



# Federal FY 2024 CWSRF General Supplemental Grant Intended Use Plan For State FY 2025

FINAL

June 26, 2024

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# I. Introduction

In 1987, Congress amended the federal Clean Water Act (CWA) authorizing the Clean Water State Revolving Fund (CWSRF), a low interest loan program, to assist public entities with the financing of publicly owned treatment facilities (Section 212) and non-point source management activities (Section 319). The 1987 CWA Amendments authorized the US Environmental Protection Agency (EPA) to award capitalization grants to states to provide seed money for the low interest loan program. While the 1987 Amendments only authorized funding for the first several years of the loan program, Congress continues to provide funding as part of its annual appropriations.

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

This Intended Use Plan (IUP), required under the CWA, describes how South Carolina intends to use available CWSRF funds for State Fiscal Year (SFY) 2025 (July 1, 2024 through June 30, 2025) provided by federal funds allocated to South Carolina through the CWSRF General Supplemental appropriations for FFY 2024. South Carolina's allotment from the General Supplemental appropriations for FFY 2024 is \$23,298,000. Eligibility for CWSRF loans and CWSRF program requirements, including any requirements of the applicable appropriations legislation are included in the IUP.

The South Carolina Department of Health and Environmental Control (DHEC) is the designated state agency to apply for and administer the capitalization grant for the CWSRF. The South Carolina Water Quality Revolving Fund Authority (Authority) is responsible for the financial management functions of the CWSRF, 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.

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 the DHEC SRF Reports and Publications web page at [scdhec.gov/srfreports](https://scdhec.gov/srfreports).

# II. Goals

This program will help address specific measures that “ensure clean and safe water for all communities” and “protect and restore waterbodies and watersheds” in accordance with Goal 5 and Objective 2 that are outlined in the strategic goals and objectives of [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 infrastructure and help ensure maximum environmental and public health 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 that have publicly owned treatment works (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 water quality standards by funding projects that improve or protect water quality by reducing pollutant loading to attain water quality standards (deliverable).
3. Use Principal Forgiveness funds to assist small and disadvantaged communities and utilities as they strive to achieve and maintain compliance with federal and state wastewater and stormwater regulations and meet state water quality standards (deliverable).
4. Maintain a working relationship with other infrastructure funding authorities within the state to coordinate water quality funding.
5. Work collaboratively to direct CWSRF funds to areas where additional DHEC and EPA resources are already invested (i.e., Priority Watersheds and 319 grants).
6. Support the use of green practices and investment in green infrastructure, water and energy efficient improvements and environmentally innovative projects.
7. Maintain the fiscal integrity of the CWSRF 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 CWSRF and Drinking Water (DW) SRF 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 General Supplemental capitalization grant programs during SFY 2025.

## IV. Cross Collateralization

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

## V. Provisional Projects List

The Clean Water Provisional Projects List (PPL) (Appendix A) identifies projects that are considered to be eligible and ready to proceed in the SFY 2025.

All loan projects on this list 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 construction approval letter) 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 Projects List includes projects that have been identified to receive principal forgiveness funds. These funds are only available if the FFY 2024 CWSRF General Supplemental 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 SRF uses an integrated priority system for ranking Section 212 treatment work projects as well as eligible nonpoint source projects. A copy of the ranking system used to score and rank projects can be found on the SRF Reports and Publications web page at [scdhec.gov/srfreports](https://scdhec.gov/srfreports). The priority ranking system is reviewed on an annual basis and updated as needed.

### B. Comprehensive Priority List of CWSRF Projects

For a project to be considered for funding by the CWSRF, it must appear on the State's Comprehensive Priority List of CWSRF Projects. To be included in this list, an eligible project sponsor (municipalities, counties, or special purpose districts) must complete a Project Questionnaire (PQ), DHEC 3561 or a similar funding request application approved by DHEC. The DHEC 3561 form can be found on the SRF Forms web page at [scdhec.gov/srfforms](https://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 will evaluate

the project based on the CWSRF Priority Ranking System and assign the project a numeric score. The project is then added to the Comprehensive Priority List of CWSRF Projects in rank order. Any projects with the same numerical score are ordered based on how the project addresses water quality priority issues in the following order: 1) first – score for “implement an approved TMDL” and 2) second – score for “impairment(s) addressed on current 303d list” and then by date the project questionnaire was received. DHEC maintains an updated Comprehensive Priority List on the SRF Reports and Publications web page at [scdhec.gov/srfreports](https://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 Projects List (Appendix A) is based on the project rank and cost, availability of funds, 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.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 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 CWSRF 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 CWSRF projects, DHEC will emphasize the importance of resiliency, security, and sustainability projects, convey that projects to address these issues are eligible for CWSRF funding, and target disadvantaged communities. Disadvantaged communities are targeted through email, webinars, and conferences, as well as contacted through trade and technical assistance organizations.

The CWSRF 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 fund a project where a viable system owner is willing to assume ownership or receivership of a non-viable or abandoned system;
2. To select Green Project Reserve eligible projects or portions of projects that equal at least \$2,329,800 (10% of the expected capitalization grant amount);
3. To address an imminent hazard to public health as determined by DHEC;
4. To address an imminent release of untreated wastewater directly to a surface water body as determined by DHEC,
5. To fund projects that will eliminate a point source discharge, which is violating effluent limits, by a connection to a regional system;
6. 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;
7. To fund projects for eligible sponsors that have not previously received CWSRF funding;
8. To fund an equitable geographic distribution of projects;
9. To fund a project for an eligible sponsor that is not receiving SRF funds, especially principal forgiveness funds, from some other FFY 2024 CWSRF or DWSRF 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;
10. To fund projects to meet federal equivalency requirements;
11. To fund projects so the SRF can meet the federal expeditious and timely use of funds requirement; and,
12. 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 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 the 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. Available funds and loan budgets are discussed in Section VIII.E.

The SC SRF program has experienced challenges with the pace of distributing SRF funds. The COVID-19 Public Health Emergency caused a drop in interest rates which led many sponsors to refinance their 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. These combined effects of these items have slowed the pace of distributing SRF funds.

## **F. Sustainability Requirement**

The CWSRF will not provide any type of assistance to a project sponsor that lacks the technical, managerial, or financial capability to operate sustainably, unless the sponsor agrees to undertake feasible and appropriate changes in operation or if the use of the financial assistance from the CWSRF will promote sustainability and compliance over the long-term.

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 Loans web page at [ria.sc.gov/loans](https://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 20/30-year cost breakout to DHEC at the earliest possible time.

## 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-issued construction permit or letter of approval. Authorization to construct the project, either through a DHEC Permit to Construct or Letter of Approval that meets SRF requirements, 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 SRF project sponsors.

## B. Water Quality Management (WQM) Plans

Pursuant to Section 208 of the Clean Water Act, Section 212 CWSRF projects must not conflict with the applicable Water Quality Management (WQM) plan. The sponsor of a CWSRF project must be a designated management agency, which is any municipality, county or special purpose district that accepts the responsibilities associated with implementing an applicable WQM plan. The management agency designation process may be pursued concurrently with the CWSRF project if necessary. More information

about management agency responsibilities and the designation process can be found in the 208 Water Quality Management Plan for the Non-designated Area of South Carolina found at [scdhec.gov/bow/208-wastewater-water-quality-management](https://scdhec.gov/bow/208-wastewater-water-quality-management).

### **C. Land**

Land needed in support of construction and for collection, transport, treatment and stormwater projects, is eligible for CWSRF loan participation. 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, and 2) an appraisal, prepared by a qualified appraiser, is submitted on each parcel, right-of-way and easement with the loan application. For land with structures or other improvements, only the appraised value of the land is CWSRF loan eligible, not the appraised value of the land with the structures or improvements. In the CWSRF program, land may be acquired under proper eminent domain procedures when necessary.

### **D. Planning and Design Costs**

A CWSRF 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, administration, or creating a watershed-based plan). 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 CWSRF 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. Legal and appraisal costs associated with obtaining land are not eligible for funding under the CWSRF program if incurred 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 CWSRF may provide assistance for the costs associated with engineering services during construction, such as inspections, change orders, oversight 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 Clean Water SRF 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 sewer line 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 costs 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 CWSRF 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 CWSRF-eligible, any such phase or segment must be of reasonable scope 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 or segment or another 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 Not Eligible for Funding**

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

1. Projects for systems that lack adequate technical, managerial and financial capability (i.e., non-viable systems), unless the project is needed to address a high-priority environmental or human health concern or will promote sustainability and compliance over the long-term;

2. Projects exclusively correcting operation and maintenance deficiencies;
3. Projects for systems in NPDES noncompliance, unless funding will help a system achieve compliance; or
4. 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 from the FFY 2024 CWSRF General Supplemental Capitalization Grant is \$23,298,000.

### B. State Match Requirement and Cash Draw

One condition of receiving the annual capitalization grant allotment is the State must deposit into the CWSRF 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 \$4,659,600 into the CWSRF 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 to the payment schedule (timeline) submitted with the grant application and presented in the grant award.

### C. Administration of the CWSRF Program

The CWA allows each state to use an amount equal to four percent (4%) of its capitalization grant to fund the administration of the CWSRF program. DHEC plans to retain the authority to use \$931,526, or approximately 4.0%, of its expected capitalization grant amount for program management, including funding staff, paying operational expenses, and providing technical assistance to potential loan applicants.

### D. Set-Aside for Technical Assistance

The CWA allows states to set aside up to two percent (2%) of each capitalization grant to fund technical assistance (TA) services to rural, small, and tribal publicly owned treatment works. For FFY 2024, \$150,000, or approximately 0.6%, of the grant will be used for TA. DHEC anticipates that the TA funds (\$150,000) will be used to fund an existing TA contract with the South Carolina Rural Water Association to help small public sewer systems address technical, managerial, and financial capacity. Priority for contracted TA is given to those entities that have requested financial assistance from the SRF program but currently lack the technical, managerial, and/or financial capacity to ensure long-term sustainability and/or the necessary resources to apply for SRF assistance.

### E. Estimated Funds Available – State Fiscal Year (SFY) 2025

FFY 2024 General Supplemental Capitalization Grant	\$23,298,000
State match for FFY 2024 General Supplemental Capitalization Grant	\$4,659,600
Transfers between CWSRF and DWSRF	\$0
CWSRF administrative fee for FFY 2024 General Supplemental Capitalization Grant	-\$931,526
Technical Assistance Set-Aside	-\$150,000
Estimated Total Funds Available for SFY 2025 General Supplemental Loans	\$26,876,074

**Note:** The project funding needs that are identified in the PPL exceed the estimated total funds available for projects on the FFY 2024 CWSRF General Supplemental Capitalization Grant. The additional money required to fund projects on the PPL may come from “recycled” CWSRF funds, the project sponsor’s own resources, or some combination thereof. All available CWSRF funds, including recycled funds, will be accounted for in the FFY 2024 CWSRF Base Capitalization Grant 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.

### F. Equivalency to Account for Federal Funds

DHEC will use equivalency projects to account for the federal funds awarded to the SC CWSRF 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 CWSRF 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 CWSRF Annual Report (deliverable) and reported to the federal government (deliverable) pursuant the requirements of the Federal Funding Accountability and Transparency Act (FFATA).

### G. 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 CW Loan Policies on the RIA Loans web page at [ria.sc.gov/loans](http://ria.sc.gov/loans). The entirety of loan fees collected are used to conduct the financial functions of the SRFs assigned to RIA under state law. The fees are used for programs that meet the water quality goals of the CWSRF. 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 [federalregister.gov/documents/2005/10/20/05-21014/guidance-on-fees-charged-by-states-to-recipients-of-clean-water-state-revolving-fund-program](https://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 CWSRF 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 CWSRF 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 [scdhec.gov/srfguidance](https://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
- Fiscal sustainability plans for project components
- BIL Signage (for construction projects)
- Cost and effectiveness analysis of the project

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 Act 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)



- Architectural and Engineering Procurement
- Telecommunications and video surveillance prohibition

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

## **B. Annual Reporting 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.

CWSRF participated in the 2023 EPA Annual Review held January 17-18, 2024. The state did not have any audit findings during SFY 2023. CWSRF 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 FFY 2024 General Supplemental appropriation requires that 49% of the capitalization grant (\$11,416,020) shall be used to provide additional subsidy to CWSRF 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. Section 603(i) of the CWA, outlines conditions under which additional subsidy may be offered to a project. The affordability criteria that South Carolina uses to provide principal forgiveness is a small system (population less than 10,000) with an MHI less than the State MHI that cannot qualify for an SRF loan. RIA staff conduct a thorough financial review of each system sponsor to determine if they can afford an SRF loan.

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 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 ready-to-proceed projects, to encourage sustainability through project planning, design, and construction. This includes projects:



- That enhance the sustainability of small systems (population less than 10,000) by fixing existing infrastructure;
- Where a sustainable system owner is willing to assume ownership or receivership of an unsustainable or abandoned system; or,
- To provide a long-term solution to ongoing surface water or groundwater contamination problems from the discharge of treated or untreated wastewater or sludge.

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 CWSRF 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, no one sponsor may receive more than \$1,500,000 for additional 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 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 CWSRF General Supplemental Capitalization Grant and it is accepted by DHEC. Project listing is not a commitment of PF funding.

If a sponsor requests PF 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. The PF assistance requirements are reviewed on an annual basis and updated as needed.

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

The Consolidated Appropriations Act, 2024 requires to the extent there are eligible projects, not less than 10% of the State's expected FFY 2024 CWSRF General Supplemental allotment be used for green infrastructure, water or energy efficiency improvements, or other environmentally innovative activities. South Carolina's "Green Project Reserve" (GPR) amount is \$2,329,800. DHEC's GPR guidance is posted on the SRF Guidance web page at [scdhec.gov/srfguidance](https://scdhec.gov/srfguidance).

In the SFY 2025 annual report for this grant, DHEC will identify the projects with binding commitments that will be used satisfy the 10% GPR requirement for the grant. To make this determination, DHEC will use EPA's GPR guidance and best professional judgement in accordance with the EPA Memorandum dated February 21, 2017, "[Change to Clean Water State Revolving Fund Green Project Reserve Guidance](#)."

## **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 this draft IUP is e-mailed to each project sponsor on the Comprehensive Priority List of CWSRF Projects and other interested parties.

During the public notice period (30-day minimum), the Draft IUP notice and Draft FFY 2024 CWSRF General Supplemental IUP are available from the DHEC Reports and Publications web page at [scdhec.gov/srfreports](https://scdhec.gov/srfreports). 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 2024 CWSRF General Supplemental Capitalization Grant IUP was posted to the DHEC website on May 22, 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 June 21, 2024. No comments were received. However, two edits were made to the IUP during the IUP comment period:

1. In Appendix A – The City of Rock Hill project (393-38) that was originally on the FFY 2024 CWSRF Base IUP was moved to the FFY 2024 CWSRF General Supplemental IUP to account for equivalency requirements.
2. In Appendix A – The City of Rock Hill project (393-37) that was originally on the FFY 2024 CWSRF General Supplemental IUP was moved to the FFY 2024 CWSRF Base IUP to account for equivalency requirements.

CWSRF SFY 2025 General Supplemental Provisional Project List<sup>1</sup>

Rank	Sponsor & Project Name	SRF Project Number	Project Description	NPDES, SSS, or ND Permit Number	Estimated Total Project Cost	Estimated SRF Loan Amount	Estimated Principal Forgiveness Assistance <sup>2</sup>	Estimated Green Project Reserve Amount <sup>3</sup>	Total Points
1	East Richland County Public Service District - DBPS & QLPS Pumps Replacement	524-32	This project consists of replacing the pumps in both pump stations, the DBPS and the QLPS. The QLPS is the primary pump station for the District with a rated capacity of 32 MGD and dual force mains pumping all of the wastewater generated in the District service area to the District's 16 MGD Gills Creek WWTP. The three (3) 500 HP pumps were installed over 20 years ago, and though well maintained with critical parts replaced regularly, the pumps, as a whole, are past their useful lives and are operating below their design pumping capacity. The DBPS is the next largest pump station for the District and was installed as a wet-weather relief pump station for the District's primary trunk line system which serves the highest density of customers in the District's service area. The four (4) 75 HP pumps (2 - 75 HP pumps in series) are over 20 years old and are well maintained with critical parts being replaced as necessary. The pumps, as a whole, are past their useful lives and have been documented as having lost substantial pumping capacity.	SC0038865	\$ 4,000,000	\$ 4,000,000	\$ -		90
2	Elloree Water System - Sanitary Sewer Evaluation Survey (SSES) <sup>4</sup>	332-03	To conduct a Sanitary Sewer Evaluation Survey (SSES) of the town of Elloree's sanitary sewer system including CCTV inspection of the collection lines, a Level 2 MACP inspection of manholes and GPS location of the manholes. Deficiencies would be documented and prioritized with recommendations and estimated costs to address the deficiencies. The assessment would provide the town with the documentation and data needed to move forward with funding to complete needed repairs, replacements and rehabilitation.	N/A	\$ 350,000	\$ -	\$ 250,000		80
3	New Ellenton, City of - City of New Ellenton WWTF Sprayfield Improvements	714-04	Replace a portion of the existing irrigation system including piping and spray heads for two of the 4 spray field zones as funding allows. Green C-900 pressure pipe including valves and tracer wire will be installed in a designed grid pattern. High output agriculture style spray heads capable of handling sediment and spraying water in a large radius will be installed such that the amount of spray heads can be significantly reduced. Spray heads will be mounted on rigid, well visible standpipes. Other spray alternatives will be evaluated during design. Funds are being requested to replace the spray heads and piping in two of the four spray fields. If the funding agency is unable to fund the request to renovate both spray fields, the City is requesting adequate funds be approved to renovate at least spray field (Field No.1.)	SC0068454	\$ 1,293,001	\$ -	\$ 1,293,001		60
4	Easley Combined Utilities - Major Interceptor Sewer Replacement Program	711-11	The Interceptor Replacement Program will address 60+ year, deteriorated, critical backbone sewers that have become under-sized, are subject to surcharging in wet weather conditions and experience sewer system overflows (SSOs) under heavy rainfall events. This project will fund the construction of: Eighteen Mile Creek Replacement Project - Installation of approximately 5,800 feet of 15" pipe, 600 feet of 18" pipe, 20 feet of 24" pipe, new manholes and related appurtenances. Brushy Creek Replacement Project - Installation of approximately 8,600 feet of 18" pipe, new manholes and related appurtenances. Middle Branch Replacement Project - Installation of approximately 9,800 feet of 30" pipe, new manholes and related appurtenances.	SC0039853	\$ 15,000,000	\$ 13,500,000	\$ -		60

CWSRF SFY 2025 General Supplemental Provisional Project List<sup>1</sup>

Rank	Sponsor & Project Name	SRF Project Number	Project Description	NPDES, SSS, or ND Permit Number	Estimated Total Project Cost	Estimated SRF Loan Amount	Estimated Principal Forgiveness Assistance <sup>2</sup>	Estimated Green Project Reserve Amount <sup>3</sup>	Total Points
5	<b>Renewable Water Resources</b> - Welcome and Brushy Creek Gravity Upgrades <sup>4</sup>	370-124	Wet Weather - Upgrade gravity sewer pipe along Brushy Creek from MH400B-394 north of 85 to MH400B-166 at Grove Rd as well as along Welcome Creek from MH400B-60 near Hidden Hills Dr. to MH 400B-126 at Anderson Rd.	SC0041211	\$ 25,628,300	\$ 22,628,300	\$ -		60
6	<b>Dillon, City of</b> - WWTP Improvements	424-10	Little Pee Dee WWTF: planning and design engineering services for site work, upgrade headworks, replace grit removal system, rehab influent pump station, replace aerators and associated equipment, upgrade sludge treatment (replace blowers, rehab concrete), demo and replace clarifier; replace RAS sludge pumps, upgrade control building, changing disinfection system from gas to liquid; upgrading effluent pump station; replacing emergency backup power.	SC0021776	\$ 11,196,640	\$ 925,000	\$ -		40
7	<b>Renewable Water Resources</b> - Swamp Rabbit Gravity Upgrade <sup>4</sup>	370-120	Wet Weather - Upgrade gravity sewer pipe along Swamp Rabbit Trunk from E Bramlett to Sulphur Springs Road (approx. 14,760 LF). A conceptual study indicates the upsizing would be approximately 6,210 LF from 36" to 48", 7410 LF from 30" to 48", and 1080 LF from 30" to 42".	SC0041211	\$ 25,133,550	\$ 19,900,000	\$ -		40
8	<b>Chesterfield, Town of</b> - Town of Chesterfield Gravity Sewer Repairs	485-02	The proposed project consists primarily of manhole rehabilitation/replacement and sewer main repairs and/or replacement. Manholes will be assessed for overall condition and a determination will be made as to whether to rehabilitate or replace them. The project cost estimate includes funding for up to 10 complete manhole replacements and specific quantities for various manhole rehabilitation methods. Sewer main repairs will consist of point repairs, CIIP repairs; pipe bursting, and complete excavation and replacement in worse case scenarios, covering a total of slightly over 16,000 lf. The cost estimate also includes tap replacements as needed as well as various manhole related refurbishment component replacements.	SSS000866	\$ 2,427,269	\$ -	\$ 1,500,000		30
9	<b>Saluda County Water &amp; Sewer Authority</b> - Wastewater Treatment Plant Lab & Control Building	806-02	The proposed project includes the construction of a new lab to serve the wastewater treatment plant. Also included in the building will be an area for controls and SCADA and bathroom facilities.	SC0049360	\$ 1,552,670	\$ -	\$ 1,450,670		30
10	<b>Greer Commission of Public Works</b> - Gibb Shoals Area Sewer Improvements-Phase 1	463-13	Construction of approximately 6,400 linear feet (LF) of new 24-inch trunk sewer, 315 LF of new 12-inch interceptor sewer within the Gibbs Shoals Basin.	SSS000737, SC0033804	\$ 3,739,700	\$ 3,365,730	\$ -		30
11	<b>Florence, City of</b> - Jefferies Creek Interceptor Improvement	378-27	Replace Northern Jefferies Creek Interceptor from the intersection of Park and Wisteria to FRWWMF consisting of approximately 1,500 LF of 24-inch and 7,800 LF of 42 to 48-inch gravity sewer. Lowering the interconnection at S. Brunwood to divert more flow to the Southern interceptor. Miscellaneous pipe improvements to increase capacity to handle current built-out flows adjacent to Fairway Drive and the Florence Country Club consisting of Approximately 1,500 LF of 15-inch gravity sewer.	SC0045462	\$25,675,000	\$ 24,714,000	\$ -		30

CWSRF SFY 2025 General Supplemental Provisional Project List<sup>1</sup>

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12	Hilton Head Public Service District - HHPSD WWTP and Royal James Pump Station Improvements	509-09	1) Replace three screw pumps at the WWTP 2) Construct a new on-site sodium hypochlorite generation system 3) Replace the existing sludge shed at the WWTP 4)Construct new influent screen to back up an existing band screen at the WWTP 5) Replace the existing warehouse building and the maintenance/garage building	SC0046191, ND0068462	\$ 14,400,000	\$ 14,400,000	\$ -			20
13	Honea Path, Town of - Chiquola and Clatworthy Subbasin - Sewer Rehab (Phase 2)	515-07	"Chiquola and Clatworthy Subbasin - Sewer Rehab (Phase 2)" project will be a continuance to the "Phase 1" project (significantly expand construction). Construction will include "mixed rehab" - e.g. point repairs, manhole rehabilitation or replacement, and lateral connection improvements.	SC0020214	\$ 1,500,000	\$ -	\$ 1,500,000			20
14	Belton, City of - Big O'Neal Sewer Subbasin Rehab (Phase 3)	230-04	"Big O'Neal Sewer Subbasin Rehab - Phase 3" will be a continuance of the Phase 2 project. This project will consist of combination of traditional rehabilitation methods and "mixed rehab" to improve the system. Traditional and mixed rehab projects would involve any necessary point repairs, manhole rehabilitation or replacement, and lateral connection improvements.	SC0045896	\$ 1,500,000	\$ -	\$ 1,500,000			20
15	MetroConnects – Private Satellite System Consolidation/ Rehabilitation	530-05	The proposed project includes the rehabilitation or replacement of an estimated 4,255 LF of private small diameter pipe and estimated 36 manholes. Both trenching methods and trenchless technology would be used to retrofit the private systems in order to reduce I/I and upgrade them to meet MetroConnects minimum standards.	SSS000722	\$ 1,131,542	\$ -	\$ 1,131,542			20
16	Saluda Commission of Public Works - Saluda Sewerage System Improvements	815-01	Rerouting of main trunk line through town, rehabilitation of sewer line on North Jennings St, and replacement of two return activated sludge (RAS) pumps and one of the influent pumps at the wastewater treatment facility (WWTF).	SC0022381	\$ 1,196,561	\$ -	\$ 1,196,561			20
17	Rock Hill, City of - Rock Hill Manchester Creek Outfall Sewer- Phase III <sup>4</sup>	393-38	The project includes the construction of a new outfall sewer to replace a section of existing gravity sewer including approximately 3,300 linear feet of large diameter sewer (24/30-inch sewers) and the replacement or rehabilitation of approximately 1,700 liner feet of 10" clay sewer.	N/A	\$8,800,000	\$8,150,000	\$ -			20
18	Inman, City of - Phase 7 Gravity Sewer Improvements of Hollywood, Carter, and Bomar Streets	487-04	The sewer line was originally installed in the "backyards" of area residents. For this reason, the line does not directly follow along an existing road. A right-of-way exists for the current sewer line. Construction of the proposed gravity sewer line will remain in the existing right-of-way. Phase 7 will begin the gravity sewer line on Hollywood Street and continue northeast. The gravity sewer line will travel across Carter Street and Bomar Street, and end approximately 350 linear feet from Bomar Street. The sewer line consists of approximately 1,630 linear feet of 8" gravity sewer and 11 manholes.	SC0021601	\$ 995,000	\$ -	\$ 995,000			10

CWSRF SFY 2025 General Supplemental Provisional Project List<sup>1</sup>

Rank	Sponsor & Project Name	SRF Project Number	Project Description	NPDES, SSS, or ND Permit Number	Estimated Total Project Cost	Estimated SRF Loan Amount	Estimated Principal Forgiveness Assistance <sup>2</sup>	Estimated Green Project Reserve Amount <sup>3</sup>	Total Points
19	Lincolnton, Town of - Lincoln Sewer Extension	814-02	The project consists of constructing new collection lines to serve 17 residential properties (population of approx. 51 people) in the Town of Lincolnton. This is a disadvantaged area and the need for this project stems from septic tank failures or imminent failures.	SSS000037	\$ 1,807,423	\$ -	\$ 599,246		10
20	North Charleston Sewer District - Felix C. Davis WWTP Aeration Upgrade	810-04	The project proposes upgrading the aeration basin components at the NCSDD WWTP. This project proposes replacing existing diffusers, adding additional diffuser grids and isolation valves, upgrading the blowers, channel aeration improvements, structural repairs and improvements, submersible mixer demolition, electrical improvements, and instrumentation and controls improvements. Energy savings over 20-years from upgrading the blowers and improving the channel aeration is estimated at either 41% (aerating entire effluent channel) or 45% (aerating a portion of the effluent channel), depending on the selected channel aeration alternative.	SC0024783	\$ 16,827,720	\$ 16,744,000	\$ -		10
21	Spartanburg Sanitary Sewer District - Cinder Branch Pump Station and Forcemain	235-08	Construct a new pump station and approximately 21,000 linear feet of forcemain to intercept and pump a portion of the existing flow from the area between Zion Hill Road and Heritage Hills Drive in addition to proposed flows from multiple residential developments out of the Clifton-Converse Basin and into the Lawson Fork Basin. The Clifton-Converse WWTP would not be able to adequately treat the additional flow. The Cinder Branch forcemain will discharge to the Lawson Fork Pump Station and ultimately be treated at the Spartanburg Water A. Manning Lynch WWTP Facility.	SC0020435, SCG570017	\$ 9,785,000	\$ 9,785,000	\$ -		0
22	Grand Strand Water & Sewer Authority - Central WWTP 4 MGD <sup>4</sup>	381-84	The project will provide planning and design engineering services for the upgrade at the Central WWTP to treat a maximum capacity of 4.0 MGD using a proposed conventional activated sludge facility.	SC0040410 SC0049362	\$ 50,000,000	\$ 3,000,000	\$ -		0
Totals:					\$ 223,939,376	\$ 141,112,030	\$ 11,416,020		
<b>Totals of SRF Loan + Principal Forgiveness Loan Amount:</b>					<b>\$</b>		<b>152,528,050</b>		

1 Projects that appear 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 20% of the capitalization grant or \$11,416,020. 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 CWSRF Capitalization Grant referenced in this IUP is awarded by EPA and accepted by DHEC. Project listing is not a commitment of funding.

3 FY24 federal appropriations require that to the extent there are eligible projects, the CWSRF identify GPR eligible projects or parts of projects in an amount equal to at least 10% of the expected capitalization grant amount, or \$2,329,800, as GPR eligible (see Section IX.C. of the CWSRF IUP). Projects on this Provisional Project List have not submitted documentation, but may qualify in whole or in part for the GPR. If any projects are identified as GPR eligible the project or portion of the project will be reported in the CWSRF SFY24 Annual Report.

4 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.

5 Denotes a project where the sponsor requested a principal forgiveness (PF) loan, but the sponsor and project are eligible for a conventional SRF loan and do not meet the criteria for an offer of a PF loan (see Section IX.B. Additional Subsidies).

Note: The project funding needs that are identified in the PPL exceed the estimated total funds available for projects on the FFY 2024 CWSRF General Supplemental Capitalization Grant. The additional money required to fund projects on the PPL may come from "recycled" CWSRF funds, the project sponsor's own resources, or some combination thereof. All available CWSRF funds, including recycled funds, will be accounted for in the FFY 2024 CWSRF Base Capitalization Grant 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.