



DRINKING WATER

Federal FY 2022 DWSRF Lead Service Line Replacement Grant Intended Use Plan For State FY 2023 FINAL AMENDED February 26, 2024

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*Amended: Public Participation,
Appendix A*

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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 Law or BIL) includes three new appropriations for the DWSRF, one of which is the Lead Service Line Replacement appropriations. The DWSRF Lead Service Line Replacement appropriations are authorized for five years starting with Federal Fiscal Year (FFY) 2022.

For a project or activity to be eligible for funding under the DWSRF Lead Service Line Replacement grant, it must be otherwise DWSRF eligible and be a lead service line replacement (LSLR) project or associated activity directly connected to the identification, planning, design, and replacement of lead service lines. Any project funded under this appropriation involving the replacement of a lead service line must replace the entire lead service line, not just a portion, unless a portion has already been replaced or is concurrently being replaced with another funding source. For more information, see EPA memo: ["Implementation of the Clean Water and Drinking Water State Revolving Fund Provisions of the Bipartisan Infrastructure Law" \(March 8, 2022\)](#).

This Intended Use Plan (IUP), required under the SDWA, describes how South Carolina proposes to use available DWSRF funds for State Fiscal Year (SFY) 2023 (July 1, 2022 through June 30, 2023) provided by federal funds allocated to South Carolina through the DWSRF Lead Service Line Replacement appropriations for FFY 2022. The funds will be used to support the objectives of the SDWA in the protection of public health. South Carolina's allotment from the Lead Service Line Replacement appropriations for FFY 2022 is \$36,716,000. 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 is also 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 2022,

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.

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. Assist local communities to replace lead service lines.

B. Long Term Goals

1. Assist small systems to identify lead service lines by creating inventories so that they are prepared to replace known lead service lines over the next several years.
2. Maintain a working relationship with other infrastructure funding authorities within the state to coordinate drinking water quality funding.
3. Maintain the fiscal integrity of the DWSRF to ensure the perpetuity of the fund.

III. Provisional Projects List

The Drinking Water Provisional Project List (PPL) (Appendix A) identifies projects that are considered eligible and ready to proceed in SFY 2023.

Final funding decisions for each project are contingent on a review of the project sponsor's technical, managerial, and financial capacity, a completed environmental review of the proposed project, and issuance of a DHEC SRF construction permit (or letter of approval to construct).

Projects on the Provisional Project List will receive at least 49% PF funds while the remaining amount must be funded by an SRF loan. These funds are only available if the FFY 2022 DWSRF Lead Service Line Replacement capitalization grant is awarded by EPA and accepted by DHEC. Project listing is not a commitment of funding.

IV. 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 webpage at www.scdhec.gov/srfreports. In addition, projects must meet the requirements for the DWSRF Lead Service Line Replacement grant as described in the EPA's "[Implementation of the Clean Water and Drinking Water State Revolving Fund Provisions of the Bipartisan Infrastructure Law](#)" (March 8, 2022) memo.

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, www.scdhec.gov/srfforms. A project sponsor may submit a completed PQ to the Division of State Revolving Fund in DHEC's Bureau of Water at any time. Once the PQ is received, DHEC staff evaluate the project based on the requirements for the DWSRF Lead Service Line Replacement grant, DWSRF Priority Ranking System, and the project's 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 webpage, 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 requirements for the DWSRF Lead Service Line Replacement grant, project rank and cost, availability of funds, consideration of the by-pass procedures in Section IV.D., and the sponsor's indicated readiness to proceed with a project during SFY 2023. Ready to proceed in SFY 2023 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 completing a loan application and the SRF loan agreement (including loan + PF) requirements.

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 an equitable geographic distribution of projects; and
3. To fund projects for eligible sponsors that have not previously received DWSRF funding.

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 assistance agreement 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 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.

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. Interest Rates and Funding Terms for Eligible Projects

Visit the RIA website, www.ria.sc.gov to view SRF policies and interest rates for SFY 2024 projects, which 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 20-year financing is available for all borrowers not to exceed the useful life of the project components.

H. 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.

V. 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

The DWSRF may only provide assistance for expenditures to address lead service line replacement (LSLR). For a project or activity to be eligible for funding under this appropriation, it must be otherwise DWSRF eligible and be a LSLR project or associated activity directly connected to the identification, planning, design, and replacement of lead service lines.

C. Planning and Design Costs

A DWSRF loan agreement 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.

D. Legal and Appraisal Fees

In general, legal costs are eligible.

E. 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, Build America, Buy America administration, and draw requests.

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.

F. Contingency

- The SRF program allows a contingency on eligible construction cost for 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.
- The SRF program allows a contingency of two and a half percent (2.5%) for materials that are directly purchased by the sponsor.
- There is no contingency allowed on equipment.

G. 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 or public health 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.

H. Projects and Activities Not Eligible for Funding

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

1. Projects for systems that lack adequate technical, managerial and financial capability, unless assistance will facilitate compliance;
2. Projects that do not have a lead service line inventory in place for the proposed lead service line replacement area;

3. Partial lead service line replacements. The lead service line must be replaced up to building inlet;
4. Laboratory fees for monitoring;
5. Operation and maintenance expenses;
6. Corrosion control studies;
7. Corrosion control infrastructure;
8. Water meters; and,
9. Replacement of mains, lead or otherwise.

VI. Funds Available

A. Amount of Capitalization Grant

South Carolina's allotment for DWSRF Lead Service Line Replacement from the FFY 2022 federal appropriation is \$36,716,000.

B. State Match Requirement and Anticipated Cash Draw Ratio

The state match requirement has been waived for the DWSRF Lead Service Line Replacement capitalization grant.

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 2023, the State plans to take \$491,589, or about 1.3%, for administration of the DWSRF program from the FFY 2022 DWSRF Lead Service Line Replacement capitalization grant.

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 2023, the State does not plan to take this set-aside from the FFY 2022 DWSRF Lead Service Line Replacement 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 2023, the State plans to take 10%, or \$3,671,600, for the development of lead service line inventories from the FFY 2022 DWSRF Lead Service Line Replacement capitalization grant. Very small systems (population less than 3,300) will be prioritized.

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 2023, the State does not plan to take

this set-aside from the FFY 2022 DWSRF Lead Service Line Replacement capitalization grant.

G. Estimated Funds Available - State Fiscal Year (SFY) 2023

FFY 2022 DWSRF Lead Service Line Replacement federal capitalization grant	\$36,716,000
State match for FFY 2022 capitalization grant	\$0
Technical Assistance set-aside	\$3,671,600
DWSRF administrative fee for LSLR capitalization grant	\$491,589
Estimated Total Funds Available for SFY 2023 Projects	\$32,552,811

Note: The project funding needs identified in the PPL are equal to the amount identified in the table above for the FFY 2022 DWSRF Lead Service Line Replacement capitalization grant.

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. All projects on the Lead Service Line Replacement PPL are subject to equivalency requirements. Equivalency projects will be required to meet all of the federal requirements listed in Section VIII.A.

The projects are subject to the reporting 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 the principal forgiveness portion 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.

VII. 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 100% 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.

VIII. 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 assistance recipients as follows:

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

B. Additional Subsidies

The FFY 2022 DWSRF Lead Service Line Replacement appropriations require that 49% of the capitalization grant (\$17,990,840) 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 a minimum of 49% 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 financial assistance from SRF for a project.

EPA expects the SRF program to ensure that systems and project sponsors that receive financial assistance from SRF have the technical, managerial and financial capacity to maintain compliance with federal and state regulations. The Utility Sustainability Assessment mentioned in Section IV.F. above is one tool used by the SRF to evaluate the technical, managerial and financial capacity of a potential SRF additional subsidy recipient. Also, systems that receive financial assistance from SRF 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 PF, with the remaining amount funded by an SRF loan for projects that are ready to proceed, for lead service line replacement projects and associated activities directly connected to the identification, planning, design, and replacement of lead service lines. All eligible sponsors with eligible projects will receive a combined SRF loan/PF with the following conditions:

- SRF loan must be taken out for the portion of the project not funded through SRF principal forgiveness. The project cannot be co-funded or self-funded.
- At least 67% of the work (by construction cost) must be in disadvantaged areas. This must be demonstrated by a demographic study that is included in the PER. Disadvantaged criteria is the latest 5-year average MHI of less than the state average and is not limited to small systems.
- Before the final draw request is approved, the sponsor must confirm that at least 67% of the actual work performed (by construction cost) was in disadvantaged areas.
- The lead service line must be replaced up to the building inlet (this will include work on the private side). If the replacement is not completed up to the building inlet, that replacement work is not an eligible expense.

All projects in Appendix A are eligible projects. The SRF Program reserves the right to adjust PF amounts. PF funds are only available if EPA awards the FFY 2022 DWSRF Lead Service Line Replacement Capitalization Grant and it is accepted by DHEC. Project listing is not a commitment of funding.

C. 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.

D. 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 2022 DWSRF Lead Service Line Replacement IUP are posted on the DHEC Website, 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 2022 DW Lead Service Line Replacement IUP was posted to the DHEC website on June 15, 2023. Notice of the draft IUP was emailed to SRF contacts, Rural Infrastructure Authority contacts, DHEC watershed stakeholders, and included 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 July 15, 2023. No comments were received.

The draft amended FFY 2022 DW Lead Service Line Replacement IUP was posted to the DHEC website on February 9, 2024. 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 February 23, 2024. No comments were received.

DWSRF Lead Service Line Replacement SFY 2023 Provisional Priority List¹

FINAL AMENDED

	Sponsor and Project Name ²	SRF Project Number	Project Description	SC Water System ID Number	Estimated Total Project Cost	Estimated SRF Loan Amount	Estimated Principal Forgiveness Assistance ³	Sponsor's Service Population	Population Affected by Project	Total Points
1	Johnsonville, City of - LSL Replacements ²	2110011-02	The project will include replacing approximately 500 LSLs in primarily disadvantaged communities. The City is proposing to replace the entirety of the LSL, from the water main to the foundation of the building/building plumbing. Existing LSLs will be replaced with HDPE service line of the appropriate size (3/4" to 1"). The City intends to contract with AECOM Technical Services, Inc. to manage the technical and engineering aspects of the project and the costs for engineering services will be included in the total project cost in the application for funding.	2110011	\$ 1,417,500	\$ -	\$ 1,417,500	5,333	1,200	85
2	Lake City, City of - Lead Service Line Replacement ²	2110007-01	The City of Lake City proposes to replace the lead gooseneck fittings at approximately 300 water service addresses within the city limits. The water services will be replaced with fittings with components that meet the requirements of 40CFR143, and comply with State and local plumbing and building codes. The project will include restoring affected properties to the conditions they were in prior to construction. The project will also include engineering design, construction administration, and construction observation.	2110007	\$ 858,750	\$ -	\$ 858,750	5,929	753	85
3	Charleston Water System - Charleston Water System Lead Service Line Replacement ²	1010001-08	The removal and replacement of known lead services lines in the distribution system with no record of previous renewals and in areas below the SC median household income (MHI) level. Replacement project will include new service taps at the distribution mains, installation of new copper service lines from the distribution main to the customer premise, the replacement of the private service line to water inlet of the structure, distribution of lead safe filter pitchers to all affected households, and all necessary site restoration including landscaping and road work.	1010001	\$ 33,929,743	\$ 11,751,158	\$ 12,681,293	450,000	3,416	80
4	Florence, City of - Service Line Replacement in North Florence for Lead and Copper Rule ²	2110001-05	The City of Florence is requesting funding for the replacement of service lines on private property as well as the City's side as part of the Lead and Copper Rule. The service lines on private property would be replaced up to the foundation of the house. In addition the City is proposing to add the replacement of the galvanized line on Bradford Street.	2110001	\$ 8,582,753	\$ 2,810,813	\$ 3,033,297	71,583	4,833	80
Totals:					\$ 44,788,746	\$ 14,561,971	\$ 17,990,840			
SFY 2023 Total of SRF Loan + Principal Forgiveness Amount⁴:					\$		32,552,811			

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 Equivalency Project. All projects on this DWSRF Lead Service Line Replacement IUP have Equivalency requirements.

³ As discussed in Section VIII.B. of this IUP, the required Additional Subsidy is 49% of the capitalization grant or \$17,990,840. SC uses Principal Forgiveness Assistance to satisfy the Additional Subsidy requirement. The total Estimated 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.

DWSRF Lead Service Line Replacement SFY 2023 Provisional Priority List¹

	Sponsor and Project Name ²	SRF Project Number	Project Description	SC Water System ID Number	Estimated Total Project Cost	Estimated SRF Loan Amount	Estimated Principal Forgiveness Assistance ³	Sponsor's Service Population	Population Affected by Project	Total Points
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⁴ See available funds discussions in Section VI.G. of this DWSRF IUP.