

State Water Infrastructure Authority
Meeting Date – July 15, 2026
Agenda Item K: Funding Awards for CWSRF Decentralized Wastewater Treatment System
Pilot Program

Division of Water Infrastructure Staff Report

This report presents a preliminary funding scenario for the consideration of 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 meeting.

Background

Starting in FY 2022, The Decentralized Wastewater Treatment System (DWTS) Pilot Program (Pilot Program) was established as a pass-through funding program in the Clean Water State Revolving Fund (CWSRF). There were some initial discussions with the local government units (LGUs) that expressed interest in this program between 2022 and 2024. However, LGUs were reluctant to accept a loan. Through discussions with stakeholders and public comments received during the FY 2024 CWSRF Intended Use Plan (IUP) public comment period, which ran from May 31, 2024, through July 1, 2024, the Division made significant modifications to the Pilot Program to make it more attractive.

Pilot Program Overview

The Pilot Program may use up to \$1,500,000 from the CWSRF capitalization grant to fund repairs or replace failed or malfunctioning DWTSs (onsite septic systems) as a pass-through funding program. Local government units and non-profit water/wastewater utility providers are eligible to apply to the Division for the Pilot Program funding and are responsible for administering loans or grants to qualified property owners. As described in the IUP, funding for the Pilot Program may bypass a higher-priority project (i.e., wastewater applications that score higher using the Priority Rating System [PRS]). Pilot Program funding is offered with a targeted interest rate of zero percent loans, with the possibility of principal forgiveness (PF). At this time, the Division accepts applications for this funding program on a rolling basis.

Principal Forgiveness Qualification Criteria

An award can be up to 100 percent PF based on the proportion of property owners receiving improvements to their DWTSs meeting qualification criteria established by the LGU. These criteria must be based on the property owners receiving assistance, rather than general LGU indicators. If the recipient's income level is used by the LGU as a qualification criterion, it cannot exceed the state's median household income (MHI). Applicants are responsible for verifying recipients' qualification information.

Applicants that will pass through all funding to recipients that individually meet qualification criteria for PF and that do not have household income exceeding the state's MHI will receive up to 100 percent of the full project award as PF. The total award cannot exceed \$250,000.

Applicants that will pass through at least 50 percent of the total funds to recipients that individually meet qualification criteria for PF and do not have household income exceeding the state's MHI will receive 50 percent of the full award amount, limited to \$500,000, as PF.

Applicants that will pass through at least 50 percent of the total funds to recipients in disadvantaged areas as defined in Section 5.3.2.2.3 of the CWSRF IUP will receive up to 50 percent of the full amount, limited to \$500,000, as PF.

All other Applicants will receive a zero-percent-interest loan with no PF.

Applications Received Between March 3, 2026 and June 1, 2026

During the rolling application period between March 3, 2026 and June 1, 2026, the Division received two applications, one from the Town of Washington Park and one from Pitt County, for consideration for the Pilot Program. Since the Pilot Program uses the rolling application process, Division staff present these projects to the Authority for funding consideration at the first meeting beyond the cutoff date. For this cycle, staff are presenting these applications at the July 15, 2026 meeting.

Total funding requested in the two applications is \$750,000. The total funding recommended in the proposed funding scenario is \$750,000 (see Table 1). If the Authority approves the proposed funding scenario, \$750,000 will remain available from the \$1.5 million allocation for the Pilot Program for the rest of the fiscal year.

The information below describes each application.

Town of Washington Park

The Town of Washington Park is requesting \$500,000 to establish funding for their septic repair program. The Town's DWTs are vulnerable to flooding from extreme weather events and other changing environmental conditions. Based on the recommendations from NC Resilient Coastal Communities Program (RCCP), the Town of Washington Park participated in EPA's Closing America's Wastewater Access Gap (CAWAG) initiative, which helped them develop specific repair and upgrade alternatives for each parcel.

The Applicant proposes to make 100 percent PF loans to households with income under the state MHI and loans to households with income above the state MHI. The Applicant proposes to provide up to 50 percent of the proposed award as PF loans to qualified residents. Grant administration costs will be limited to seven percent of the award. The Town of Washington Park will partner with two established loan program administrators, The Mid-East Commission

and The Clean Energy Fund of the Carolinas (CEFC). The Mid-East Commission will manage the PF program and CEFC will manage the repayment loan program.

Pitt County

Pitt County is requesting \$250,000 to assist residents with failing/malfunctioning DWTs. The Applicant will administer the funds to households that fall under the State's MHI threshold. The Applicant proposes that some households may be able to connect to sewer, but this program does not deem these activities eligible and recommends the Applicant apply through the existing CWSRF program to connect residences from DWTs to sewers. Pitt County intends to partner with the Mid-East Commission and four other Eastern North Carolina counties.

Staff Recommendation

Division staff recommend that the Authority award funding to the Town of Washington Park and to Pitt County from the CWSRF Decentralized Wastewater Treatment System Pilot Program as shown in Table 1.

Table 1. Proposed Funding Scenario for Funding from the Clean Water State Revolving Fund Decentralized Wastewater Treatment System Pilot Program					
Applicant Name	Project Name	Funding Requested	Proposed CWSRF DWTs Pilot Program Principal Forgiveness	Proposed CWSRF DWTs Pilot Program Loan	Proposed Total CWSRF DWTs Pilot Program Funding
Town of Washington Park	Washington Park Septic Repair Program	\$500,000	\$250,000	\$250,000	\$500,000
Pitt County	Pitt County CWSRF Decentralized Wastewater System Pilot Program	\$250,000	\$250,000	\$0	\$250,000
		Total:	\$500,000	\$250,000	\$750,000