

CO-FUNDING FOR LEAD SERVICE LINE REPLACEMENT

Background

Water utilities across the U.S. are working hard to identify and replace lead service lines, the pipes connecting the water main to a home, to protect their communities. The Drinking Water State Revolving Fund (DWSRF) program helps water utilities fund replacement of lead service lines (LSLs). To fully fund projects, utilities may need to seek additional federal and/or state funds.¹ This fact sheet explains how utilities can strategize combining these additional funds.

What is “Co-Funding”?

Utilities may use a mixture of federal and state funding sources for LSL replacement. **Co-funding** is an umbrella term used to describe funding strategies where resources from multiple sources are combined. Co-funding allows water systems to fill in gaps in project financing. The two major co-funding strategies are:

Braided funds: Funds from two or more sources that are tracked and reported on separately. Most federal funding sources require separate tracking systems to ensure transparency in accounting and reporting. Each source covers different parts of the project in an effort to finance the entire project.

Blended funds: Two or more funds are joined into a single “pot” of funds for tracking purposes. When using blended funds, the overall program reports on combined funding without specific breakouts by funding source. Implementing blended funding often requires prior approval from public sector funding sources.

Benefits of Co-Funding

Co-funding may be especially useful for small communities or municipalities that need to complete a high number of LSL replacements, as it can increase available resources. Benefits of co-funding include:

- Ability to conduct a larger number of LSL replacements than if using single source funding.
- Reducing funding gaps and minimizing user rate increases.
- Ability to complete complementary infrastructure projects alongside LSL replacement that support public health and safety, community development, and local job creation.

Considerations When Combining Funds

As utilities identify potential federal and state funding sources, they should consider the different requirements and timelines of the funds. Utilities also should plan for tracking and reporting on expenses over multiple years. General considerations for utilities should include:

- **Identify the highest priority, best-fit funding sources.**
 - Evaluate which funding sources the water utility is eligible for and confirm whether planned activities are covered.
 - Identify any restrictions for potential funding sources. Some funding sources may not be eligible to be combined.
 - Investigate whether LSL replacement projects can be included in funding applications for other capital improvement projects.
- **Review the various tracking and reporting requirements** across selected funding sources. Water utilities may be able to seek funds for staff, tools, and software to support additional tracking and reporting requirements in their applications.

¹ Other potential federal sources of funding for LSL inventory and replacement projects are described in [Federal Funding Resources for Identifying and Replacing Lead Service Lines](#)

- **Foster cooperative relationships** with funding agencies. This can be especially helpful for smaller communities that may lack the administrative resources and technical capacity to manage multiple funds at once. [State contacts for the SRF programs](#) are listed on EPA's [DWSRF website](#).
- **Maintain awareness** of new regulations and sources of funding and update plans accordingly.

Case Study – Leadwood, Missouri

The small, rural city of **Leadwood, Missouri** (population 1,200) was experiencing challenges with its aging water infrastructure, much of which was originally installed in the 1920s. The city's water treatment plant, water tower, and existing well were deteriorating, and the water mains needed to be replaced. In addition to these upgrades, the city also needed resources to complete its required service line inventory and replace LSLs in the water distribution system.

The costs of all necessary upgrades posed a significant financial burden for Leadwood. In response, the city used a braided funding approach, securing funds from different sources to address each task. The city secured a \$750,000 grant from the U.S. Department of Housing and Urban Development Community Development Block Grants to build a new water tower; nearly \$5,500,000 in grants and loans from the U.S. Department of Agriculture Rural Development Program for water main replacements; and a \$450,000 loan from the Missouri DWSRF to complete its lead service line inventory. Additionally, the city has applied to the state for American Rescue Plan Act (ARPA) funding and the Delta Regional Authority to bridge any remaining funding gaps and is pursuing further funding from the Missouri DWSRF to complete customer-owned lead service line replacements.

Throughout the process of securing and implementing funding, the city has worked with the Missouri Department of Health and USDA Rural Development to effectively manage, track, and report expenses on the multiple funding sources used. Maintaining these partnerships provided the city with technical guidance and ensured all expenses were effectively and accurately reported. Using co-funding has allowed the city to cover the significant costs of replacements and upgrades, ensuring critical work is completed in a timely manner while minimizing costs for community residents.

EPA Can Help

EPA's Lead Service Line Replacement technical assistance initiatives work directly with water utilities in identifying and planning to replace lead service lines in their systems. For more information or to request technical assistance for your utility, please visit epa.gov/realwaterta or fill out EPA's [Real Water Technical Assistance Request Form](#). If you have any questions, please contact RealWaterTA@epa.gov.