



Lead Service Line Replacement (LSLR) Funding Program

Division of Water Infrastructure



Agenda (LSLR Funding)

- Program Overview
- Funding Requirements
- Project Types
- Priority Rating System
- Questions

Guidance and other documents can be found on our website at: <https://deq.nc.gov/about/divisions/water-infrastructure/i-need-funding/application-forms-and-additional-resources>

Acronyms

IIJA	Infrastructure Investment and Jobs Act (aka Bipartisan Infrastructure Law or BIL)
DWSRF	Drinking Water State Revolving Fund
CWSRF	Clean Water State Revolving Fund (Wastewater)
LGU	Local Government Unit
EC	Emerging Contaminants
SDC	Small & Disadvantaged Communities
LSLR	Lead Service Line Replacement
DWI	Division of Water Infrastructure
PRS	Priority Rating System
PFAS	Per- and Polyfluoroalkyl Substances
MCL	Maximum Contaminant Level
HI	Hazard Index



Program Overview



LCRR and IIJA Funding

January 2021 - LCRR

Lead and Copper Rule Revisions (LCRR) requires all community water systems (CWS) and non-transient non-community (NTNC) water systems to conduct initial inventories of lead service lines by October 16, 2024

November 2021 – IIJA/BIL Funding

The Infrastructure Investment & Jobs Act (IIJA), also known as the Bipartisan Infrastructure Law (BIL), appropriates funds for five fiscal years (2022-2026) specifically for the purpose of inventorying and replacing lead service lines

LCRI and IIJA Funding - Update

October 2024 - LCRI

Lead and Copper Rule Improvements (LCRI) requires all community water systems (CWS) and non-transient non-community (NTNC) water systems to conduct baseline inventories by November 1, 2027

DWI's LSLR funding program can help eligible applicants with the baseline inventories.



IIJA – LSLR Allotments for North Carolina

Cap Grant Year	North Carolina's Allotment	Funds for Projects (SWIA Awards)	Status
2022	\$87,062,000	\$67,037,740	Awarded to subrecipients
2023	\$87,290,000	\$64,594,600	Awarded to subrecipients
2024	\$76,201,000	\$56,388,740	Awarded to subrecipients
2025 (+ reallotments)	\$72,757,000	\$53,840,180	~\$32M remaining
2026	\$27,456,000	\$20,317,440	DWI applies for cap grant early 2027

FY25 includes reallotments from FY23 and FY24 – these are unused funds from other states



IIJA – LSLR Set-Asides

Portion of the state's allotment is used for set-aside activities:

- LSL inventory support and technical assistance
- Program management
- Approximately 21% - 26% of each year's allotment

Technical assistance contract with 120 Water, NC Rural Water Association, and TruePani to assist some water systems.

→ For NTNCs & small/medium CWSs



How much LSLR funding remains for water systems?

As of July 2026 -

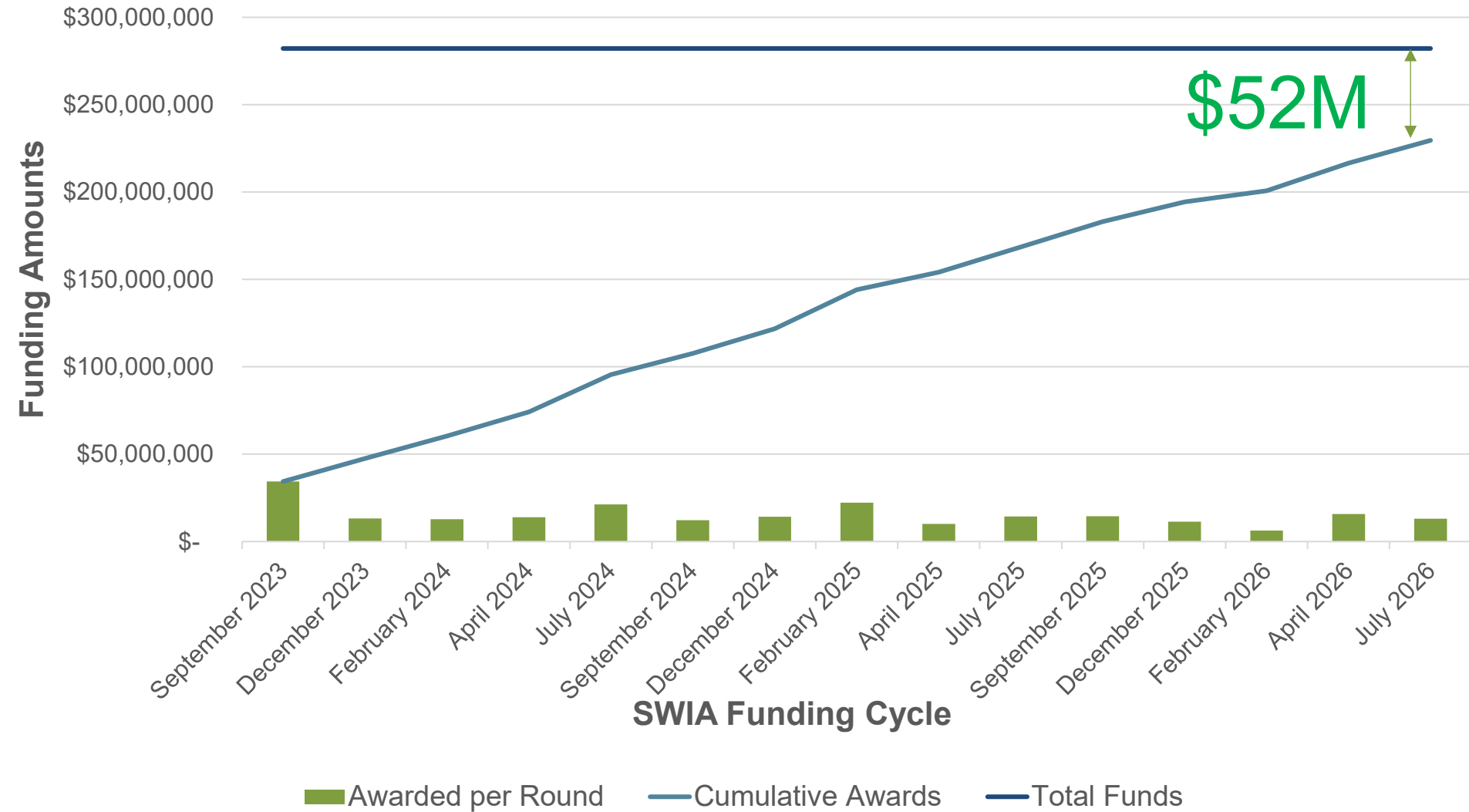
Approximately **\$52 million** remaining for projects

→ of this total, **~\$32M** as principal forgiveness

DWI expects to award all LSLR funds by end of 2027



LSLR Funding Program History - Cumulative Funding Awards



IIJA – LSLR Rolling Application Cycles

- July 2026 funding round
 - Applications were due to the Division by June 1, 2026
 - Awards were made at July 15, 2026 SWIA Meeting
- September 2026 funding round
 - Applications are due **August 3, 2026**
 - Awards to be made at September 16, 2026 SWIA Meeting
- 2026-2027 funding cycles
 - Any remaining 2025-2026 LSLR funds will be available
 - If there is sufficient project demand, 2026 IIJA DWSRF LSLR funds can be made available (pending Division application and EPA approval of State Capitalization Grant)

IIJA LSLR Funding Cycles – Funding Availability

Expected Funding Rounds for the 2025 IIJA LSLR Funds

Approximate Application Due Date	Approximate SWIA Meeting (Award Date)	Estimated Min. 2025 LSLR Funds Available (includes PF)	Estimated Min. 2025 Principal Forgiveness Available
June 1, 2026	July 15, 2026	\$16,152,054	\$10,695,279
August 3, 2026	September 16, 2026	\$16,152,054	\$10,695,279
November 2, 2026	December 9, 2026	\$10,768,036	\$7,130,186
Early January 2027	Mid-February 2027	\$1,827,970*	\$1,735,270*
Early March 2027	Mid-April 2027	\$15,786,759*	\$9,118,559*
Totals		\$64,594,600	\$42,772,100

- It is anticipated FY26 IIJA LSLR funds will be made available for funding rounds after April 2027.



Funding Requirements



IIJA – LSLR Funding Program

- **Eligible funding recipients**
 - Local government units (LGUs)
 - Non-profit water utilities
 - Investor-owned water utilities
- **Eligible projects or activities must be:**
 - lead service line replacement (LSLR) projects or
 - activities directly connected to the inventorying, planning, identification, and replacement of LSL
- Regular DWSRF funds available for projects addressing lead in water mains/distribution systems, and other non-LSLR replacement projects



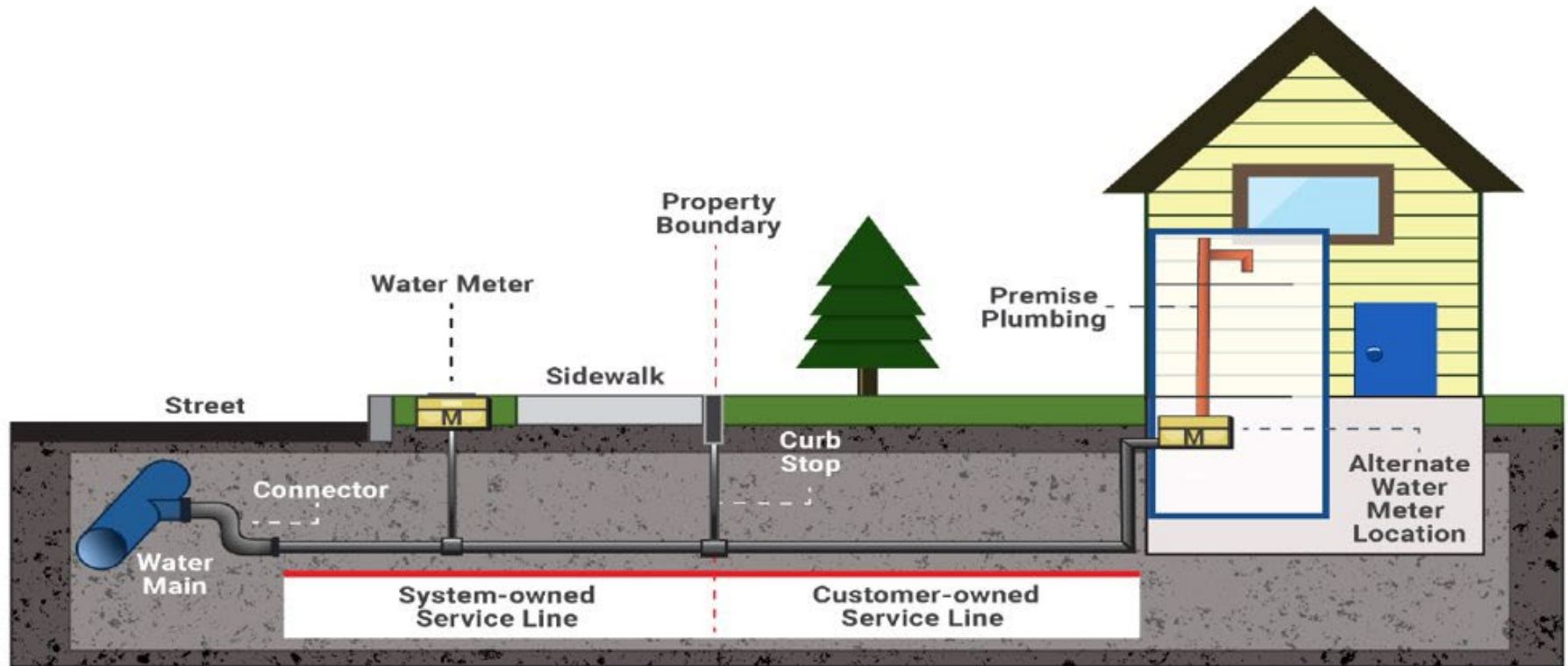
IIJA – LSLR Funding Program

Replacement projects must replace the **entire** lead service line

- Service line connects the water main to the building inlet
 - Includes lead connectors (goosenecks, pigtails, etc.).
 - Includes galvanized service lines downstream of a lead service line.
- No need to replace portions previously replaced
- Funds cannot be used for premise plumbing



IIJA – LSLR Private Side Work



IIJA – LSLR Private Side Work

- You must replace entire lead portions of the service line for any of the work to be eligible for funds
 - Homeowners are not required to replace their portion of the line.
 - Utilities are not required to pay for the private-side portion of the work
 - Utility cannot get BIL LSLR funds for replacement work unless it can document that the entire known lead portions have been replaced.
- Flexibility to find solution that works best for you
 - Utility performs work (own workforce or through contract)
 - Homeowner hires Utility-approved service provider (plumber). Then:
 - Utility reimburses homeowners, or
 - Utility pays directly service provider



IIJA – LSLR Eligibility Clarifications

EPA Implementation Memo 2024

- EPA published new IIJA Implementation Memo and guidance on use of LSLR funds on May 1, 2024:
- Building Inlet – state programs and public water systems can use best professional judgment to determine location of building inlet



IIJA – LSLR Eligibility Clarifications

EPA Implementation Memo 2024

- Partial lead service line replacements → leaving in place a portion of the lead service line, which can result in elevated lead levels in tap water
 1. Stand-alone LSLR – **partial LSLR not eligible**
 2. LSLR in conjunction with planned infrastructure work – **partial LSLR may be eligible**
 3. LSLR in conjunction with emergency work – **partial LSLR may be eligible**
- Must document customer refusal to replace private-side with 4 outreach attempts (using at least 2 different methods: mail, phone, door hanger, in-person, etc.)
- Disturbance to the lead service line must be unavoidable



IIJA – LSLR Eligibility Clarifications

EPA Implementation Memo 2025

Now eligible for LSLR funding:

- Replacement of “**integrated components**,” such as service meters, connectors, PRV valves, backflow preventers, and distribution mains if:
 - Financially integrated into the LSLR project,
 - Directly connected to LSL, and
 - In a disadvantaged community
- Replacement of **galvanized services** lines when it cannot be documented they were never downstream of a lead component



IIJA – LSLR Conditions

Drinking Water State Revolving Fund (DWSRF) conditions apply and must be documented

- Davis-Bacon Prevailing Wage Rates
- American Iron and Steel (AIS)
- Build America, Buy America (BABA)





Funding Terms



IIJA – LSLR Funding Terms

- Project funding is a loan and may include a principal forgiveness (PF) portion
- Repayable loan will be at 0% interest rate
- Loan terms cannot exceed expected life of the project.
 - 20-year term loan for replacement projects
 - 5-year term loan for inventory-only projects
- Funds disbursed after costs have been incurred, not upfront



IIJA – LSLR Principal Forgiveness (PF)

- Portion of the loan that is not repayable
- Determined based on application and at time of award
 - Affordability Criteria – evaluates entire community/utility
 - Considers community size, water/sewer rates, and economic indicators
 - Eligibility ranges from 0% - 100% (in 25% increments)
 - Disadvantaged Area – evaluates residents benefiting from the project, eligible for 50% PF (*up to \$1,000,000*)
- Initial cap of ~~\$500,000~~ \$1,000,000 or eligibility percentage of project cost (whichever is lower)
- Caps and percentages can be exceeded if PF funds remain available in a funding round

IIJA – LSLR Funding Types and Caps per Round

- Replacing known lead service lines
 - \$5-Million cap
 - SLs already known to be lead and you are ready to replace them
- Find and Replace
 - \$2-Million cap, of which \$1M max can be used for material verification
 - Already done inventory and identified lines of unknown material construction. Ready to verify materials and replace lead service lines discovered.
- Inventory only
 - \$1 Million cap
 - Identifying service lines as known lead, known not lead, or unknown
 - Further investigation and verification on unknown areas

**Caps can be exceeded by \$500,000 increments if funding is available in that funding round*



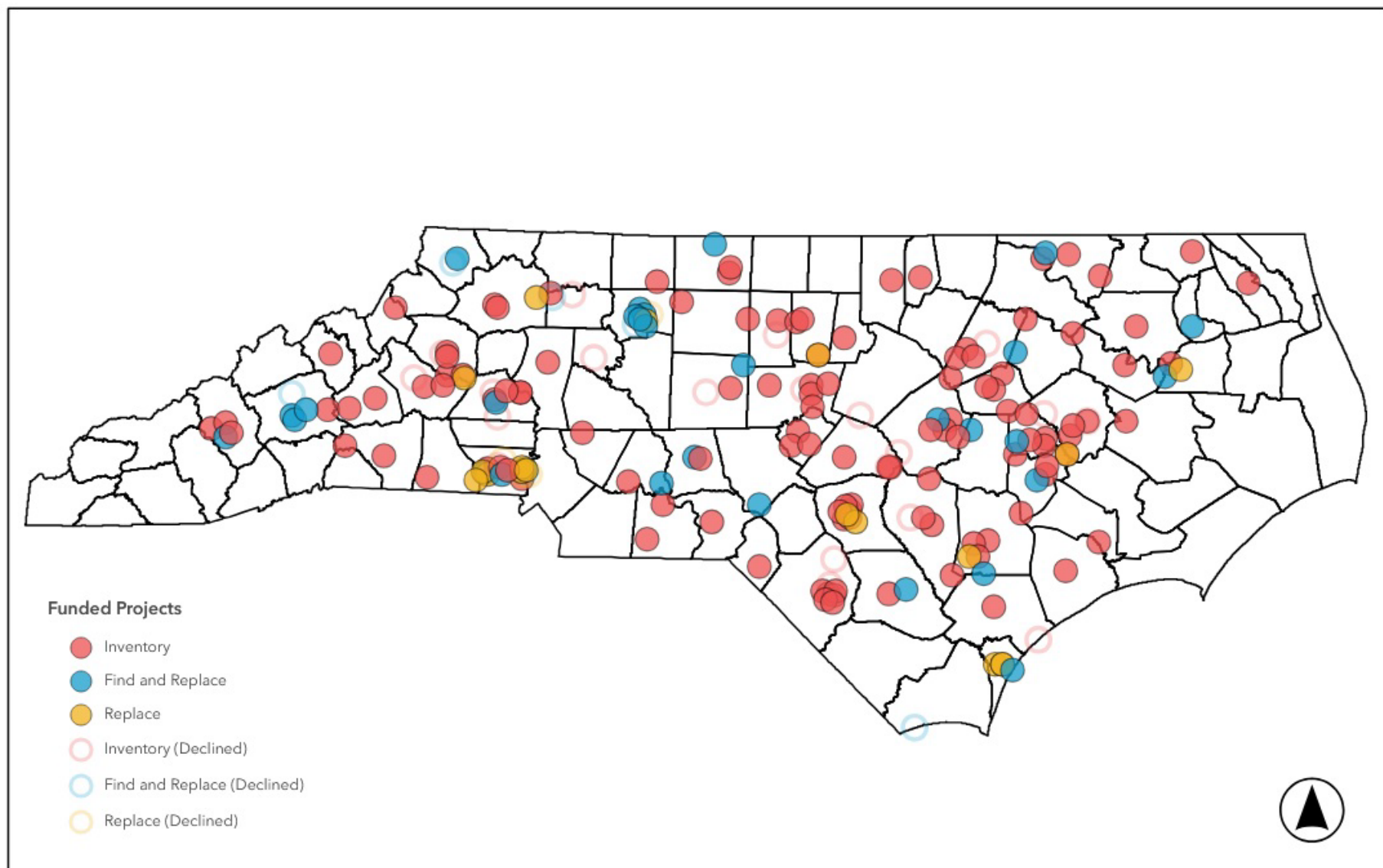
DWI is currently funding 159 active projects:

- 18 LSL Replacement projects
- 30 Find & Replace projects
- 111 LSL Inventory projects

This number changes often with each SWIA funding round and as some recipients decline funds.



LSLR Funded Projects



IIJA – LSLR Funding Types and Caps

- 50% of awarded funds each round reserved for inventory-type projects
 - May use funds from reserve for other project types if there is not sufficient demand for inventory
 - Reserve is currently limited to FY 2022 allocation to help meet LCRR inventory deadline
- DWI will reassess reserves and caps for each FY BIL LSLR allotments
- Applicants may apply for multiple project types each round





Priority Rating System



IIJA – LSLR Priority Rating System (PRS)

Projects will be recommended for funding based on approved Priority Rating System

- Project purpose
- Is there a Lead Action Level Exceedance?
- Affordability



LSLR Priority Rating System – How the scoring works

Project Purpose

- Project eliminates LSLs = most points
- Find & Fix = middle
- LSL Inventory = least points

Project Benefits

- Projects addressing a lead action level exceedance (Pb ALE) = more points
- Project area has a documented Pb ALE = fewer points
- Your system has no Pb ALE = no problem!

Affordability

- Small systems get more points
- More expensive rates = more points
- Socioeconomic factors worse than NC average = more points



IIJA – Lead Service Line Replacement Project Application Form

North Carolina Department of Environmental Quality

Division of Water Infrastructure

Rolling Application Form for Lead Service Line Replacement (LSLR) Projects and Emerging Contaminants Studies

(Last updated: March 2026)



1. General Information

Applicant Name	County	Unique Entity Identifier (UEI)
Project Name	Federal Tax ID #	PWSID
Applicant Type		Funding Amount Requested
☐ Municipality	☐ Metropolitan Water/Sewerage District	
☐ County	☐ Non-Profit Water Corporation	
☐ Water and Sewer District	☐ Investor-Owned Drinking Water Corporation	
☐ Water and Sewer Authority	☐ Other (Specify:)	Total Project Cost
☐ Sanitary District		

Project Type (please submit multiple forms if funding is needed for multiple project types)

- ☐ CWSRF DWTS Pilot Program
- Funding for Lead Service Line and Lead Connectors (LSL)
- ☐ Replacing already-known LSLs.
- ☐ Finding and replacing LSLs.
- ☐ Inventory LSLs only (no replacement).
- Funding for Emerging Contaminants (EC) studies
- ☐ Drinking Water Emerging Contaminants Studies (DWSRF-EC).
- ☐ Wastewater Emerging Contaminants Studies (CWSRF-EC).

Funds for Existing SWIA-Funded Project

If this application is for additional funding for an existing SWIA-funded project, provide the projects Agreement Number (example format 20000####) or Project Numbers (example formats CS370123-45, SRP-W-ARP-0000, 21-I-1234)

*Note: Applications for projects that have been previously funded from any DWI funding source by the State Water Infrastructure Authority (SWIA) will only be considered for **additional funds** to cover unfunded project costs. To replace existing funding, Applicants must decline the existing DWI funding award by the application deadline.*

Available on Division's "Application Forms and Additional Resources" webpage

<https://deq.nc.gov/about/divisions/water-infrastructure/i-need-funding/application-forms-and-additional-resources>

Helpful Resources

- NCDEQ DWI Main Website-
<https://www.deq.nc.gov/about/divisions/water-infrastructure>
- Funding Application Training-
<https://www.deq.nc.gov/about/divisions/water-infrastructure/application-training>
- Funding Application Forms “I Need Funding”-
<https://www.deq.nc.gov/about/divisions/water-infrastructure/i-need-funding>



Discussion Time

What questions do you have?



Thank you!

See our website for contact information.
<https://www.deq.nc.gov/water-infrastructure-contacts>

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Additional Slides



IIJA – LSLR Allotments for North Carolina

Cap Grant Year	North Carolina's Allotment	49% Principal Forgiveness	Set-Asides	Funds for Projects (SWIA Awards)	Status
2022	\$87,062,000	\$42,660,380	\$20,024,260	\$67,037,740	Awarded to subrecipients
2023	\$87,290,000	\$42,772,100	\$22,695,400	\$64,594,600	Awarded to subrecipients
2024	\$76,201,000	\$37,338,490	\$19,812,260	\$56,388,740	Awarded to subrecipients
2025 (+ reallotments)	\$72,757,000	\$35,650,930	\$18,916,820	\$53,840,180	~\$46M remaining
2026	\$27,456,000	\$13,453,440	\$7,138,560	\$20,317,440	DWI applies for cap grant early 2027

FY2025 includes reallotments from FY2023 and FY2024
– these are unused funds from other states



IIJA – LSLR Priority rating System (PRS)

• Project Purpose

Project Purpose Points		
Line Item #	Category 1 – Project Purpose (Points will be awarded for <u>only one</u> Project Purpose)	Points
1.A	Project eliminates lead service lines (100% of project is to replace known lead service lines)	20
1.B	Project establishes and implements a program to find and replace lead service lines in areas suspect to have lead lines.	15
1.C	Project inventories lead service lines (no replacement as part of project)	10
Maximum points for Category 1 – Project Purpose		20

Takeaway: More points for LSL replacement, middle for find & replace, fewer points for inventory projects

IIJA – LSLR Priority Rating System (PRS)

- Project Benefit

Project Benefits Points		
Line Item #	Category 2 – Project Benefits	Points
2.A	Project addresses/resolves Lead Action Level Exceedance	5
2.B	Project area has documented Lead Action Level Exceedance	2
Maximum points for Category 2 – Project Benefits		5

Takeaway: More points for projects that address Action Level Exceedances

You can still get funding even if your project does not address an Action Level Exceedance



IIJA – LSLR Priority Rating System (PRS)

- Affordability (same as PRS for DWSRF)

Affordability Points		
Line Item #	Category 4 – Affordability	Points
4.A	Residential Connections	
4.A.1	Less than 10,000 residential connections OR	2
4.A.2	Less than 5,000 residential connections OR	4
4.A.3	Less than 1,000 residential connections	8
4.B	Current Monthly Combined Utility Rates at 5,000 Usage	
4.B.1	Greater than \$97 OR	4
4.B.2	Greater than \$117 OR	6
4.B.3	Greater than \$134 OR	8
4.B.4	Greater than \$161	10
4.C	Local Government Unit (LGU) Indicators	
4.C.1	3 out of 5 LGU indicators worse than state benchmark OR	3
4.C.2	4 out of 5 LGU indicators worse than state benchmark OR	5
4.C.3	5 out of 5 LGU indicators worse than state benchmark OR	7
4.C.4	Project benefits disadvantaged areas	5
Maximum points for Category 4 – Affordability		25

IIJA – LSLR Priority Rating System (PRS)

Affordability criteria continued:

Takeaway:

- Smaller systems get more points
- More expensive combined water & sewer rates = more points
- Socioeconomic indicators for your town/city are worse than the NC average = more points

Projects benefitting a disadvantaged area can potentially earn more points and potentially more principal forgiveness

