



## DRINKING WATER

# Federal FY 2023 DWSRF General Supplemental Grant Intended Use Plan For State FY 2024

FINAL

August 16, 2023

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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.

The Infrastructure Investment and Jobs Act of 2021 (also referred to as the Bipartisan Infrastructure Bill or BIL) includes three new appropriations for the DWSRF, one of which is the General Supplemental appropriations. The DWSRF General Supplemental appropriations are authorized for five years starting with Federal Fiscal Year (FFY) 2022.

This Intended Use Plan (IUP), required under the SDWA, describes how South Carolina proposes to use available DWSRF funds for State Fiscal Year (SFY) 2024 (July 1, 2023 through June 30, 2024) provided by federal funds allocated to South Carolina through the DWSRF General Supplemental appropriations for FFY 2023. The funds will be used to support the objectives of the SDWA in the protection of public health. South Carolina's allotment from the General Supplemental appropriations for FFY 2023 is \$26,316,000. 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 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 2023, 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 website at [www.scdhec.gov/srf](http://www.scdhec.gov/srf).

# II. Goals

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.

## A. Short Term Goals

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

## B. Long Term Goals

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.
3. Use Principal Forgiveness funds to assist small and disadvantage communities and systems as they strive to achieve and maintain compliance with federal and state drinking water regulations and meet state drinking water standards.
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 2024, 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 General Supplemental capitalization grant programs during SFY 2024.

## IV. Provisional Projects List

The Drinking Water Provisional Project List (PPL) (Appendix A) identifies projects that are considered eligible and ready to proceed in SFY 2024.

All loan projects on the PPL must complete the process detailed in Section V.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 SRF construction permit (or letter of approval to construct), 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 2023 DWSRF General Supplemental capitalization grant is awarded by EPA and accepted by DHEC. Project listing is not a commitment of funding.

## V. 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 Documents and Forms webpage at [www.scdhec.gov/srfforms](http://www.scdhec.gov/srfforms).

### 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 Documents and Forms webpage, [www.scdhec.gov/srfforms](http://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 Documents and Forms webpage, [www.scdhec.gov/srfforms](http://www.scdhec.gov/srfforms).

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 V.D., and the sponsor's indicated readiness to proceed with a project during SFY 2024. Ready to proceed in SFY 2024 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 IX.B.

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 2024 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, 2024. 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.

If DWSRF funds are available after an annual IUP is published, the available funds may be used to fund other projects. In this case, the funded projects will be listed on the PPL in the next annual IUP.

## **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 2023 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; and
8. To fund projects that do not receive direct federal allotments in order to distribute funds more evenly across the state. Additionally, the SRF may choose to not fund projects that appear on the PPL that later receive a direct federal allotment.

## E. Expedient 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 18 months of the date EPA awards the grant. 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 projects on the PPL may still exceed the SRF project budget shown on the PPL. To address this possibility, projects on the PPL may receive additional funding if justified and approved by DHEC. Once the total PF funds under binding commitments for PF projects on the PPL reaches the 49% grant requirement, PF projects on the PPL without a binding commitment when this requirement is met 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 General Supplemental grant; and, 2) projects without an approved PER will need to be resubmitted to the SRF program for future funding consideration.

## 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 website, [www.ria.sc.gov](http://www.ria.sc.gov) to view SRF loan rates and policies. Interest rates for SFY 2024 projects will be published by RIA in early October, 2023. 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, 2024.

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/SRF construction permit or letter of approval. Authorization to construct the project, either through an SRF-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.

## VI. 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 cost for loan projects as follows: ten percent (10%) of the construction line item for the first \$10 million dollars of construction cost and five percent (5%) for the 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 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 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;

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.

## VII. Funds Available

### A. Amount of Capitalization Grant

South Carolina's allotment from the FFY 2023 federal appropriation is \$26,316,000.

### B. State Match Requirement and Anticipated Cash Draw Ratio

One condition of receiving the annual capitalization grant allotment is the State must deposit into the DWSRF state match in an amount equal to at least ten percent (10%) of the total amount of the expected federal grant. RIA will deposit the full state match of \$2,631,600 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%.

### 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 2024, the State will take \$982,546, or approximately 3.7%, of the FFY 2023 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 FFY 2023, \$200,000, or approximately 0.8%, of the grant will be used for TA.

DHEC's TA funds (\$200,000) will be used to fund a contract with the South Carolina Rural Water Association to help small public water systems address technical, managerial and financial capacity. Priority for contracted TA is given to those entities that have requested financial assistance from the SRF fund but currently lack the technical, managerial and/or financial capacity to ensure long-term sustainability.

### 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. This year, DHEC will take \$1,778,541, or approximately 6.8%, of the grant to fund the source water protection program and the well-head protection program.

DHEC will take \$877,041, or approximately 3.3% of the grant, for use on source water protection activities. Source water protection funds in the amount of \$425,000 will be

used for contractual services and monitoring supplies equipment for developing watershed-based plans and modeling and monitoring for nutrient TMDL development.

The well-head protection program will be funded at \$901,500, or approximately 3.4% of the grant, for use on well-head protection activities.

## 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.

DHEC will take \$1,245,482, or approximately 4.7% of the grant, for public water system supervision (PWSS) program activities. PWSS funds help fund the State’s drinking water program activities which are necessary to help ensure that public water systems are constructed, monitored, operated and maintained in accordance with federal and state laws and regulations.

PWSS funds also support implementation of the state’s EPA-approved Capacity Development Strategy. DHEC submits annual Capacity Development Strategy reports to EPA that document compliance with Capacity Development program requirements.

## G. Estimated Funds Available - State Fiscal Year (SFY) 2024

FFY 2023 General Supplemental capitalization grant	\$26,316,000
State match for FFY 2023 General Supplemental capitalization grant	\$2,631,600
Estimated amount of funds to be transferred to/from the CWSRF	\$0
Set-Aside for Administration of the DWSRF Program	-\$982,546
Set-Aside for Technical Assistance for Small Systems	-\$200,000
Set-Aside for Local Assistance and Other State Programs	-\$1,778,541
Set-Aside for Assistance to State’s Programs	-\$1,245,482
<b>Estimated Total Funds Available for SFY 2024 Projects</b>	<b>\$24,741,031</b>

**Note:** The project funding needs identified in the PPL exceed the amount identified in the table above for the FFY 2023 DWSRF General Supplemental capitalization grant. The additional money required to fund projects on the PPL may come from “recycled” DWSRF funds, the project sponsor’s own resources, or some combination thereof. All available DWSRF funds including recycled funds will be accounted for in the FFY 2023 DWSRF Base capitalization grant IUP. Equivalency projects that do not have a construction permit (or letter of approval) and a closed loan by July 31, 2024 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 IX.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 General Supplemental annual report and reported to the federal government pursuant the requirements of the Federal Funding Accountability and Transparency Act (FFATA).

### **I. Fee Income**

A 0.35% 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 entirety of loan fees collected are used to conduct the financial functions of the SRF program assigned to RIA under state law.

## **VIII. 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 110% 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.

## **IX. Additional Information / Requirements**

### **A. Federal Requirements**

Sponsors will be notified of all applicable federal requirements once their project is identified as a candidate for funding. 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
- BIL Signage (for construction projects)

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 compliance (DBE)
- 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)

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

## **B. Additional Subsidies**

The FFY 2023 General Supplemental appropriations require that 49% of the capitalization grant (\$12,894,840) shall be used to provide additional subsidy to DWSRF projects and that all additional subsidies must be in the form of assistance agreements with 100% forgiveness of principal or grants. South Carolina will use assistance agreements with 100% forgiveness of principal to satisfy this requirement. RIA staff conduct a thorough financial review of each system sponsor to determine if they can afford an SRF loan. The ability to afford an SRF loan combined with system population and Median Household Income (MHI) data are the basis of the criteria described below for a system to receive PF assistance for a project.

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 V.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 CWSRF 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.

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 2024, 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 indicates the amount of PF that has been assigned to projects for SFY 2024 on a preliminary basis. The SRF Program reserves the right to adjust PF amounts. PF funds are only available if EPA awards the FFY 2023 DWSRF 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.

### **C. Green Project Reserve (GPR)**

The Consolidated Appropriations Act, 2023 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 webpage [www.scdhec.gov/srfguidance](http://www.scdhec.gov/srfguidance).

### **D. 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.

### **E. 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 2023 DWSRF General Supplemental Capitalization Grant IUP are posted on the DHEC Website, [www.scdhec.gov/srf](http://www.scdhec.gov/srf). 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.



The Draft FFY 2023 DWSRF General Supplemental Capitalization Grant IUP was posted to the DHEC website on July 6, 2023. Notice of the Draft IUP was emailed to SRF contacts, Rural Infrastructure Authority contacts, DHEC watershed stakeholders, and included in communications to members of the SC Rural Water Association, the South Carolina Association of Counties, and the Municipal Association of South Carolina. Comments were accepted until 5:00 PM on August 5, 2023. No comments were received.

DWSRF General Supplemental SFY 2024 Provisional Priority List<sup>1</sup>

	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 <sup>2</sup>	Sponsor's Service Population	Population Affected by Project	Total Points
1	<b>Eastover, Town of</b> - Drinking Water Well Fixed Emergency Generators	4010002-01	The proposed project would include the purchase and installation of two fixed emergency generators for the town's water supply wells.	4010002	\$ 200,000	\$ -	\$ 200,000	813	813	135
2	<b>Bennettsville, City of</b> - Lime Chemical Feed Systems and Roof Repairs for ClO2 Building	3410001-04	The proposed project includes lime chemical feed systems to replace the City's old caustic feed systems and roof replacement for the chlorine dioxide building. The new lime chemical feed system would correct their problem with low alkalinity at the surface water plant. The low alkalinity caused the City to violate turbidity requirements resulting in a consent order in 2019. The project will also include a charge analyzer to assist WTP staff in identifying proper coagulant dosage and pH during rapidly changing water quality conditions. The City has a different WTP Superintendent from the one that was at the WTP back in 2019. The new Superintendent understands the benefit to moving to a lime feed system to aid in the operation of the WTP. The lime feed system at Lyall Street would ensure compatible water in the system.	3410001	\$ 2,745,650	\$ -	\$ 921,940	9,100	9,100	125
3	<b>Bamberg County</b> - Elevated Water Tank Rehabilitation	0510002-03	The Bamberg County Industrial Park Tank is located at the end of Industrial Road in the Airport Industrial Park, adjacent to an industrial building and a short distance from the Bamberg County Airport, a regional airport facility. The area is a short distance from Heritage Highway (US Hwy 78) between the towns of Bamberg and Denmark.	0510002	\$ 581,500	\$ -	\$ 581,500	3,500	3,500	95
4	<b>Coward, Town of</b> - Coward Water Improvements Old Georgetown Rd	2110012-02	The Old Georgetown Road project will connect two dead-end water mains, enabling the Town to provide safe, reliable drinking water to approximately 153 existing homes in the area that are currently without public water service. This project will include the installation of approximately 31,756 LF of 8" water mains and 1,978 LF of 2" water mains. This loop will help with system stability and improve flow and pressure conditions on the existing system, thereby also improving water service for all existing water customers.	2110012	\$ 1,873,746	\$ -	\$ 1,500,000	2,289	2,681	70
5	<b>Turbeville, Town of</b> - Puddin Swamp Road Water Main Extension/Looping	1410004-01	The projects consists of an extension of the Town's water system to provide an interconnection with the existing 10" water main along US Hwy. 378 with an existing 4" or 6" water main along SC Hwy. 58 (Shiloh Road). The water main would extend along Puddin Swamp Road and include an additional loop to serve S-14-521. The total project includes approximately 11,475 linear feet of 8" water main, 300 linear feet of 10" HDPE horizontally directional drilled water main, 11 fire hydrants, approximately 41 service connections and miscellaneous items such as pavement repairs.	1410004	\$ 1,015,000	\$ -	\$ 941,400	1,680	3,180	30

DWSRF General Supplemental SFY 2024 Provisional Priority List<sup>1</sup>

	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 <sup>2</sup>	Sponsor's Service Population	Population Affected by Project	Total Points
6	<b>Lincolville, Town of</b> - Downtown Water System Upgrades	1010007-01	The town of Lincolville's aging water system is no longer able to meet the needs of the town's residents and commercial customers. The water lines and other system components are at the end of their life expectancy. The town is also experiencing growth with a 27% increase in population between 2000 and 2020. As part of the mapping effort of the SC Rural Water Association, that agency also helped the town identify the areas within the town's system in greatest need. It is proposed to replace/upgrade the water distribution lines in the most critical need. Additional lines will follow in the future as funding becomes available.	1010007	\$ 1,500,000	\$ -	\$ 1,500,000	1,147	250	30
7	<b>Bath Water and Sewer District, Town of</b> - Town of Bath 2023 Water System Improvements Project	0220003-01	Funds will be used to replace an existing 8-inch water line on Minter Street on the north and south side of U.S. 421 including a jack and bore, valves, hydrants, and service reconnections. The Town also wishes to replace cast iron pipes under railroad crossings. Finally, the Town wishes to loop the water system on the north side of the railroad tracks for better water circulation, fire protection, and to provide redundant water connection points under the railroad tracks.	0220003	\$ 1,500,000	\$ -	\$ 1,500,000	630	630	30
8	<b>Pelion, Town of</b> - Pelion - Main Street Water Main Replacement	3210010-01	The Main Street Water Main Replacement Project will consist of the replacement of approximately 3,800 LF of 6" water main, four fire hydrants and sixteen water services. It is proposed that the new main will be upsized to 10" in diameter. When the interconnect was made with the Commission, the main feed point to the Town was modified. This increase in pipe size will allow for system flow improvement through the town to account for this change in hydraulics. In addition, this upsized will improve fire flows within the Town (most significantly to the four schools).	3210010	\$ 950,000	\$ -	\$ 950,000	1,100	100	30
9	<b>Blacksburg, Town of</b> - Main Street Line Replacement and Grover Booster Pump	1110002-02	The water line proposed for replacement is nearly 50 years old, undersized and primarily composed of cast iron pipe with lead joints and an extensive repair history. Currently, there is not sufficient isolation valves within town and as a result during breaks and repairs, many customers are without water until repairs are completed. Funds will be used towards construction costs associated with the replacement of the Town's central waterline on Hwy 29 (Main Street) as well as the installation of a booster pump, to improve water pressure in the extremities of the Town of Blacksburg's water system.	1110002	\$ 2,200,000	\$ -	\$ 1,500,000	4,488	4,488	30
10	<b>Rural Community Water District of Georgetown County</b> - Brick Chimney Road Well	2220001-01	The proposed new groundwater well would be a 500 GPM well on the western side of the system. This will provide redundancy and a second source of drinking water within the western portion of the system should there be a pipeline break that disconnects the northern and western service areas. With the installation of this well, the western part of the system will have adequate capacity. An existing water main is located adjacent to this site to connect the new well to the western portion of the system.	2220001	\$ 1,300,000	\$ -	\$ 1,300,000	4,854	4,854	25

DWSRF General Supplemental SFY 2024 Provisional Priority List<sup>1</sup>

	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 <sup>2</sup>	Sponsor's Service Population	Population Affected by Project	Total Points
11	<b>Starr-Iva Water &amp; Sewer District - Water System Improvements</b>	0420005-03	The project includes replacement of various aging infrastructure to address capacity and resiliency while supporting future economic growth opportunities and extension opportunities for unserved portions of the Starr-Iva service area.	0420005	\$ 10,595,000	\$ -	\$ 500,000	8,688	8,688	25
12	<b>Beech Island Rural Community Water and Sewer District - Beech Island Avenue Water Line</b>	0220004-01	This project consists of a water line replacement and upgrades on Beech Island Avenue. The entity has old asbestos-cement water lines on large transmission lines which are most susceptible to breaks. The water line on Beech Island Avenue from Tank 1 to Atomic Road currently moves nearly 700 gpm of water and supplies roughly half of the water to Kimberly Clark (Largest Industry) and all the water to the west and northwest portion of Town. Unfortunately, this line is a brittle asbestos-cement line that is sensitive to flow changes and pressure spikes. If this line breaks, Beech Island will have difficulty supplying water to these customers. The existing 8-inch asbestos cement line should be replaced with a new 12-inch water line.	0220004	\$ 1,998,015	\$ -	\$ 1,500,000	8,051	8,051	25
13	<b>Grand Strand Water and Sewer Authority - Bull Creek SWTP Expansion<sup>3</sup></b>	2620004-30	Expand WTP to 60 MGD through additional equipment and piping modifications, including a new 36-in raw water transmission line into the plant.	2620004	\$ 38,636,000	\$ 24,612,000	\$ -	316,000	316,000	20
14	<b>Aiken, City of - Shaws Creek Water Treatment Plant<sup>3</sup></b>	0210001-03	The replacement of the Shaw's Creek WTP on the Northside to ensure that the water service can continue uninterrupted and to meet the increasing demands required to provide safe clean drinking water. The existing water plant has been in operation for almost seven decades and has reached the end of its service life.	0210001	\$ 72,600,000	\$ 27,000,000	\$ -	21,000	21,000	20
15	<b>Grand Strand Water and Sewer Authority - Conway Parallel Transmission Main<sup>3</sup></b>	2620004-28	24 inch PVC transmission main from Bull Creek SWTP to the Conway BPS.	2620004	\$ 24,250,000	\$ 20,238,000	\$ -	316,000	316,000	10
Totals:					\$ 161,944,911	\$ 71,850,000	\$ 12,894,840			
<b>Total of SRF Loan + Principal Forgiveness Amount:</b>					<b>\$</b>		<b>84,744,840</b>			

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 IX.B. of this IUP, the required Additional Subsidy is 49% of the capitalization grant or \$12,894,840. SC uses Principal Forgiveness Assistance to satisfy the Additional Subsidy requirement. The total Estimate Principal Forgiveness Assistance is shown on the table above. The Principal Forgiveness funds are subject to change and are only available if the DWSRF Capitalization Grant referenced in this IUP is awarded by EPA and accepted by DHEC. Project listing is not a commitment of funding.

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.

Note: The project funding needs identified in this PPL exceed the amount of the FFY 2023 DWSRF General Supplemental capitalization grant. The additional money required to fund projects on the PPL may come from "recycled" DWSRF funds, the project sponsor's own resources, or some combination thereof. 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 will be moved to the next available IUP.