

**State Water Infrastructure Authority**  
**Meeting Date: April 15-16, 2026**  
**Agenda Item I – 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 April 15-16, 2026 meeting. This staff report represents applications received between January 10, 2026 and March 2, 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 2025 DWSRF-LSLR allotment is \$28,650,000. In addition to the FY 2025 allotment, NCDEQ may apply to the U.S. Environmental Protection Agency (USEPA) to receive North Carolina's allotment of the FY 2023 and FY 2024 IIJA DWSRF-LSLR funds that were not awarded to other states: \$23,038,000 and \$21,069,000, respectively. With the FY 2023 and FY 2024 re-allotments, the total allotment for FY 2025 would then be \$72,757,000.

A portion of the allotment, up to 26 percent (\$18,916,820), will be used for set-asides. The remaining 74 percent (\$53,840,180) will be available to award for projects as zero-interest loans and principal forgiveness (PF).

The draft DWSRF-LSLR program's Intended Use Plan (IUP) for FY 2025 funds was published for public comment on March 13, 2026, and public comments are due by April 13, 2026.

Funding awards will be approved by the Authority at its April 15-16, 2026 meeting and are contingent upon funds being released by the USEPA.

Table 1 on the next page shows the FY 2025 DWSRF-LSLR funds available for projects in zero-interest loans and PF. Note that more funds may be awarded at any Authority meeting than what is presented in the table.

<b>Table 1. FY 2025<sup>1</sup> IJA DWSRF-LSLR Funds 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>
Available from FY2025 Cap Grant	\$35,650,930	\$18,189,250	\$53,840,180
April 15-16, 2026	\$7,130,186 + \$1,495,164 remaining from FY24 (\$8,625,350)	\$3,637,850 + \$4,608,474 remaining from FY24 (\$8,246,324)	\$10,768,036 + \$6,103,638 remaining from FY24 (\$16,871,674)
July 15, 2026	\$10,695,279	\$5,456,775	\$16,152,054
September 16, 2025	\$10,695,279	\$5,456,775	\$16,152,054
December 9, 2025	\$7,130,186 + any unobligated FY2025 amount + TBD <sup>1</sup>	\$3,637,850 + any unobligated FY2025 amount + TBD <sup>1</sup>	\$10,768,036 + any unobligated FY2025 amount + TBD <sup>1</sup>

<sup>1</sup> Funding may be available based on remaining availability of FY 2025 IJA DWSRF-LSLR funds and on awards for funding from FY 2026 IJA DWSRF-LSLR.

**Funding Caps**

The following maximum DWSRF-LSLR funding loan amounts, including PF, applied 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 remain 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 March 2, 2026, 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	3	0	5	<b>8</b>
Applications Reconsidered from previous Round	0	0	0	<b>0</b>
<b>Funding Requested</b>	<b>\$4,526,400</b>	<b>\$0</b>	<b>\$11,260,359</b>	<b>\$15,786,759</b>

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

In the preliminary funding scenario presented, all eight new funding applications received between January 10, 2026 and March 2, 2026 are proposed for funding and included in the preliminary funding scenario. No applications had to be reconsidered from the previous funding round.

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

Six project applications 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 projects are proposed to receive 100 percent PF.

In the proposed funding scenario, a total of \$15,786,759 would be awarded, \$9,118,559 in PF and \$6,668,200 in zero-interest loans. Table 3 below summarizes the proposed preliminary funding scenario.

**Table 3. Proposed Funding Scenario for April 15-16, 2026, Awards**

<b>Funding Application Projects</b>	<b>Complete and Eligible Applications Received</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	3	3	\$6,592,159	\$4,668,200	\$11,260,359
Find-and-Replace Projects	0	0	\$0	\$0	\$0
Inventory-only Projects	5	5	\$2,526,400	\$2,000,000	\$4,526,400
<b>Total</b>	<b>8</b>	<b>8</b>	<b>\$9,118,559</b>	<b>\$6,668,200</b>	<b>\$15,786,759</b>

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

- The Inventory Reserve amount of \$8,435,837 (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 (LGUs) designated as Distressed: the Town of Plymouth and the Town of Waynesville. Both applications are included in the proposed funding scenario to be fully funded with 100 percent PF.
- Four funding applications were received for projects where at least 50 percent of the estimated project costs are to benefit disadvantaged areas. All 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 April 15-16, 2026 meeting, and how the recommendation will impact future funding awards.

<b>Table 4. FY2025 DWSRF-LSLR Funds Available for Future Funding Rounds</b>			
	<b>Principal Forgiveness</b>	<b>No-interest Loan</b>	<b>Total</b>
Funds FY 2025 Cap Grant and remaining from FY 2024 Cap Grant	\$37,146,094	\$22,797,724	\$59,943,818
Proposed awards for April 2026	\$9,118,559	\$6,668,200	\$15,786,759
Est. funds available for future awards after proposed April 2026 awards	\$28,027,535 + TBD <sup>1</sup>	\$16,129,524 + TBD <sup>1</sup>	\$44,157,059 + TBD <sup>1</sup>

<sup>1</sup>Additional funds from the IJIA DWSRF-LSLR FY2026 allotment may be awarded to meet demand once all of the FY2025 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 J-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. April 2026 IJA 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 No-Interest Loan</b>	<b>Proposed Unfunded</b>
1	Town of Plymouth	Washington	Lead & Copper Service Replacement Phase 2	Replace	\$1,740,600	\$1,740,600	\$0	\$0
2	City of Lumberton	Robeson	Lead Service Line Replacement Phase 1	Replace	\$4,851,559	\$4,851,559	\$0	\$0
3	West Wilkes Water Association	Wilkes	Lead & Copper Service Inventory Phase 2	Inventory	\$1,000,000	\$1,000,000	\$0	\$0
4	City of Claremont	Catawba	Lead Service Inventory	Inventory	\$1,000,000	\$0	\$1,000,000	\$1,000,000
5	Town of Old Fort	McDowell	Lead and Copper Service Inventory	Inventory	\$526,400	\$526,400	\$0	\$0
6	City of Mount Holly	Gaston	Lead and Copper Waterline Replacement	Replace	\$4,668,200	\$0	\$4,668,200	\$4,668,200
7	City of Lumberton	Robeson	Lead Service Inventory Project (Phase 5)	Inventory	\$1,000,000	\$1,000,000	\$0	\$0
8	Town of Waynesville	Haywood	Waynesville LSL Inventory	Inventory	\$1,000,000	\$0	\$1,000,000	\$1,000,000
<b>Totals for LSLR Applications in Recommended Funding Scenario</b>					<b>\$15,786,759</b>	<b>\$9,118,559</b>	<b>\$6,668,200</b>	<b>\$0</b>