



SENATE BILL 257: 2026 Appropriations Act, Sec. 12.2: Wastewater and Drinking Water Directives.

2025-2026 General Assembly

Analysis of: S.L. 2026-41, Sec. 12.2

Date: August 18, 2026

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Section 12.2 of S.L. 2026-41 (Senate Bill 257) requires recipients of funding for specific water and wastewater projects funded by the 2023 budget to:

- Submit funding request forms to the Department of Environmental Quality (DEQ) by June 30, 2027.
- Enter into a construction contract by June 30, 2029.
- Expend the funding by December 31, 2031.

DEQ may extend the deadline for recipients that fail to meet deadlines if DEQ finds good cause, including a natural disaster.

If the recipient misses any of the deadlines above, unspent funds revert to DEQ for other water and sewer infrastructure projects that are eligible for funding from the Drinking Water Reserve or Wastewater Reserve, on the business day following the deadline. Reverted funds must be allocated to prioritized projects that the Division of Water Infrastructure finds cannot be completed due to unavoidable cost overruns since September 1, 2023, for costs described in the first request for funding submitted to DEQ.

By October 31, 2026, and every quarter thereafter, DEQ must report to (i) the chairs of the House Appropriations Committee on Agriculture and Natural and Economic Resources, (ii) the chairs of the Senate Appropriations Committee on Agriculture, Natural, and Economic Resources, (iii) each member who represents a district with an active project, and (iv) the Fiscal Research Division detailing, at a minimum, each project's progress and funding status, until all funds are expended and projects are completed.

Subsections (f) through (h) make conforming changes to the Water Infrastructure Chapter of the General Statutes and do the following:

- Expand the definition of "targeted interest rate project" to include several classes of projects in the discretion of the State Water Infrastructure Authority.
- Require DEQ to report on loans offered to local governments, nonprofit water corporations, or investor-owned drinking water corporations that are refused and the reason for the refusal.
- Increase the limit for merger/regionalization feasibility grants and asset inventory and assessment grants.

This section became effective July 1, 2026.

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