025	\$0 (awarded)	\$5,360,560 (awarded)	\$5,360,560 (awarded)
April 16-17, 2025	\$1,129,110 (awarded)	\$9,000,000 (awarded)	\$10,129,110 (awarded)
July 16, 2025	\$12,374,300 (awarded)	\$2,000,000 (awarded)	\$14,374,300 (awarded)
September 17, 2025	\$12,282,672 (est. available)	\$5,137,465 (est. available)	\$17,420,137 (est. available)
December 10, 2025	Any unobligated FY 2024 amt. + TBD ²	Any unobligated FY 2024 amt. + TBD ²	Any unobligated FY 2024 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 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 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 August 1, 2025, divided by project type.

Table 2. Summary of Project Applications Considered				
	Replace Known LSL	Find and Replace	Inventory	Total
Applications Received	3	1	2	6
Applications Reconsidered from previous Round	0	0	0	0
Funding Requested	\$11,379,100	\$2,000,000	\$1,150,000	\$14,529,100

Principal Forgiveness

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

In the preliminary funding scenario presented, all new project applications received are proposed for funding. No project applications needed to be reconsidered from the previous funding round.

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

Only three 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 three projects are proposed to receive 100 percent PF funding awards.

In the proposed funding scenario, a total of \$14,529,100 would be awarded, \$11,186,000 of which would be in PF and \$3,343,100 in zero-percent interest loans. Table 3 below summarizes the proposed preliminary funding scenario.

Table 3. Proposed Funding Scenario for September 17, 2025, Awards					
Application Projects	Eligible Applications Considered	Funded Applications in Scenario	Preliminary Principal Forgiveness	Preliminary Zero-interest Loan	Preliminary Total Funding
Replacement Projects	3	3	\$9,186,000	\$2,193,100	\$11,379,100
Find-and-Replace Projects	1	1	\$2,000,000	\$0	\$2,000,000
Inventory-only Projects	2	2	\$0	\$1,150,000	\$1,150,000
Total	6	6	\$11,186,000	\$3,343,100	\$14,529,100

Project-Specific Notes for Applications in the Proposed Funding Scenario

- The Inventory Reserve amount of \$8,710,068 (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.
- Only one application was received from a local government unit designated as Distressed, the Town of Grifton. The application is included in the proposed funding scenario to be fully funded with a 100-percent PF award.

Table 4 next summarizes the funds available for this round, the proposed funding scenario recommended for awards at the September 17, 2025, meeting, and how the recommendation will impact future funding awards.

Table 4. FY2024 IIJA DWSRF-LSLR Funds Available for Future Funding Rounds			
	Principal Forgiveness	No-interest Loan	Total
FY2024 funds and funds from declinations of previous awards available for remaining awards	\$24,565,343	\$10,274,930	\$34,840,273
Estimated minimum funds available for September 2025 awards	\$12,282,672	\$5,137,465	\$17,420,137
Recommended September 2025 awards	\$11,186,000	\$3,343,100	\$14,529,100
Estimated funds available for future awards after recommended September 2025 awards	\$13,379,343 + TBD ¹	\$6,931,830 + TBD ¹	\$20,311,173 + TBD ¹

¹Additional funds from the FY2025 IIJA 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 US EPA.

Table 5. September 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 Bessemer City	Gaston	Lead and Copper Service Line Replacement	Replacement	\$4,226,100	\$4,226,100	\$0	\$0
2	Town of Grifton	Pitt	Lead and Copper Service Replacement	Replacement	\$4,959,900	\$4,959,900	\$0	\$0
3	Town of Dallas	Gaston	Lead and Copper Service Replacement	Replacement	\$2,193,100	\$0	\$2,193,100	\$0
4	City of Winston-Salem	Forsyth	LSL Zone 3 Find and Replace Project	Find and Replace	\$2,000,000	\$2,000,000	\$0	\$0
5	City of Lumberton	Robeson	Lead Service Inventory Project (Phase 3)	Inventory	\$1,000,000	\$0	\$1,000,000	\$0
6	Orange Alamance Water System	Alamance	Orange Alamance Water System Lead Service Line Inventory	Inventory	\$150,000	\$0	\$150,000	\$0
Totals for LSLR Applications in Recommended Funding Scenario					\$14,529,100	\$11,186,000	\$3,343,100	\$0