



Federal FY 2025 CWSRF Base Capitalization Grant Intended Use Plan

For State FY 2026

DRAFT

May 21, 2025

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SC DEPARTMENT of
**ENVIRONMENTAL
SERVICES**

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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.

This Intended Use Plan (IUP), required under the CWA, describes how South Carolina intends to use available SRF funds for State Fiscal Year (SFY) 2026 (July 1, 2025 through June 30, 2026) including federal funds allocated to South Carolina from the Full-Year Continuing Appropriations and Extensions Act, 2025. South Carolina's allotment from the federal appropriations for federal fiscal year (FFY) 2025 is \$16,253,000. 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 Environmental Services (SCDES) 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. On July 1, 2024, Act 60 of S.C. law took effect, and the Department of Health and Environmental Control (DHEC) was split into two agencies, one being SCDES. The SRF responsibilities associated with DHEC were transferred to SCDES.

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 SCDES SRF Reports and Publications web page at des.sc.gov/srfreports.

II. Goals

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 SCDES and EPA resources are already invested (i.e., Priority Watersheds and Section 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 2026, the SC SRF has no plans to transfer funds between the CWSRF and DWSRF but reserves the right to do so if needed to meet demand in either the Clean Water or Drinking Water Base capitalization grant programs during SFY 2026.

IV. Cross-Collateralization

The SC 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 2026.

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 SCDES 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 2025 CWSRF Base Capitalization Grant is awarded by EPA and accepted by SCDES. Project listing is not a commitment of funding.

VI. Method for Selecting Projects and Distribution of Funds

A. Priority Ranking System

SCDES 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 des.sc.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), DES 3561 or a similar funding request application approved by SCDES. The DES 3561 form can be found on the SRF Forms web page at des.sc.gov/srfforms. A project sponsor may submit a completed PQ to the SRF Division of SCDES's Bureau of Water at any time. Once the PQ is received, SCDES 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 303(d) list” and then by date the project questionnaire was received. SCDES maintains an updated Comprehensive Priority List on the SRF Reports and Publications web page at des.sc.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 2026. Ready to proceed in SFY 2026 means that a project will be in compliance with the SRF schedule for submission of an acceptable preliminary engineering report and construction permit application as well as a complete SRF loan application to RIA. The selection process for sponsors and projects that may receive Additional Subsidies (i.e., 100 percent principal forgiveness for this grant) are discussed in Section X.C.

The successful completion of a preliminary financial review should occur before a project sponsor proceeds with meeting the technical requirements for a loan. Based on the schedule established for a project, RIA will send the sponsor a loan application package. To proceed as an SFY 2026 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, 2026. For large projects, SCDES 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, SCDES 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 the Federal Emergency Management Agency (FEMA) or through other federal supplemental disaster appropriations.

D. Bypass Procedure

When selecting projects for funding, SCDES 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 \$1,625,300 (10% of the expected capitalization grant amount);

3. To address an imminent hazard to public health as determined by SCDES;
4. To address an imminent release of untreated wastewater directly to a surface water body as determined by SCDES;
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 2025 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 allowing the SRF to meet the federal expeditious and timely use of funds requirement;
12. To preserve or improve the pace of the SRF when a sponsor with an active project, particularly an active principal forgiveness project, has not met established timeliness criteria; and
13. 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, SCDES 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. SCDES 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, SCDES realizes that it may be challenging for sponsors to meet this goal. Additionally, sponsors with active PF projects that have not met established timeliness criteria may be bypassed as discussed in Section VI.D.

Currently, project design and construction costs are increasing, often at a rapid pace. Therefore, sponsors with projects on the PPL will be encouraged to bid project

alternatives, if feasible. Some or many PF projects on the PPL still may exceed the SRF budget amounts shown on the PPL. A PF project on the PPL may receive additional funding above the budgeted amount shown on the PPL if justified and approved by SCDES. Once the total PF funds under binding commitment reach the total PF amount shown on the PPL, PF projects without a binding commitment when that amount is reached will be addressed as follows: 1) projects with a Preliminary Engineering Report (PER) that has been approved by the SCDES SRF program will be moved to the next year's IUP and PPL for the Base grant; and, 2) projects without an approved PER will need to be resubmitted to the SRF program for future funding consideration. Available funds and loan budgets are discussed in Section VIII.E.

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 the SCDES Utility Sustainability Assessment (UtSA) (DES 0574). The UtSA is a written system assessment completed by the Sponsor and reviewed and scored by SCDES 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 to view SRF loan rates and policies. Interest rates for SFY 2026 projects will be published by RIA in early October 2025. 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, 2026.

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 SCDES to determine items that qualify for 20- or 30-year financing based on useful life. This information will be used for the final loan application; 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 SCDES 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 SCDES to make the necessary determinations of 20- and 30-year eligibility. 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 SCDES 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 SCDES/SRF construction permit or letter of approval. Authorization to construct the project, either through a SCDES-issued 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 des.sc.gov/programs/bureau-water/wastewater/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.

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 2025 CWSRF Base Capitalization Grant is \$16,253,000.

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 \$3,250,600 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 draws 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 a state to use an amount equal to four percent (4%) of its capitalization grant to fund the administration of the CWSRF program. For SFY 2026, the State will use \$650,118, or approximately 4.0%, of the FFY 2025 CWSRF Base capitalization grant for administration of the CWSRF program.

D. Technical Assistance

The CWA allows states to set reserve 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 SFY 2026, the State does not plan to take funding for TA from the FFY 2025 CWSRF Base Capitalization Grant. TA funding is allocated under the FFY 2025 General Supplemental Capitalization Grant and will be paid for from recycled funds which is accounted for below.

E. Estimated Funds Available — State Fiscal Year (SFY) 2026

Estimated Amount of Funds to be available for loans as of 6/30/25	\$108,200,000*
FFY 2025 Base Capitalization Grant	\$16,253,000
State match for FFY 2025 Base Capitalization Grant	\$3,250,600
Recycled funds needed for CWSRF administration of FFY 2025 Base Capitalization Grant	-\$650,118
Recycled funds needed for CWSRF administration of FFY 2025 General Supplemental Capitalization Grant	-\$1,009,480
Recycled funds needed for CWSRF TA from FFY 2025 General Supplemental Capitalization Grant	-\$150,000
Estimated recycled funds needed for SFY 2025 Base & General Supplemental APF projects	-\$15,728,630
Estimated SFY 2026 repayments (07/01/25 to 06/30/26)	\$55,800,000
Estimated SFY 2026 investment earnings (07/01/25 to 06/30/26)	\$10,800,000
Estimated amount of funds to be transferred to/from the DWSRF	\$0
Estimated total funds available for SFY 2026 Loans	\$176,765,372

*This is the estimated amount of funds available for SFY 2026 loans and does not include any funds reserved to fund the remaining SFY 2025 loans yet to close. All prior capitalization grant funds are committed to projects. No loan fee income is used on projects. All loan fees are used to conduct the financial functions of the SRF program assigned to RIA under state law.

Note: The project funding needs that are identified in the PPL are less than the estimated total funds available for projects on the FFY 2025 CWSRF Base Capitalization Grant IUP. Projects on the General Supplemental Capitalization Grant IUP may receive funding from “recycled” CWSRF funds shown on this Base IUP. Additionally, loans may change from the figure quoted above due to the ongoing administration of projects, including projects on prior CWSRF IUPs where bids have not been opened. Since the combined Base and General Supplemental PPLs show an under commitment of funding, the IUP and PPL will be revised once additional projects are identified for funding using this grant. In addition, bid overages may be considered. Any additional funding will be based on the availability of funds, the size of the overage, the financial capability of the project sponsor to use its own cash reserves or ability to access other funds, and the total amount of funding requested by a project sponsor in multiple projects. Also, projects will be financed in the order of having a complete loan application (including construction permit/letter of approval) and any projects that cannot be funded may be moved to the next available IUP. In addition, equivalency projects that do not have a construction permit (or letter of approval) and a closed loan by July 31, 2026, may be moved to the next available IUP.

F. Equivalency to Account for Federal Funds

SCDES 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, SCDES 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 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 CWSRF Annual Report (deliverable) and reported to the federal government (deliverable) pursuant to 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. 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.

IX. Assurances and Specific Proposals

SCDES 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 des.sc.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
- 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
- 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
- SRF Signage (for construction projects)
- Telecommunications and video surveillance prohibition

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

B. Annual Report and Annual Review

An annual report (deliverable) will be submitted by September 30, 2025, that will quantify the results and present the milestones of the capitalization grants awarded for FFY 2024.

CWSRF participated in the 2024 EPA Annual Review held January 7 - 8, 2025. The state did not have any audit findings during SFY 2024. CWSRF anticipates receiving and responding to the EPA Program Evaluation Report (PER) for FFY 2024 funding in SFY 2025 during and following the Annual Review/PER.

C. Additional Subsidies

The Full-Year Continuing Appropriations and Extensions Act, 2025 requires that ten percent (10%) of the CW capitalization grant be used to provide additional subsidy. The CWA requires that 10% to 30% of the capitalization grant be used to provide additional subsidy. The two additional subsidy requirements are additive, therefore, the total required additional subsidy for this capitalization grant is 20% to 40%. 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 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 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 2026, no one sponsor may receive more than \$2,000,000 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 2026 on a preliminary basis. The SRF Program reserves the right to adjust PF amounts. PF funds are only available if EPA awards the FFY 2025 CWSRF Base Capitalization Grant and it is accepted by SCDES. 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 Full-Year Continuing Appropriations and Extensions Act, 2025 requires to the extent there are eligible projects, not less than 10% of the State's expected FFY 2025 CWSRF Base grant 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 \$1,625,300. SCDES's GPR guidance can be found on the SRF Guidance web page at des.sc.gov/srfguidance.

In the SFY 2026 annual report for this grant, SCDES will identify the projects with binding commitments that will be used satisfy the 10% GPR requirement for the grant. To make this determination, SCDES 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

SCDES 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 emailed 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 2025 CWSRF Base Capitalization Grant IUP are available from the SCDES SRF Reports and Publications web page at des.sc.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.

SOUTH CAROLINA
CWSRF SFY 2026 Base Provisional Project List¹

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 ²	Estimated Green Project Reserve Amount ³	Total Points
1	East Richland County Public Service District - Area-wide Collection System Assessment & Rehab ⁴	524-34	An ongoing rehab program, following their completion of Basin 16, this proposed program will rehabilitate gravity lines in several additional basins of the service territory. Prior studies have been done in some areas, but need to be updated. The first year will provide engineering services, flow monitoring studies, hydraulic model updates and condition assessments to document and prioritize gravity lines and manholes to be rehabilitated. Following assessments, a study/PER will be completed, outlining the proposed areas of work and preparing plans & specifications to allow bidding. Lines range in size of 12" to 30" and a total up to approximately 50,250 LF.	SC0038865	\$ 8,000,000	\$ 1,000,000	\$ -		160
2	Belton, City of - Big O'Neal Sewer Subbasin Rehab - Phase 4	230-05	"Big O'Neal Sewer Subbasin Rehab - Phase 4" will be a continuance of the Phase 3 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	\$ 2,000,000	\$ -	\$ 2,000,000		70
3	Ware Shoals, Town of - Walker & Fleming Street Sewer Replacement	537-07	The proposed project consists of the replacement of approximately 4,400 LF of gravity sewer, 21 manholes, sewer service re-connections, bypass pumping, and all related items required for a complete installation. This project will serve to replace gravity sewer lines that were recently discovered to be in poor condition as a part of recent CCTV inspections. The existing pipes are predominantly vitrified clay, and have many areas of root intrusion, cracking, and several visible breaks. The existing manholes are predominantly brick manholes, that also have significant root and water intrusion issues. The removal and replacement of these clay lines and brick manholes will assist with reducing inflow and infiltration in the sewer system.	SC0020214	\$ 1,362,500	\$ -	\$ 1,362,500		30
4	Rock Hill, City of - Charlotte Avenue Sewer Rehabilitation ⁴	393-39	This project consists of replacement and consolidation of gravity sewer infrastructure that is failing and past its service life. Within certain sections of Charlotte Avenue, there are two gravity sewer lines. The twin 6" VC sewer lines were installed around 1911. One of the lines has collapsed and no longer serves its intended function. The remaining line shows indications of cracking and pipe deterioration. The project involves abandonment of the failed line and the replacement by pipe bursting of the remaining sewer line. The bursting would replace both 6" lines with one 8" line to comply with the current statutes. The project will include new piping, manholes, service laterals, and related appurtenances.	SC0020443	\$ 5,335,250	\$ 5,103,750	\$ -		0
5	Renewable Water Resources - Durbin Creek WRRF Expansion ⁴	370-139	Capacity expansion from 5.2 MGD to 10.4 MGD. Unit process additions TBD	SC0040002	\$ 256,000,000	\$ 15,360,000	\$ -		0

SOUTH CAROLINA
CWSRF SFY 2026 Base Provisional Project List¹

May 21, 2025
Draft

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 ²	Estimated Green Project Reserve Amount ³	Total Points
6	Renewable Water Resources - Georges Creek WRRF Expansion ⁴	370-138	This expansion project will increase the capacity of Georges Creek WRRF from 3 mgd to 6.2 mgd. The expanded treatment facilities are anticipated to include new unit processes like influent flow equalization, an enhanced biological phosphorus removal process, tertiary filtration, and UV disinfection that will improve overall treatment efficiencies in addition to increasing capacity.	SC0047309	\$ 128,000,000	\$ 8,320,000	\$ -		0
Totals:					\$ 400,697,750	\$ 29,783,750	\$ 3,362,500		
Totals of SRF Loan + Principal Forgiveness Loan Amount:					\$		33,146,250		

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 \$3,250,600. SC uses Principal Forgiveness Assistance to satisfy the Additional Subsidy requirement. The total Estimated 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 SCDES. Project listing is not a commitment of funding.

3 FFY25 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 \$1,625,300, as GPR eligible (see Section X.D. 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 SFY25 Annual Report.

4 Equivalency project. SCDES 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 X.C. Additional Subsidies)

Note: The project funding needs that are identified in the PPL are less than the estimated total funds available for projects on the FFY 2025 CWSRF Base Capitalization Grant IUP. Projects on the General Supplemental Capitalization Grant IUP may receive funding from "recycled" CWSRF funds shown on this Base IUP. Additionally, loans may change from the figure quoted above due to the ongoing administration of projects, including projects on prior CWSRF IUPs where bids have not been opened. Since the combined Base and General Supplemental PPLs show an under commitment of funding, the IUP and PPL will be revised once additional projects are identified for funding using this grant. In addition, bid overages may be considered. Any additional funding will be based on the availability of funds, the size of the overage, the financial capability of the project sponsor to use its own cash reserves or ability to access other funds, and the total amount of funding requested by a project sponsor in multiple projects. Also, projects will be financed in the order of having a complete loan application (including construction permit/letter of approval) and any projects that cannot be funded may be moved to the next available IUP. In addition, equivalency projects that do not have a construction permit (or letter of approval) and a closed loan by July 31, 2026, may be moved to the next available IUP.