



May 4, 2023

Lead Service Line Replacement Funding Program

Department of Environmental Quality

Division of Water Infrastructure



BIL – Lead Service Line Replacement (LSLR)

In November 2021, the Bipartisan Infrastructure Law (BIL) appropriated \$15 billion nationwide for five fiscal years (FY 2022–26) specifically for the purpose of inventorying and replacing lead service lines.

North Carolina is eligible to receive up to \$87 million/year depending on demand and on state allotments determined by US EPA.



What are “Lead Service Lines” (for this funding)?



Images of Service Lines



Photo 1: Galvanized Service Downstream of Lead Gooseneck (CFPUA Typical)



BIL Lead Service Line Replacement Funding

Eligible funding recipients:

Local government units, non-profit water utilities, and investor-owned water utilities.

A portion of the state's allotment will be used for set-aside activities:

- LSL inventory support and technical assistance
- Program management

Project funding:

- Low-interest loans and principal forgiveness (like grants).

BIL Lead Service Line Replacement Yearly Allotments

NC's BIL LSLR Allotments

Capitalization Grant Year	North Carolina's Allotment*	49% Principal Forgiveness*
2022	\$87,062,000	\$42,660,380
2023	\$87,290,000	\$42,772,100
2024**	TBD	TBD
2025**	TBD	TBD
2026**	TBD	TBD
Total**	TBD (could be ~\$435 M)	TBD (could be ~\$210 M)

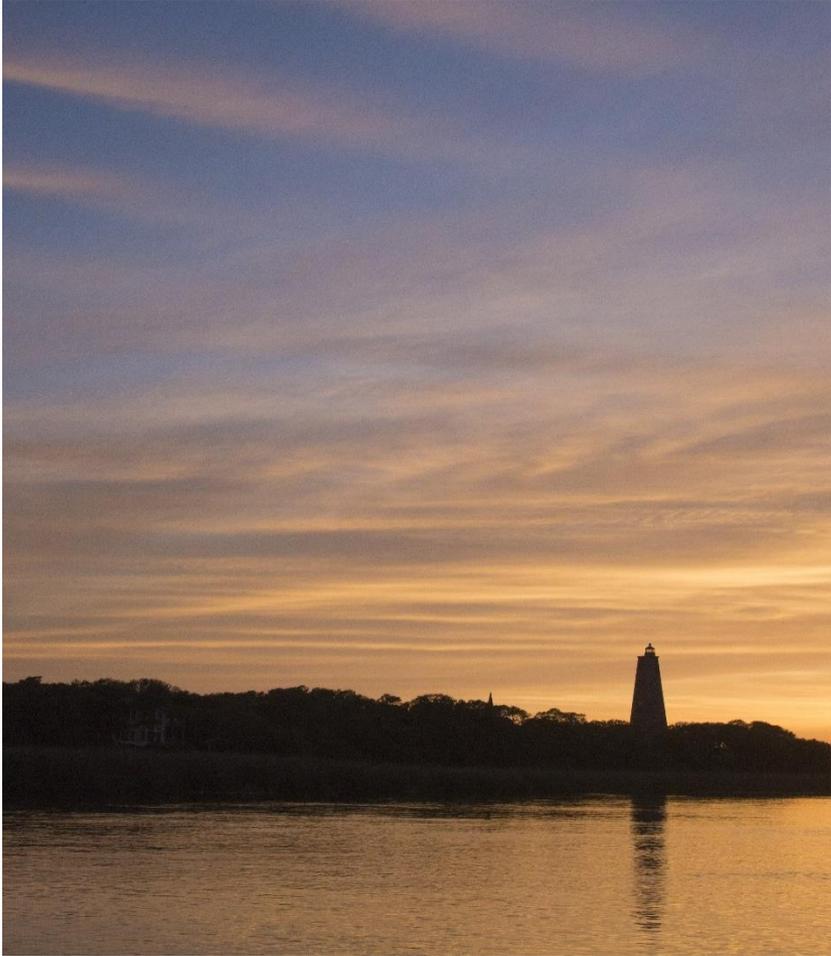
*Actual funding depends on project demand.

**2024-2026 allotments are to be determined by US EPA.



Other Key Points

- All public water systems must conduct inventories of lead service lines by October 16, 2024. This funding can assist with those inventories (one of the goals).
- Replacing lead service lines is already eligible for base DWSRF program, among many other types of projects.
- The BIL LSLR provides a *dedicated* source of funding for these activities.
- Developed a project solicitation process (currently active) and approved a Priority Rating System through SWIA.
- Considering comments received during a March 7 – April 7 public comment period and solicited projects to finalize the Intended Use Plan.
- Next steps: convert project solicitations into applications and submit the capitalization grant application (includes project list and finalized Intended Use Plan) to US EPA so that funding awards can be made.



Program Overview



BIL – Lead Service Line Replacement Funding Program

Competitive Funding

- Due to focus of BIL LSLR funding, DWI will offer a separate funding program for LSLR
 - LSLR projects will compete with other LSLR projects
 - Streamlined applications
 - More regular awards

Funded projects or activities must be

- lead service line replacement (LSLR) projects or
- activities directly connected to the identification, planning, design, and replacement of lead service lines

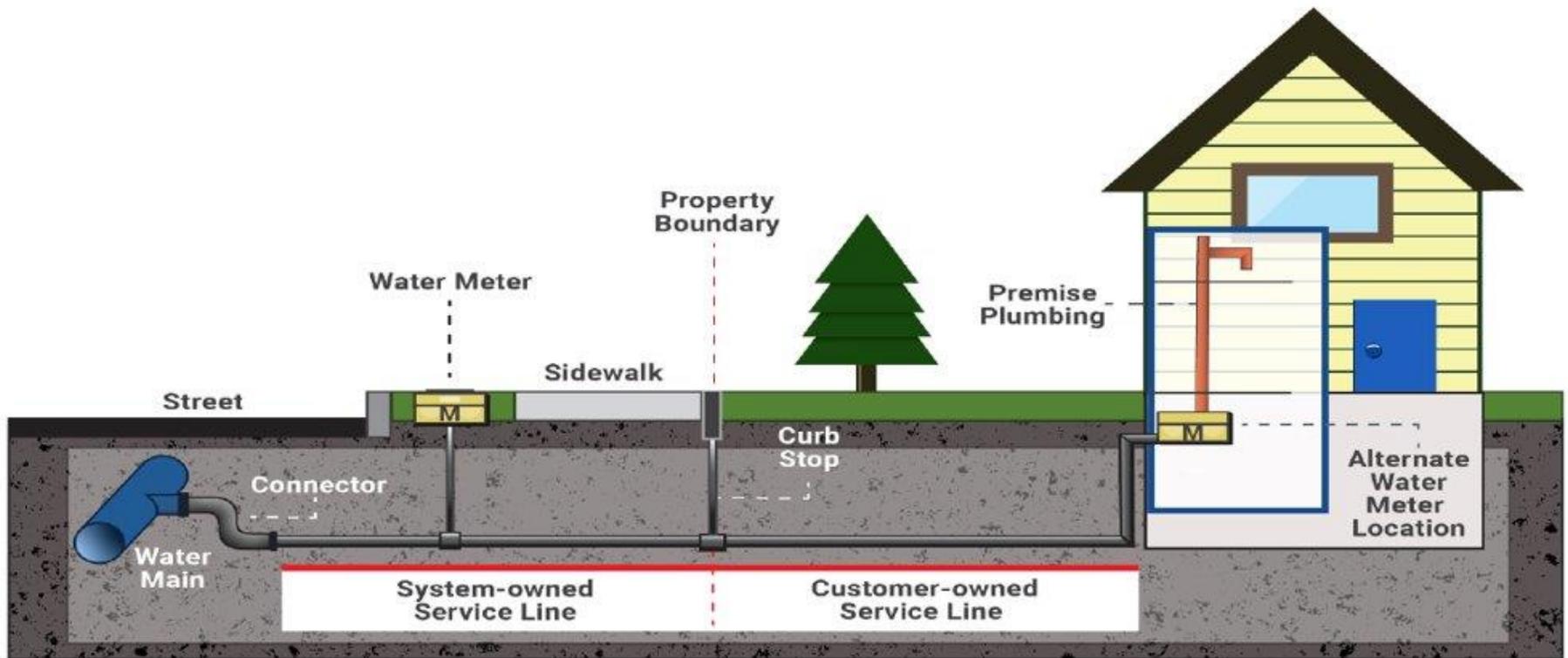
Regular DWSRF available for projects addressing lead in water mains/distribution systems, and other non-LSLR replacement projects.

BIL LSLR Replacement Projects

- Replacement projects must replace the entire lead service line
 - Service line connects the water main to the building inlet (EPA SRF BIL Implementation Memo, March 2022)
 - Lead service lines include lead connectors (goosenecks, pigtails, etc.).
 - Lead service lines include galvanized service lines downstream of a lead service line.
 - No need to replace portions previously replaced.
 - Funds cannot be used for in-house "premise" plumbing.



Lead Service Line Replacement



BIL LSLR Eligible Applicants

- Eligible Applicants:
 - Units of local government
 - Non-profit water companies
 - Investor-owned water utilities



BIL LSLR Loan Terms

- 0% interest rate for repayable loans
- Loan terms cannot exceed expected life of the project
 - 20-year term loan for replacement projects
 - 5-year term loan for inventory-only projects.



Principal Forgiveness

- 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, rates, and economic indicators
 - Eligibility ranges from 0% - 100% (in 25% increments)
 - **Disadvantaged Area** – evaluates residents benefiting from the project, eligible for 50% PF
 - Initial cap of \$500,000 or eligibility percentage of project cost (whichever is lower)
 - Caps and percentages can be exceeded if additional PF funds are available in a funding round.



Disadvantaged Areas

- Disadvantaged Area consideration for projects with at least 50% of costs benefiting disadvantaged areas
 - Subsection or pocket of the service area
 - Project size limited to half the number of connections served at time of application
 - Use the Narrative to demonstrate disadvantaged areas
 - Use Affordability Criteria LGU data where available
 - See Guidance Document or IUP for other factors
 - May use Department's Community Mapping System or similar maps as supporting documentation.



State Revolving Fund (SRF) Conditions

SRF conditions apply and will need to be documented.

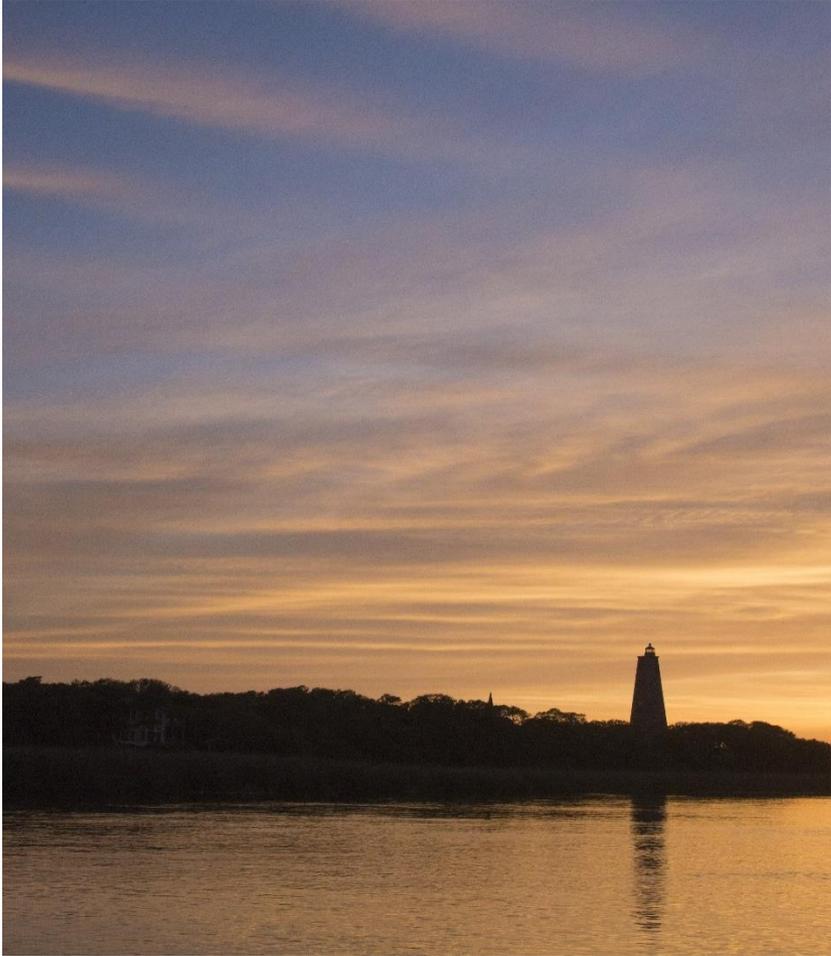
- Davis-Bacon Prevailing Wage Rates
- American Iron and Steel (AIS)
- Build America, Buy America (BABA)



State Revolving Fund (SRF) Conditions

- **Build America, Buy America Act**
 - Applies to SRF and BIL funds awarded to States after May 2022.
 - All iron and steel are produced in the United States.
 - All manufactured products are produced in the United States.
 - All construction materials are manufactured in the United States.
- EPA website: [Build America, Buy America \(BABA\)](#)
[US EPA](#)





Project Specifics



BIL LSLR Funding Types and Proposed Caps

- Funding types and caps per applicant per round:
 - \$4 million for projects replacing known lead service lines
 - \$2 million for system verifying materials and replacing lead service lines as discovered (DWI is considering limiting material verification costs to \$500,000)
 - \$500,000 for a system to inventory lead service lines (no replacement)
- Applicants may apply for multiple project types each round
- Applicants eligible for only one project per type per applicant per round funded.
- DWI considering adjusting funding caps prior to finalizing IUP



Subject to finalization of the Intended Use Plan

BIL LSLR Funding Cycles

Funding cycles

- More frequent than traditional semi-annual funding rounds available for construction projects
- DWI will announce application due date for each funding round
- Complete and eligible applications received by due date will be considered for funding at next scheduled SWIA meeting
- Projects not selected for funding automatically re-considered for next funding round
- Possible due dates for 2023 in June (solicitations), August and November (applications)





Priority Rating System



LSLR Priority Rating System

Project Purpose

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



LSLR Priority Rating System

Project Benefits

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



LSLR Priority Rating System

Affordability (same as for construction projects)

Line Item #	Category 4 – Affordability Points	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-gallon Usage	
4.B.1	Greater than \$79 OR	4
4.B.2	Greater than \$90 OR	6
4.B.3	Greater than \$107 OR	8
4.B.4	Greater than \$129	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

BIL – Lead Service Line Replacement Project Solicitation Form



North Carolina Department of Environmental Quality
Division of Water Infrastructure
LSLR Project Solicitation Form
(Last updated: February 2023)



1. General Information

Applicant Name	County	Unique Entity Identifier (UEI)
_____	_____	_____
Project Name	Federal Tax ID #	PWSID #
_____	_____	_____

Applicant Type <input type="checkbox"/> Municipality <input type="checkbox"/> County <input type="checkbox"/> Water and Sewer District <input type="checkbox"/> Water and Sewer Authority <input type="checkbox"/> Sanitary District	<input type="checkbox"/> Metropolitan Water District <input type="checkbox"/> Non-Profit Water Corporation <input type="checkbox"/> Investor-Owned Drinking Water Corporation <input type="checkbox"/> Other (Specify: _____)	Funding Amount Requested _____ Total Project Cost _____
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Funding Type Requested
 Funding for Lead Service Line and Lead Connectors (LSL)

Replacing already-known LSLs
 Finding and replacing LSLs
 Inventory LSLs only (includes no replacement)

Acceptance of Funding Offer
 This question will be used to identify the best funding fit. All LSL projects will be subject to federal terms and conditions.

- I will only accept a funding offer if a minimum of \$ _____ is offered as principal forgiveness. I will accept the rest as loan.
 Enter \$0 if you are willing to accept a loan offer with no principal forgiveness.

2. Drinking Water System Parameters

Residential Water Connections

Non-Residential Water Connections

Monthly Sewer Bill per 5,000 gallons: _____
 Monthly Water Bill per 5,000 gallons: _____

Percentage of Utility Bills Collected and Rate Increase Percentages		
Year	Percentage of Utility Bills Collected	Rate Increase Percentage
_____	_____	_____
_____	_____	_____
_____	_____	_____

Available on DWI’s “Lead Service Line Replacement Funding” webpage

<https://www.deq.nc.gov/about/divisions/water-infrastructure/lead-service-line-replacement-funding>

Solicitations can be submitted year-round, will be reviewed periodically

BIL – Lead Service Line Replacement Project Solicitations and Applications

- Currently accepting Project Solicitations (not an application)
- Intent is to consider a solicitation an application when IUP and LSLR application are finalized
- Solicitation is intended to meet application requirements for complete and competitive application
 - Solicitation requires signatures, budget, and narrative supporting priority points.
 - Complete application will additionally require a governing board resolution and fund transfer certification.
- Water systems with submitted solicitations will have an opportunity to resubmit applications to update project information or to best meet application requirements.



What Happens After Application is Submitted

- Applications scored based on Priority Rating System
- Staff presents application information to SWIA to select projects for funding based on priority order
- Recipient receives Letter of Intent to Fund after SWIA approves award
 - Establish project milestones
 - Inventory projects will have alternate project schedule
- A Funding Offer must be executed for acceptance of funding terms and conditions
- LGC must approve loan portion of award
- Authority to Award from DWI (replacement projects)





Next Steps



Lead Service Line Replacement – Next Steps

- Water systems continue to submit Project Solicitations for consideration
- DWI to work with systems with solicitations on completing their applications
- DWI to apply to EPA for BIL DWSRF LSLR funds (July 2023)
- Funds expected to be available for projects as early as Fall 2023



Lead Service Line Replacement – Next Steps

- Finalize Intended Use Plan (IUP) and Application Process
 - Program details (responding to public comments)
 - Inventories versus verification in “unknown” areas
 - Assuring funds available for inventories
 - Funding caps (consider project cost and number of systems with projects)
 - Principal forgiveness (provided to most in need)
 - Funding cycles (make funds available now and in future)
 - Applications – keep it easy, remove unnecessary items (PE seal for inventories)
 - Project list (DWI must demonstrate need)



Lead Service Line Replacement – Next Steps

- **Project Solicitation – please continue to submit!**
 - Project priority list needed for IUP
 - EPA awards funds for documented demand



DWI Contact Information

Name	Role	Phone Number	E-mail
David Giachini, PE	DW Supervisor (LSLR)	919.707.9191	david.giachini@ncdenr.gov
Amanjit Paintal	LSLR Lead	919.707.9054	Amanjit.Paintal@ncdenr.gov
Jon Risgaard	SRF Section Chief	919.707.9175	jon.risgaard@ncdenr.gov
Kavitha Ambikadevi, PE	DW Unit Supervisor	919.707.9048	kavitha.ambikadevi@ncdenr.gov
Cathy Akroyd	Public Information Officer	919.707.9187	cathy.akroyd@ncdenr.gov

Questions?

