



DRINKING WATER

Federal FY 2024 DWSRF Base Capitalization Grant Intended Use Plan For State FY 2025

DRAFT

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I. Introduction

The Drinking Water State Revolving Fund (DWSRF) was created by the 1996 amendments to the federal Safe Drinking Water Act (SDWA) to assist public water systems with financing the cost of infrastructure needed to achieve or maintain compliance with the SDWA. Section 1452 of the SDWA authorizes the Administrator of the US Environmental Protection Agency (EPA) to award capitalization grants to states to provide seed money for the purpose of establishing a low-interest loan program (the DWSRF) and other types of assistance to eligible water systems.

This Intended Use Plan (IUP), required under the SDWA, describes how South Carolina proposes to use available SRF funds for State Fiscal Year (SFY) 2025 (July 1, 2024 through June 30, 2025) including federal funds allocated to South Carolina by the Consolidated Appropriations Act, 2023, and how those uses support the objectives of the SDWA in the protection of public health. South Carolina's allotment from the federal appropriations for federal fiscal year (FFY) 2024 is \$5,825,000. Eligibility for DWSRF loans and DWSRF program requirements, including any requirements of the applicable appropriations legislation, are also included in the IUP.

The South Carolina Department of Health and Environmental Control (DHEC) has primary enforcement responsibility (i.e., primacy) for carrying out the provisions of the SDWA. DHEC also is the designated state agency to apply for and administer the capitalization grants for the DWSRF. The drinking water enforcement program and the DWSRF program are both in the DHEC Bureau of Water which facilitates cooperation and coordination between the two programs to address regulatory compliance issues for drinking water systems in the state. The South Carolina Water Quality Revolving Fund Authority (Authority) is responsible for the financial management functions of the DWSRF, including its financial policies, and executes loan agreements with project sponsors. The South Carolina Rural Infrastructure Authority's Office of Local Government (RIA) conducts the staff functions of the Authority. During SFY 2024, there have been no changes to the organizational structure of the SC SRF program or the state statute that governs the implementation of the SC SRF program.

Once prepared, an IUP must be noticed for a period of at least 30 days to accept comments from the public. Comments on all facets of the Draft IUP are accepted. After considering comments received, the IUP is finalized and posted on DHEC's Reports and Publications web page at www.scdhec.gov/srfreports.

II. Goals

This program will help address specific measures that "ensure clean and safe water for all communities" and "ensure safe drinking water and reliable water infrastructure" in accordance with Goal 5 and Objective 1 that are outlined in the strategic goals and objectives of the [Environmental Protection Agency \(EPA\) Strategic Plan](#). South Carolina has identified several short- and long-term goals, designed to promote sustainable improvements to the

state's drinking water infrastructure and help ensure maximum public health and environmental benefits. These goals are reviewed annually and updated as needed.

A. Short Term Goals (Outputs)

1. Maintain a subcontract with a qualified vendor to provide technical assistance to small systems (deliverable).

B. Long Term Goals (Outcomes)

1. Promote sustainable system capacity through consolidation of systems thereby taking advantage of the economies of scale to address technical, managerial and financial capacity problems.
2. Assist local communities as they strive to achieve and maintain compliance with federal and state drinking water standards by funding projects that improve drinking water quality and protect public health (deliverable).
3. Use Principal Forgiveness funds to assist small and disadvantaged communities and systems as they strive to achieve and maintain compliance with federal and state drinking water regulations and meet state drinking water standards (deliverable).
4. Provide technical assistance to small systems to enhance sustainability and to achieve compliance with state and federal drinking water laws and regulations.
5. Support investment in green infrastructure, water and energy efficient improvements and environmentally innovative projects.
6. Maintain a working relationship with other infrastructure funding authorities within the state to coordinate drinking water quality funding.
7. Maintain the fiscal integrity of the DWSRF to ensure the perpetuity of the fund.

III. Transfer of Funds From/To the Clean Water State Revolving Fund

The SC SRF program reserves the ability to transfer funds between the Clean Water (CW) SRF and DWSRF as provided for by federal law. Fund transfers from the CWSRF to the DWSRF or from the DWSRF to the CWSRF will be done to assist in meeting the funding demands in the CWSRF and DWSRF. The law allows the SRFs to transfer an amount equal to 33% of each annual Drinking Water capitalization grant. SC SRF would transfer non-federal funds made available by loan repayments. The EPA will receive written notification prior to any transfers occurring.

For SFY 2025, the SC SRF has no plans to transfer funds between the CWSRF and DWSRF but reserves the right to do so if needed to meet demand in either the Clean Water or Drinking Water Base capitalization grant programs during SFY 2025.

IV. Cross-Collateralization

The DWSRF fund is not leveraged and DWSRF funds will not be used for debt security. There is no cross-collateralization of programs.

V. Provisional Projects List

The Drinking Water Provisional Project List (PPL) (Appendix A) identifies projects that are considered eligible and ready to proceed in SFY 2025.

All loan projects on the PPL must complete the process detailed in Section VI.C. to receive funding.

Final funding decisions for each project are contingent on a review of the project sponsor's technical and managerial capacity, a completed environmental review of the proposed project, issuance of a DHEC construction permit (or letter of approval to construct) that meets SRF requirements, and a successful final credit review by RIA for the Authority for projects receiving loans. The availability of a loan from the Authority will be based on the project sponsor's financial capacity and its ability to afford repayment on the requested amount of debt.

The Provisional Project List includes projects that have been identified to receive principal forgiveness funds. These funds are only available if the FFY 2024 DWSRF Base Capitalization Grant is awarded by EPA and accepted by DHEC. Project listing is not a commitment of funding.

VI. Method for Selecting Projects and Distribution of Funds

A. Priority Ranking System

DHEC has a Priority Ranking System for projects seeking funding from the DWSRF. A copy of the ranking system used to score and rank projects can be found on the SRF Reports and Publications web page at www.scdhec.gov/srfreports. The priority ranking system is reviewed on an annual basis and updated as needed.

B. Comprehensive Priority List of DWSRF Projects

For a project to be considered for funding from the DWSRF, it must appear on the Comprehensive Priority List of DWSRF Projects. To be included in this list, an eligible project sponsor must complete a Project Questionnaire (PQ), DHEC 3463 or a similar funding request application approved by DHEC. The DHEC 3463 form can be found on the SRF Forms webpage at www.scdhec.gov/srfforms. A project sponsor may submit a completed PQ to the SRF Division of DHEC's Bureau of Water at any time. Once the PQ is received, DHEC staff evaluate the project based on the DWSRF Priority Ranking System and the project receives a numeric score. The project is then added to the Comprehensive Priority List of DWSRF Projects in rank order. Projects with the same

numerical score are ordered based on how the project addresses correcting the risk to public health and compliance with the Safe Drinking Water Act. DHEC maintains an updated Comprehensive Priority List on the SRF Reports and Publications web page at www.scdhec.gov/srfreports.

If a project remains on the Comprehensive Priority List for two years and does not proceed, the project will be removed from the list unless the sponsor provides an updated PQ.

C. Selection of Projects and SRF Funding

The selection of projects for the Provisional Project List (Appendix A) is based on the project rank and cost, availability of funds, consideration of the by-pass procedures in Section VI.D., and the sponsor's indicated readiness to proceed with a project during SFY 2025. Ready to proceed in SFY 2025 means that a project will be in compliance with the SRF schedule for submission of an acceptable preliminary engineering report and construction permit application as well as a complete SRF loan application to RIA. The selection process for sponsors and projects that may receive Additional Subsidies (i.e., 100 percent principal forgiveness for this grant) are discussed in Section X.C.

The successful completion of a preliminary financial review should occur before a project sponsor proceeds with meeting the technical requirements for a loan. Based on the schedule established for a project, RIA will send the sponsor a loan application package. To proceed as an SFY 2025 SRF project, a project must receive a construction permit, or letter of approval to construct, and submit a complete loan application to RIA by July 31, 2025. For large projects, DHEC and RIA reserve the right to impose a limit on the amount of any given DWSRF loan, regardless of ranking, and to consider a sponsor's ability to obtain financing from other sources and to make SRF funds available to a larger number of eligible sponsors.

When conducting outreach to solicit DWSRF projects, DHEC will emphasize the importance of resiliency, security, and sustainability projects and convey that projects addressing these issues are eligible for DWSRF funding. Disadvantaged communities are targeted through email, webinars, and conferences, as well as contacted through trade and technical assistance organizations.

The DWSRF does not provide funding for emergencies. These funds may be made available to utilities by FEMA or through other federal disaster appropriations such as ASADRA.

D. Bypass Procedure

When selecting projects for funding, DHEC may bypass projects on the Comprehensive Priority List as follows:

1. To address an imminent hazard to public health as determined by DHEC;
2. To fund a project that corrects violations of primary drinking water standards through consolidation or regionalization;

3. To fund projects that support consolidation or regionalization of systems to enhance the sustainability, regulatory compliance and/or quality of service of the systems involved;
4. To fund a project where a viable system owner is willing to assume ownership or receivership of a non-viable or abandoned system;
5. To fund projects for eligible sponsors that have not previously received DWSRF funding;
6. To fund an equitable geographic distribution of projects;
7. To fund a project for an eligible sponsor that otherwise would not receive SRF funds, especially principal forgiveness funds, from some other FFY 2024 DWSRF or CWSRF grant. The purpose of this bypass is to facilitate the distribution of SRF funds to a larger number of eligible sponsors, especially sponsors receiving principal forgiveness funds;
8. To fund projects to meet federal equivalency requirements;
9. To fund projects the SRF can meet the federal expeditious and timely use of funds requirement; and,
10. To fund projects that do not receive direct federal allotments in order to distribute funds more evenly. Additionally, the SRF may choose to not fund projects that appear on the PPL that later receive a direct federal allotment.

E. Expeditious Use of Funds

To promote timely commitment and use of SRF funds, DHEC will determine milestones for each project related to the completion of the PER and submission of plans and specifications to obtain a construction permit or letter of approval to construct. For the projects listed on the PPL, the project sponsor should meet these milestones to ensure funds will not be committed to other projects. DHEC will take into account the complexity of the project and work with project sponsors in setting, and revising if appropriate, project milestones. It is the goal of the program to have projects on the PPL that have a signed loan agreement or loan assistance agreement (PF projects) within 12 months of the date of each quarterly payment in the EPA grant award. With current resource shortages for materials and qualified engineers and contractors, DHEC realizes that it may be challenging for sponsors to meet this goal.

Currently, project design and construction costs are increasing, often at a rapid pace. Therefore, sponsors with projects on the PPL will be encouraged to bid project alternatives, if feasible. Some or many PF projects on the PPL still may exceed the SRF budget amounts shown on the PPL. A PF project on the PPL may receive additional funding above the budgeted amount shown on the PPL if justified and approved by DHEC. Once the total PF funds under binding commitment reach the total PF amount shown on the PPL, PF projects without a binding commitment when that amount is reached will be addressed as follows: 1) projects with a Preliminary Engineering Report (PER) that has been approved by the DHEC SRF program will be moved to the next year's IUP and PPL for the Base grant; and, 2) projects without an approved PER will need to be

resubmitted to the SRF program for future funding consideration. Available funds and loan budgets are discussed in Section VIII.G.

The SC SRF program has experienced challenges with the pace of distributing SRF funds. The COVID-19 Public Health Emergency caused a dramatic drop in market interest rates which led many sponsors to refinance debt and repay SRF loans. COVID-19 also caused supply chain shortages and rapidly escalating costs which slowed many projects. South Carolina invested \$1.469 billion of its funds from the American Rescue Plan Act (ARPA) in improvements for clean drinking water, sanitary sewer, and stormwater resilience. Many projects proposed for SRF funding were paused until the ARPA grant awards were announced. The combined effects of these items have slowed the pace of distributing SRF funds.

F. Sustainability Requirement

The DWSRF may not provide any financial assistance to a system that has failed to maintain a satisfactory level of SDWA compliance as enumerated by EPA's Enforcement Targeting Tool (ETT) unless the State conducts a review and determines that the project will enable the system to return to compliance and the system will maintain an adequate level of technical, managerial and financial capability to maintain compliance. Nor may assistance be provided to any project sponsor that lacks the technical, managerial or financial capability to maintain SDWA compliance, unless the sponsor agrees to undertake feasible and appropriate changes in operation or if the use of the financial assistance from the DWSRF will promote sustainability and compliance over the long-term (Section 1452(a)(3)(B)(I) of the SDWA).

Sponsor sustainability is evaluated using DHEC's Utility Sustainability Assessment (UtSA) (DHEC 0574). The UtSA is a written system assessment completed by the Sponsor and reviewed and scored by DHEC that includes operational issues, managerial issues and limited financial information. Unless an acceptable score was received on a UtSA within the previous three years, a UtSA is requested of sponsors with projects on the Provisional Projects List. Additional financial assessment is performed by RIA as part of the preliminary financial review and loan application process.

G. Growth

The DWSRF cannot provide assistance to finance the expansion of any drinking water system solely in anticipation of future population growth (Section 1452(g)(3)(C) of the SDWA). In determining whether or not a project is eligible for assistance, DHEC will determine the primary purpose of the project. If the primary purpose is to attract growth, the project is not eligible to receive DWSRF funds. If the primary purpose is to solve a compliance or public health problem, the entire project, including the portion necessary to accommodate a reasonable amount of growth over its useful life, is eligible.

H. Interest Rates and Funding Terms for Eligible Projects

Visit the RIA Loans web page at www.ria.sc.gov/loans to view SRF loan rates and policies. Interest rates for SFY 2025 projects will be published by RIA in early October 2024. To

receive that interest rate, a project must receive a construction permit, or letter of approval to construct, and submit a complete loan application to RIA by July 31, 2025.

Up to 30-year financing is available for all borrowers not to exceed the useful life of the project components. For example, pipe and items constructed of concrete or steel qualify for a 30-year term, while mechanical and electrical components are limited to 20 years. Blended amortizations will be provided for loans with differing terms.

For any project requesting funds for both 20- and 30-year eligibilities, the engineer will provide in the PER an estimated cost breakout in sufficient detail for DHEC to determine items that qualify for 20- or 30-year financing based on useful life. This information will be used for the conditional loan commitment letter; however, the 20- and 30-year eligibilities used for loan closing must be based on contractor prices.

Loans for projects with both 20 and 30-year requested construction cost items will have the 20/30 year cost breakdowns for the loan agreement determined once the bidding process is complete. If the successful contractor's bid is in sufficient detail for DHEC to determine the useful life of the components, no further breakout will be needed for loan closing. However, when the successful contractor's bid is not in sufficient detail to make the 20/30 year determinations, such as in a lump sum bid, the successful contractor, after the tentative award notice but before loan closing, must provide a breakout of the bid in sufficient detail for DHEC to make the necessary determinations of 20- and 30-year eligibility. So as to not delay loan closing, and in most cases execution of the construction contract, the selected contractor needs to develop and submit the detailed breakout to DHEC at the earliest possible time.

I. Loan Application

Sponsors of Provisional Projects who successfully complete RIA's preliminary financial review may apply to the Authority through RIA for SRF loan financing by submitting a loan application approximately 30 days prior to submitting plans and specifications as required for a DHEC construction permit or letter of approval that meets SRF requirements. Authorization to construct the project, either through a DHEC-issued Permit to Construct or Letter of Approval, both of which require a completed environmental review, is required before an SRF loan application is considered complete.

Loan applications are accepted from October 1 through July 31.

VII. Eligibilities

A. Eligible Sponsors

Municipalities, counties, special purpose districts, and other public entities are eligible DWSRF project sponsors. Also eligible are private, non-profit community water systems established by state law.

B. Compliance and Public Health

According to Section 1452(a)(2) of the SDWA, the DWSRF may only provide assistance for expenditures (not including monitoring, operation and maintenance expenditures) of a type or category which will facilitate compliance with national primary drinking water regulations applicable to the system under Section 1412 of the Act or otherwise significantly further the health protection objectives of the Act.

Projects to address SDWA health standards that have been exceeded or to prevent future violations of the rules are eligible for funding. This includes projects to maintain compliance with existing regulations for contaminants with acute health effects (i.e., the Surface Water Treatment Rule, the Total Coliform Rule, and nitrate standard) and regulations for contaminants with chronic health effects (i.e., Lead and Copper Rule, Phases I, II, and V rules, total trihalomethanes, etc.).

Projects to replace aging infrastructure are eligible if they are needed to maintain compliance or further the public health protection goals of the SDWA. Examples include projects to:

1. Rehabilitate or develop sources (excluding reservoirs, dams, dam rehabilitation and water rights) to replace contaminated sources;
2. Install or upgrade treatment facilities if the project would improve the quality of drinking water to comply with primary or secondary standards;
3. Install or upgrade storage facilities, including finished water reservoirs, to prevent microbiological contaminants from entering the water system; and
4. Install or replace transmission and distribution pipes to prevent contamination caused by leaks or breaks in the pipe, or to improve water pressure to safe levels.

Projects to consolidate water supplies—for example, when a public water supply is contaminated, or the system is unable to maintain compliance for financial or managerial reasons—are eligible for DWSRF assistance. Also, planning and design projects to improve the capabilities of a system to facilitate compliance with regulatory standards are eligible.

C. Land

Land is eligible only if it is integral to a project that is needed to meet or maintain compliance and further public health protection. In this instance, land that is “integral to a project” is only the land where eligible treatment or distribution projects will be located. The purchase price of all land, rights-of-ways, and easements, not to exceed the appraised value, may be included in the loan when: 1) the land is obtained less than one year prior to the date of a complete loan application, 2) an appraisal, prepared by a qualified appraiser, is submitted on each parcel, right-of-way and easement with the loan application, and 3) the land is acquired from a willing seller. For land with structures or other improvements, only the appraised value of the land is DWSRF loan eligible, not the appraised value of the land with the structures or improvements.

D. Planning and Design Costs

A DWSRF loan may include the costs of project planning and services incurred prior to construction (e.g., costs associated with preparing the PER, plans and specifications, advertising, pre-bid conference, bidding procedures, pre-construction conference, loan application, or administration). Only those costs for which there is clear documentation of expenses incurred solely for the proposed project and are dated no earlier than 36 months prior to the date of a complete loan application to RIA are eligible for funding under the DWSRF program.

E. Legal and Appraisal Fees

In general, legal and appraisal costs associated with obtaining land (rights-of-way and easements) and attorney fees associated with the SRF loan application and loan closing process are eligible. Please note that only the legal and appraisal costs associated with obtaining land from a willing seller are eligible for funding under the DWSRF program if incurred no earlier than one year prior to the date of a complete loan application to RIA.

F. Construction Costs

Construction costs include the costs associated with the construction of the project by a contractor. The DWSRF may provide assistance for the costs associated with engineering services during construction, such as inspections, change orders, overview of contractors, shop drawings, record drawings, concrete or soil testing, Davis-Bacon, American Iron and Steel and Build America, Buy America administration (as needed), and draw requests.

Equipment that is directly purchased by the sponsor for the project, such as pumps, generators, etc., is eligible.

Materials such as pipe, valves, brick, mortar, etc., that are directly purchased by the sponsor are eligible. The materials may be installed either by a contractor or by the sponsor using its own employees and equipment. Eligibility is limited to the costs of materials. The costs of supplies such as fuel, oil and tools used by the sponsor to install the materials are not eligible for funding under the DWSRF program. Additionally, force account labor is not eligible.

Service connections are eligible for funding from the SRF but only that portion of a service connection that will be owned and maintained by the project sponsor and installed as part of an SRF funded waterline project.

G. Contingency

The SRF program allows a contingency on eligible construction costs funded by the SRF for loan projects as follows: ten percent (10%) of the SRF construction line item for the first \$10 million dollars of construction cost and five percent (5%) for the SRF construction amount that exceeds \$10 million. However, projects that are co-funded with the South Carolina Infrastructure Investment Program (SCIIP) will not be allowed a contingency amount through the SRF, since a 25% contingency has already been factored into the

initial construction estimate for the entire project and subsequently reflected in the SCIIP grant award. The only potential exception may be when the SCIIP only funds a portion of the total construction cost with the remainder provided by the SRF. In such cases, the SRF will provide contingency only on the SRF funded construction amount and on the same terms described above, depending on the availability of SRF funds.

The SRF program allows a contingency of two and a half percent (2.5%) for materials that are directly purchased by the sponsor. Projects that are co-funded with SCIIP will not be allowed a contingency through SRF for materials directly purchased by the sponsor.

There is no contingency allowed on equipment.

H. Phasing of a Drinking Water Project

To make construction and/or funding more manageable, a project may be divided into separately funded phases or segments at the option of the sponsor. However, to be DWSRF-eligible, any such phase or segment must be of reasonable size and scope; must feasibly address a water quality, public health or compliance deficiency; and, when constructed must have the capability of being placed into immediate full operation, without its full operation being dependent on a subsequent project phase, segment or other outside operation yet to be completed. After a given project phase is funded, subsequent phases must stand separately in competing with other projects for priority list ranking in later fiscal years.

I. Projects and Activities Not Eligible for Funding

The DWSRF will not provide funding assistance for the following projects and activities:

1. Dams, or rehabilitation of dams;
2. Reservoirs, except for finished water reservoirs and those reservoirs that are part of the treatment process and are located on the property where the treatment facility is located;
3. The purchase of water rights;
4. Laboratory fees for monitoring;
5. Operation and maintenance expenses;
6. Projects needed mainly for fire protection;
7. Projects for systems that lack adequate technical, managerial and financial capability, unless assistance will facilitate compliance;
8. Projects for systems in significant noncompliance, unless funding will facilitate compliance;
9. Projects primarily intended to serve future growth;
10. Refinancing of existing debt; or
11. Projects for systems when consolidation or regionalization is the most feasible alternative for a system to maintain sustainability, unless the project addresses or supports consolidation or regionalization.

VIII. Funds Available

A. Amount of Capitalization Grant

South Carolina's allotment for the FFY 2024 DWSRF Base Capitalization Grant is \$5,825,000.

B. State Match Requirement and Cash Draw

One condition of receiving the annual capitalization grant allotment is the State must deposit into the DWSRF a match equal to at least twenty percent (20%) of the total amount of the expected federal grant. RIA will deposit the full state match of \$1,165,000 into the DWSRF from state appropriations and other resources available to RIA prior to receiving the capitalization grant. It will fully expend the state match before the first draw of funds from the capitalization grant with subsequent federal draw at 100%. The state will draw funds from the capitalization grant according the payment schedule (timeline) submitted in with the grant application and presented in the grant award.

C. Set-Aside for Administration of the DWSRF Program

The SDWA allows states to use four percent (4%) of each capitalization grant to fund the administration of the State's DWSRF program and other non-project activities. For SFY 2025, the State will take \$231,480, or approximately 4.0%, of the FFY 2024 DWSRF Base Capitalization Grant for administration of the DWSRF program.

D. Set-Aside for Technical Assistance for Small Systems

The SDWA allows states to set aside up to two percent (2%) of each capitalization grant to fund technical assistance (TA) services to small water systems that serve fewer than 10,000 people. For SFY 2025, the State does not plan to take this set-aside from the FFY 2024 DWSRF Base Capitalization Grant.

E. Set-Aside for Local Assistance and Other State Programs

The SDWA allows states to set aside up to 15% of each capitalization grant to fund various state drinking water protection initiatives. No more than 10% of its annual DWSRF grant can fund any one initiative. For SFY 2025, the State does not plan to take this set-aside from the FFY 2024 DWSRF Base Capitalization Grant.

F. Set-Aside for Assistance to State's Programs

The SDWA allows states to set aside up to 10% of each capitalization grant to assist with funding of State Drinking Water Programs. For SFY 2025, the State does not plan to take this set-aside from the FFY 2024 DWSRF Base Capitalization Grant.

G. Estimated Funds Available - State Fiscal Year (SFY) 2025

Estimated Amount of Funds available for loans as of 6/30/24	\$33,632,478 *
FFY 2024 Base Capitalization Grant	\$5,825,000
State match for FFY 2024 Base Capitalization Grant	\$1,165,000

Estimated SFY 2025 repayments (7/1/24 to 6/30/25)	\$14,745,000
Estimated SFY 2025 investment earnings (7/1/24 to 6/30/25)	\$3,900,000
Estimated recycled funds needed for SFY 2024 Base & General Supplemental APF projects	-\$16,044,620
Estimated amount of funds to be transferred to/from the CWSRF	\$0
Value of set-asides from FFY 2024 DWSRF Base grant	-\$231,480
Estimated Total Funds Available for SFY 2025 Loans	\$42,991,378

*This is the estimated amount of funds available for SFY 2025 loans and does not include any funds reserved to fund the remaining SFY 2024 loans yet to close. All prior capitalization grant funds are committed to projects. No loan fee income is used on projects. All loan fees are used to conduct the financial functions of the SRF program assigned to RIA under state law.

Note: The project funding needs that are identified in the PPL are less than the estimated total funds available for projects on the FFY 2024 Base Capitalization Grant IUP. Projects on the General Supplemental Capitalization Grant IUP may receive funding from “recycled” DWSRF funds shown on this Base IUP. Additionally, the estimated total funds available for SFY 2025 loans may change from the figure quoted above due to the ongoing administration of projects, including projects on prior DWSRF IUPs where bids have not been opened. Since the combined Base and General Supplemental PPLs show an undercommitment of funding, the IUP and PPL will be revised once additional projects are identified for funding using this grant. In addition, bid overages may be considered. Any additional funding will be based on the availability of funds, the size of the overage, the financial capability of the project sponsor to use its own cash reserves or ability to access other funds, and the total amount of funding requested by a project sponsor in multiple projects. Also, projects will be financed in the order of having a complete loan application (including construction permit/letter of approval) and any projects that cannot be funded may be moved to the next available IUP. In addition, equivalency projects that do not have a construction permit (or letter of approval) and a closed loan by July 31, 2025 may be moved to the next available IUP.

DHEC will continue to prioritize the reduction of Unliquidated Obligations (ULOs) for set-asides and closing out prior year capitalization grants in an expeditious manner. The primary focus of this effort will be to emphasize first-in, first-out accounting practices.

H. Equivalency to Account for Federal Funds

DHEC will use equivalency projects to account for the federal funds awarded to the SC DWSRF program through this capitalization grant. The amount that must be accounted for includes the total federal grant award minus any set-aside funds received from the grant. The potential equivalency projects are noted on the PPL. When possible, DHEC will select projects for equivalency that are straightforward to construct, require a relatively limited range of construction materials and equipment to complete, and are requesting a large DWSRF loan. The equivalency projects will be required to meet all of the federal requirements listed in Section X.A.

The equivalency projects that have binding commitments (signed loan agreements) and are selected to account for the federal funds received from this capitalization grant will be identified in the DWSRF Annual Report (deliverable) and reported to the federal government (deliverable) pursuant to the requirements of the Federal Funding Accountability and Transparency Act (FFATA).

I. Fee Income

A loan closing fee will be charged on all loans, but such fees will not be assessed on any principal forgiveness projects or portions of projects. The loan fee is found in the DW Loan Policies on the RIA Loans website at www.ria.sc.gov/loans. The entirety of loan fees collected are used to conduct the financial functions of the SRF program assigned to RIA under state law. The fees are used for programs that meet the safe drinking water goals of the DWSRF. Program income generated from direct capitalization grant funds and non-program income generated from repayment funds will be collected and accounted for separately. Guidance on the use of fees can be found at www.federalregister.gov/documents/2005/10/20/05-21014/guidance-on-fees-charged-by-states-to-recipients-of-clean-water-state-revolving-fund-program.

IX. Assurances and Specific Proposals

DHEC has provided assurances and specific proposals as part of the Operating Agreement between South Carolina and EPA. The Operating Agreement provides a framework of procedures for operation and administration of the DWSRF including:

1. Environmental Reviews: The State will conduct environmental reviews according to the procedures identified in its Operating Agreement.
2. Binding Commitments: The State will enter into binding commitments for 120% of the amount of each quarterly payment under the capitalization grant within one year of each such payment.
3. Expeditious and Timely Expenditures: The State will expend all funds in the DWSRF in an expeditious and timely manner as previously discussed.

X. Additional Information / Requirements

A. Federal Requirements

Sponsors will be notified of all environmental and social cross-cutter requirements, as well as other applicable federal requirements once their project is identified as a candidate for funding. Guidance on federal requirements can be found at www.scdhec.gov/srfguidance. Several federal requirements are required of all SRF loan recipients as follows:

- Environmental review of the project
- Compliance with Civil Rights Laws
- Davis-Bacon prevailing wage rates

- American Iron and Steel

Additional federal requirements are tied to the capitalization grant, and will be required of any project receiving a loan designated as being made with federal capitalization funds. These requirements include but are not limited to:

- Disadvantaged Business Enterprise (DBE) compliance
- Build America, Buy America provisions
- Equal Employment Opportunity
- Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards: Title 2 CFR, Parts 200 and 1500 (“Uniform Guidance” – governs single audit requirements)
- Base Equivalency Signage
- Telecommunications and video surveillance prohibition

The projects that meet these federal requirements will be identified in the DWSRF Annual Report (deliverable).

B. Annual Report and Annual Review

An annual report (deliverable) will be submitted by September 30, 2024, that will quantify the results and present the milestones of the capitalization grants awarded for FFY 2023.

DWSRF participated in the 2023 EPA Annual Review held January 17-18, 2024. The state did not have any audit findings during SFY 2023. DWSRF anticipates receiving and responding to the EPA Program Evaluation Report (PER) for FFY 2023 funding in SFY 2024 during and following the Annual Review/PER.

C. Additional Subsidies

The Consolidated Appropriations Act, 2024 requires that 14% of the FFY 2024 DW Base Capitalization Grant be used to provide additional subsidy. The SDWA requires that 12% to 35% of the capitalization grant be used to provide additional subsidy to state-defined disadvantaged communities. The two additional subsidy requirements are additive, therefore, the total required additional subsidy for this capitalization grant is 26% to 49%. As indicated above, at least 12% for the additional subsidy must be used for disadvantaged communities, which the South Carolina DWSRF program defines as a small system (population less than 10,000) with an MHI less than the State MHI that cannot qualify for an SRF loan. South Carolina will use assistance agreements with 100% forgiveness of principal to satisfy the additional subsidy requirement.

EPA expects the SRF program to ensure that systems and project sponsors that receive additional subsidy have the technical, managerial and financial capacity to maintain compliance with federal and state regulations. The Utility Sustainability Assessment mentioned in Section VI.F. above is one tool used by the SRF to evaluate the technical, managerial and financial capacity of a potential SRF additional subsidy recipient. Systems that do not have adequate technical, managerial and financial capacity may receive additional subsidy funds if the system/sponsor agrees to undertake needed changes in operation that will promote sustainability or if the use of the financial assistance from the DWSRF will promote sustainability and compliance over the long-term. The sponsor

may not be eligible for additional subsidies on future projects until the agreed upon operational changes have been fully implemented. Also, systems that ask to be considered for principal forgiveness funds must not be delinquent on submission of annual financial audits to the State Treasurer's Office as required by SC state law. RIA staff conduct a thorough financial review of each system sponsor to determine if they can afford an SRF loan.

The SRF Program plans to utilize additional subsidy funds, provided as principal forgiveness (PF), for projects that are ready to proceed, to encourage the following priorities:

- Correct violations of primary drinking water standards and potential health concerns, preferably through consolidation or regionalization;
- Enable a viable system owner willing to assume ownership or receivership of a non-viable or abandoned system;
- Assist small systems (population less than 10,000) with achieving compliance with state and federal drinking water regulations; and
- Enhance the sustainability of small systems by fixing existing infrastructure.

Eligible sponsors with eligible projects that may receive PF assistance are as follows:

- Small systems (population less than 10,000) with a Median Household Income (MHI) less than the State MHI that cannot qualify for a DWSRF loan; or
- A sustainable system owner willing to assume ownership or receivership of an unsustainable or abandoned system.

To make maximum benefit of PF funds for SFY 2025, sponsors typically will be limited to no more than \$1,500,000 for subsidy unless PF funds remain unassigned or are not committed to an identified project as expected.

Appendix A (PPL) indicates the amount of PF that has been assigned to projects for SFY 2025 on a preliminary basis. The SRF Program reserves the right to adjust PF amounts. PF funds are only available if EPA awards the FFY 2024 DWSRF Base Capitalization Grant and it is accepted by DHEC. Project listing is not a commitment of funding.

If a sponsor requests principal forgiveness assistance for a project, but the sponsor and project are eligible for a conventional SRF loan, the sponsor will be offered a conventional SRF loan in lieu of PF assistance (see the principal forgiveness loan eligibility criteria discussed above); the exception being a sustainable system owner willing to assume ownership or receivership of an unsustainable or abandoned system.

D. Green Project Reserve (GPR)

The Consolidated Appropriations Act, 2024 encourages, but does not require, State Drinking Water SRFs to use funds made available by the Act to address green infrastructure, water or energy efficiency improvements, or other environmentally innovative activities. South Carolina encourages and plans to fund projects or portions of projects that qualify as "green" under the published EPA Guidance for DWSRF Green Project Reserve when identified by the sponsor or DHEC. DWSRF GPR Guidance is posted to the SRF Guidance web page at www.scdhec.gov/srfguidance.

E. Environmental Outcomes and Measures

DHEC will update EPA's SRF Data System at least quarterly to report financial information about the program and projects, loan information, and project activities and benefits.

F. Public Participation

Notice of the draft IUP is e-mailed to each project sponsor on the Comprehensive Priority List of DWSRF Projects and other interested parties.

During the public notice period (30-day minimum), the Draft IUP notice and Draft FFY 2024 DWSRF Base Capitalization Grant IUP are available from the DHEC SRF Reports and Publications web page at www.scdhec.gov/sfreports. Revised IUPs with significant changes must also have a public notice period (14 day minimum). Interested parties are invited to review the documents and submit written comments by the deadline established in the Draft IUP notice.

SOUTH CAROLINA
DWSRF Base SFY 2025 Provisional Priority List¹

Rank	Sponsor and Project Name	SRF Project Number	Project Description	SC Water System ID Number	Estimated Total Project Cost	Estimated SRF Loan Amount	Estimated Principal Forgiveness Assistance ²	Sponsor's Service Population	Population Affected by Project	Total Points
1	Saluda County Water & Sewer Authority - Emerging Contaminant Treatment System ²	4120001-03	This project will include the addition of powdered activated carbon into the treatment process. This will involve a new powder activated carbon tower (PAC) located prior to the headworks, with a 400 gallon stainless steel mix tank and all other necessary appurtenances.	4120001	\$ 525,000	\$ -	\$ 525,000	5,850	5,850	85
2	Central, Town of - Brock Street Waterline Replacement	3910005-02	The proposed project consists of the installation of approximately 5,200 linear feet of 6-inch waterline, 5 fire hydrants, 72 water service re-connections, gate valves, pavement/ sidewalk replacement, and all related items required for a complete installation. The project will replace existing asbestos cement waterlines that have reached the end of their useful life and pose a health hazard to Town employees when making repairs due to their asbestos content. There are also numerous galvanized steel service lines with leaded goose necks that will be replaced as a part of the project.	3910005	\$ 1,455,300	\$ -	\$ 455,300	3,495	147	85
3	Beaufort-Jasper Water & Sewer Authority - Chelsea Water Treatment Plant PFAS Treatment Project ³	0720003-21	This project includes planning and design engineering services for a dedicated new building that would house the media contactors and related equipment required such as influent and backwash pumps, media delivery and storage facilities, cartridge filters, associated piping and valves, necessary chemical feed and storage monitoring equipment, and backwash water storage.	0720003	\$ 5,726,500	\$ 3,149,460	\$ -	150,000	150,000	80
4	Beaufort-Jasper Water & Sewer Authority - Purrysburg Water Treatment Plant PFAS Treatment Project ³	0720003-23	This project includes planning and design engineering services for a PFAS treatment project would install post-filter adsorption treatment technology at the Purrysburg WTP. The project would consist of a dedicated new building and would house the media contactors and related equipment required such as influent and backwash pumps, media delivery and storage facilities, cartridge filters, associated piping and valves, necessary chemical feed and storage monitoring equipment, and backwash water storage. The new building would include HVAC, electrical and other utilities.	0720003	\$ 5,521,100	\$ 3,382,100	\$ -	150,000	150,000	80
5	Bethune Rural Water Company - Water System Improvements	2820006-06	Bethune Rural Water Company (BRWC) is proposing to rehabilitate/upgrade two of their existing (currently out of service) water booster pump stations on Timrod Road and Jones Road. They would also replace/upgrade approximately 7,500 LF of 4" water main with new 6" PVC water main. The project will involve some piping modifications at the intersection of Timrod Rd & Mangum Rd and at the existing 341 Booster station to improve system pressure and hydraulics.	2820006	\$ 987,600	\$ -	\$ 987,600	2,600	2,600	30
Totals					\$14,215,500	\$6,531,560	\$1,967,900			
SFY 2025 Total of SRF Loan + Principal Forgiveness Amount⁴:					\$		7,974,460			

1 Projects on the Provisional Project List are ranked based on priority for funding. However a loan offer is dependent on the financial capacity of the sponsor, which may not have been evaluated to date.

2 As discussed in Section X.C. of this IUP, the minimum required Additional Subsidy is 26% of the capitalization grant or \$1,514,500. SC uses Principal Forgiveness Assistance to satisfy the Additional Subsidy requirement. The total Estimate Principal Forgiveness Assistance is shown on the table above. Principal forgiveness funds are subject to change and are only available if the DWSRF Capitalization Grant referenced in this IUP is awarded by EPA & accepted by DHEC. Project listing is not a commitment of funding.

Rank	Sponsor and Project Name	SRF Project Number	Project Description	SC Water System ID Number	Estimated Total Project Cost	Estimated SRF Loan Amount	Estimated Principal Forgiveness Assistance ²	Sponsor's Service Population	Population Affected by Project	Total Points
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³ Equivalency Project. DHEC reserves the right to modify, as needed and when appropriate, which project(s) will serve as the equivalency project(s) for this grant.

⁴ See available funds discussions in Section VIII.G. of this DWSRF IUP. An additional \$301,000 is available from the FFY 2021 DWSRF Capitalization Grant and is included on this PPL.

Note: The project funding needs that are identified in the PPL are less than the estimated total funds available for projects on the FFY 2024 Base Capitalization Grant IUP. Projects on the General Supplemental Capitalization Grant IUP may receive funding from "recycled" DWSRF funds shown on this Base IUP. Additionally, the estimated total funds available for SFY 2025 loans may change from the figure quoted above due to the ongoing administration of projects, including projects on prior DWSRF IUPs where bids have not been opened. Since the combined Base and General Supplemental PPLs show an undercommitment of funding, the IUP and PPL will be revised once additional projects are identified for funding using this grant. In addition, bid overages may be considered. Any additional funding will be based on the availability of funds, the size of the overage, the financial capability of the project sponsor to use its own cash reserves or ability to access other funds, and the total amount of funding requested by a project sponsor in multiple projects. Also, projects will be financed in the order of having a complete loan application (including construction permit/letter of approval) and any projects that cannot be funded may be moved to the next available IUP. In addition, equivalency projects that do not have a construction permit (or letter of approval) and a closed loan by July 31, 2025 may be moved to the next available IUP.