

SOUTH DAKOTA CLEAN WATER STATE REVOLVING FUND FEDERAL FISCAL YEAR 2026 INTENDED USE PLAN

INTRODUCTION

The state of South Dakota proposes to adopt the following Intended Use Plan (IUP) for Federal Fiscal Year (FFY) 2026 as required under [Section 606\(c\) of the Clean Water Act](#).

The primary purpose of the IUP is to identify the proposed annual intended use of the amounts available to the Clean Water State Revolving Fund (SRF). The IUP has been reviewed by the public and reflects the results of that review.

The IUP includes the following:

1. List of projects and activities;
2. Goals, objectives, and environmental results;
3. Amount of funds transferred between the Clean Water SRF and the Drinking Water SRF;
4. Information on the activities to be supported;
5. Assurances and specific proposals;
6. Criteria and method for distribution of funds;
7. Sources and uses of funds; and
8. Infrastructure Investment and Jobs Act (IIJA) Addendum for specific IIJA fund uses and activities.

LIST OF PROJECTS AND ACTIVITIES

The IUP identifies potential municipal wastewater, storm water, and nonpoint source projects. A project must be on the project priority list, Attachment I, to be eligible for a loan. This list was developed from the State Water Plan and includes projects that did not designate Clean Water SRF loans as a funding source.

Projects may be added to the project priority list by the Board of Water and Natural Resources if the action is included on the meeting agenda at the time it is posted.

Priority ratings are based on the integrated project priority system established in [ARSD 74:05:08:03.01](#). The general objective of the integrated priority system is to ensure that projects funded through the Clean Water SRF program address high priority water quality problems. This is accomplished with a priority system that ranks both municipal wastewater and nonpoint source pollution control projects on an equal basis. Projects and activities utilizing administrative surcharge funds are not required to be ranked and included on the project priority list.

The Clean Water SRF may be used for the following purposes:

1. Low-interest loans for secondary or more stringent treatment of any cost-effective alternatives, new interceptors and appurtenances, infiltration/inflow correction, new collectors, sewer system

rehabilitation, expansion and correction of combined sewer overflows, decentralized wastewater treatment systems, and construction of new storm sewers. The low-interest loans can be made for up to 100 percent of the total project cost;

2. Refinancing of existing debt obligations for municipal wastewater facilities if the debt was incurred and construction initiated after March 7, 1985; or
3. Nonpoint source pollution control projects and programs, including non-traditional projects (projects with a primary purpose other than water quality).

A determination of which projects are funded from the above-mentioned lists, the amount of assistance, and the financing terms and conditions will be made by the Board of Water and Natural Resources during FFY 2026.

GOALS, OBJECTIVES, AND ENVIRONMENTAL RESULTS

Long-term Goals and Objectives:

The long-term goals of the State Water Pollution Control Revolving Fund are to fully capitalize the Clean Water SRF, maintain or restore and enhance the chemical, physical, and biological integrity of the state's waters for the benefit of the overall environment, protect public health, and promote economic well-being.

Objectives:

1. Maintain a permanent, self-sustaining Clean Water SRF program that will serve in perpetuity as a financing source for wastewater treatment works projects and nonpoint source pollution control projects; and
2. Fulfill the requirements of pertinent federal, state, and local laws and regulations governing water pollution control activities while providing the state and local project sponsors with maximum flexibility and decision-making authority regarding such activities.

Short-term Goal and Objectives:

The short-term goal of the Clean Water SRF is to fully capitalize the fund.

Objectives:

1. Ensure the technical integrity of Clean Water SRF projects through the review of planning, design plans and specifications, and construction activities;
2. Ensure compliance with all pertinent federal, state, and local water pollution control laws and regulations; and
3. Obtain maximum capitalization of the funds for the state in the shortest time possible.

Environmental Results:

States are required to quantify and report the environmental benefits being realized through the Clean Water SRF loan program. The reporting requirement is being satisfied using an on-line environmental benefits assessment developed by EPA in cooperation with the States and other organizations. A summary of the FFY 2026 loans and the resulting benefits will be provided in the end-of-year-annual report.

AMOUNT OF FUNDS TRANSFERRED BETWEEN THE CLEAN WATER SRF AND THE DRINKING WATER SRF

The Safe Drinking Water Act Amendments of 1996 and subsequent congressional action allows states to transfer an amount equal to 33 percent of its Drinking Water SRF capitalization grant to the Clean Water SRF or an equivalent amount from the Clean Water SRF to the Drinking Water SRF. States can also transfer state match, investment earnings, or principal and interest repayments between SRF programs and may transfer a previous year's allocation at any time.

South Dakota has transferred \$15,574,320 from the Clean Water SRF program to the Drinking Water SRF program in past years. In fiscal year 2006 and 2011, \$7.5 million in leveraged bond proceeds and \$10 million of repayments, respectively, were transferred from the Drinking Water SRF program to the Clean Water SRF program. With the FFY 2026 capitalization grant, the ability exists to transfer more than \$93.6 million from the Clean Water SRF program to the Drinking Water SRF program. More than \$89.7 million could be transferred from the Drinking Water Program to the Clean Water SRF program. Table 2 on pages 12 and 13 details the amount of funds transferred between the programs and the amount of funds available to be transferred. This table includes IJIA fund transfer authority and descriptions of transfers are provided in the IJIA Addendum.

Based on program demands and the need for funds able to be utilized for taxable borrower purposes in the Drinking Water SRF during FFY 2026 \$25 million of repayment proceed funds will be transferred from the Clean Water SRF to the Drinking Water SRF. To provide for sufficient funds for Clean Water SRF purposes \$25 million of leveraged bond tax-exempt proceeds will be transferred from the Drinking Water SRF to the Clean Water SRF from new bond issuances planned for FFY 2026.

INFORMATION ON THE ACTIVITIES TO BE SUPPORTED

The primary type of assistance to be provided by the Clean Water SRF is direct loans including refinancing of existing debts where eligible. Loan assistance will be provided to municipalities, sanitary districts, counties, or other units of government for publicly owned wastewater treatment facilities, storm sewers, and nonpoint source pollution control programs in accordance with the Clean Water SRF administrative rules adopted by the Board of Water and Natural Resources. With the adoption of the amended and restated Master Indenture in 2004, the Clean Water and Drinking Water SRF programs are cross-collateralized. This allows the board to pledge excess revenues on deposit in the Drinking Water SRF program to act as additional security for bonds secured by excess revenues on deposit in the Clean Water SRF program, and vice versa.

Sources of Loan Funds

Loan funds are derived from various sources and include federal capitalization grants, state match, leveraged bonds, borrowers' principal repayments, and interest earnings.

Capitalization Grants/State Match: Federal capitalization grants are provided to the state annually. These funds must be matched by the state at a ratio of 5 to 1. The fiscal year 2026 capitalization grant is \$3,507,000 which requires \$701,400 in state match. Bond proceeds and administrative surcharge fees will be used to match FFY 2026 capitalization grant funds.

Leveraged Bonds: The South Dakota Conservancy District has the ability to issue additional bonds above that required for state match, known as leveraged bonds. It is anticipated that approximately \$200 million in leveraged bonds will be required in FFY 2026.

Borrowers' Principal Repayments: The principal repaid by the loan borrowers is used to make semi-annual leveraged bond payments. Any excess principal is available for loans. It is estimated that \$10.0 million in principal repayments will become available for loans in FFY 2026.

Interest Earnings: The interest repaid by the loan borrowers, as well as interest earned on investments, is dedicated to make semi-annual state match bond payments. Any excess interest is available for loans. It is estimated that no interest earnings will become available for loans in FFY 2026.

Additional Subsidy - Principal Forgiveness

The 2010 and 2011 Clean Water SRF appropriations mandated that not less than 30 percent of the funds made available for Clean Water SRF capitalization grants be used by the State to provide additional subsidy to eligible recipients and shall only apply to the portion of the national allocation that exceeds \$1 billion. The 2012 through 2014 capitalization grants mandated additional subsidy be provided in an amount not less than 20 percent, but not more than 30 percent, of that portion of the national allocation that exceeds \$1 billion. Additional subsidy may be in the form of forgiveness of principal, negative interest loans, or grants (or any combination of these).

Additional subsidy will be provided in the form of principal forgiveness. Municipalities and sanitary districts must have a minimum rate of \$45 per month based on 5,000 gallons usage or a flat rate to qualify for principal forgiveness. Other applicants must have a minimum rate of \$70 per month based on 5,000 gallons usage or a flat rate to qualify for principal forgiveness.

With the passage of the Water Resources Reform and Development Act (WRRDA) in June 2014, states may provide additional subsidization when the total amount appropriated for capitalization grants exceeds \$1 billion. The IIJA amendments require a minimum of 10 percent up to a maximum of 30 percent of the capitalization grant be provided as additional subsidy to a municipality that meet

the affordability requirements established by the state or to projects that implement a process, material, technique, or technology with water efficiency, energy efficiency, mitigation of stormwater runoff or sustainability benefits.

The 2016 through 2026 appropriation acts required an additional 10 percent of the capitalization grant be used for additional subsidy and is available for any eligible borrower. At this time, South Dakota will only provide this 10 percent to borrowers who meet the state's affordability criteria.

When determining the amount of principal forgiveness, the Board of Water and Natural Resources may consider the following decision-making factors, which are set forth in alphabetical order:

- (1) Annual utility operating budgets;
- (2) Available local cash and in-kind contributions;
- (3) Available program funds;
- (4) Compliance with permits and regulations;
- (5) Debt service capability;
- (6) Economic impact;
- (7) Other funding sources;
- (8) Readiness to proceed;
- (9) Regionalization or consolidation of facilities;
- (10) Technical feasibility;
- (11) Utility rates; and
- (12) Water quality benefits.

Table 3 on page 14 summarizes the amounts of principal forgiveness provided with the 2010 – 2025 capitalization grants.

In compliance with the WRRDA provisions, South Dakota has adopted the affordability criteria below in [ARSD 74:05:08:12.03](#).

1. All applicants will be awarded points to determine principal forgiveness eligibility as follows:
 - a. Five points if an applicant's median household income is equal to or less than 95 percent of the statewide median household income;
 - b. Three points if an applicant's median household income is equal to or less than 105 percent of the statewide median household income and greater than 95 percent of the statewide median household income;
 - c. One point if the applicant's 2020 census population is less than the applicant's 2010 census population; and
 - d. One point if an applicant's county unemployment rate is greater than the statewide unemployment rate.

2. If the boundaries of an applicant are located in more than one county, the unemployment rate of the county with the largest percentage of the applicant's population will be used.
3. Applicants must receive a minimum of five points to be eligible for principal forgiveness in the upcoming fiscal year.

The source of median household income statistics will be the [American Community Survey](#) or other statistically valid income data supplied by the applicant and acceptable to the board.

The source of unemployment rates will be the [2021 average unemployment rates](#) as determined by the South Dakota Department of Labor and Regulation, Labor Force Statistics.

Systems that are eligible to receive principal forgiveness are identified in Attachment I and Attachment II. Attachment II – List of Projects to be Funded in FFY 2026 identifies \$10.1 million in potential principal forgiveness.

Green Project Reserve

Recent Clean Water SRF appropriations mandated that to the extent there are sufficient eligible project applications, a portion of the funds made available for each year's Clean Water SRF capitalization grant shall be used by the State for projects to address green infrastructure, water or energy efficiency improvements, or other environmentally innovative activities. These four categories of projects are the components of the Green Project Reserve (GPR).

Sufficient funds have been awarded to qualifying projects to meet the 2010 – 2023 capitalization grant requirements. There remains a combined total of \$2,224,359 to meet the 2024 and 2025 capitalization grant GPR requirements.

The GPR requirement was included in the 2010 - 2026 capitalization grants and required that not less than 10 percent be made available for GPR eligible projects. South Dakota for several years has utilized incentive rate financing to help encourage borrowers to take additional loan funds for Section 319 non-point source project funding. In South Dakota, many non-point source projects include the purchase of easements adjacent to impaired waterbodies to install best management practices reducing nutrient loading into the streams. Other best management practices funded through non-point source SRF funded projects are also installed to reduce nutrient and other contaminant run-off into streams. These non-point source projects are green projects as defined by EPA's eligibility criteria and have been used to meet a portion of the 2016-2025 GPR requirements, additional funds are allocated to projects and as funds are expended, they will be recorded for GPR tracking. These projects in addition to two potential projects as shown on Attachment II will provide sufficient funds to meet the 10 percent requirement of the remaining 2024 through 2026 capitalization grants.

Interest Rates

Interest rates are reviewed quarterly in comparison to established bond rating indexes to assure rates are at or below market rates as required. The SRF rates are then set to be competitive with other funding agencies.

The current interest rates for FFY 2026 are summarized in Table 1. The rates were adjusted in September 2025.

In November 2023 specific interest rates were approved for loans that will be subject to Build America, Buy America Act. For loans subject to Build America, Buy America Act requirements a 0.25 percent interest rate reduction will be provided from whatever standard interest rate and term a borrower would normally receive funding.

Projects for traditional wastewater or stormwater projects that include a nonpoint source component may receive the nonpoint source rate. The annual principal and interest payments are calculated for a loan at the higher base interest rate. Using the lower interest incentive rate, a loan is sized using the annual payment previously calculated. The difference in the two loan amounts is the amount of funding available for the nonpoint source component of the project.

Table 1 – Clean Water SRF Interest Rates				
	Up to 5 Yrs	Up to 10 Yrs	Up to 20 Yrs	Up to 30 Yrs*
<u>Interim Rate</u>				
Interest Rate	2.50%			
Admin. Surcharge	0.00%			
Total	2.50%			
<u>Base Rate</u>				
Interest Rate		3.25%	3.50%	3.75%
Admin. Surcharge		0.25%	0.25%	0.25%
Total		3.50%	3.75%	4.00%
<u>Nonpoint Source Incentive Rate</u>				
Interest Rate		2.50%	2.75%	3.00%
Admin. Surcharge		0.25%	0.25%	0.25%
Total		2.75%	3.00%	3.25%
<u>Rate Reduction for Build America, Buy America Projects</u>				
For projects subject to Build America, Buy America Act requirements through the Clean Water SRF program a 0.25% reduction in interest rate will be applied to all above rates and terms.				
* Term cannot exceed useful life of the project.				

Administrative Surcharge Activities

The interest rate includes an administrative surcharge as identified in Table 1. The surcharge was established to provide a pool of funds to be used for administrative purposes after the state ceases to receive capitalization grants. The administrative surcharge is also available for other purposes, as

determined eligible by EPA and at the discretion of the Board of Water and Natural Resources and Department of Agriculture and Natural Resources. Recent emphasis has been on using the surcharge for purposes other than reserves for future program administration.

Administrative surcharges are being used for non-federal cost share for Total Maximum Daily Load (TMDL) assessment and implementation projects. Additionally, administrative surcharges have been allocated previously to supplement the state of South Dakota funded Consolidated Water Facilities Construction Program by providing water quality grants to Clean Water SRF eligible projects.

Beginning in fiscal year 2005, administrative surcharge funds were also provided to the planning districts to defray the cost of SRF application preparation and project administration. Reimbursement is \$10,500 per approved loan with payments made in \$3,500 increments as certain milestones are met. Future allocations for this activity are anticipated and will be based on expected loan demand.

The American Recovery and Reinvestment Act (ARRA) of 2009 and subsequent capitalization grants through 2014 had mandated implementation of Davis-Bacon prevailing wage rules. The WRRDA of 2014 included Davis-Bacon prevailing wage requirements for all capitalization grants going forward. Under joint powers agreements between the planning districts and the department, the planning districts are reimbursed \$1,600 per project to oversee compliance with the Davis-Bacon wage rate verification and certification.

Administrative Surcharge Uses in FFY 2026

As of September 30, 2025, \$1,668,057 of unobligated administrative surcharge funds is available. It is anticipated that the administrative surcharge will generate an additional \$3,000,000 in FFY 2026.

In FFY 2026, \$4,600,000 of administrative surcharge funds will be allocated. It is proposed to allocate \$200,000 to supplement the Section 319 programs with grants for TMDL implementation projects.

Administrative surcharge funds will again be provided to the planning districts to defray the cost of SRF application preparation and project administration, which includes Davis-Bacon wage rate verification and certification. The FFY 2026 allocation for these activities will be \$400,000.

In FFY 2026, \$4,000,000 of administrative surcharge funds will be allocated to provide a portion of the necessary state match for the FFY 2026 or prior year capitalization grants.

Capitalization Grant Administrative Allowance

The WRRDA of 2014 provides three options to states to calculate the administrative fees available from each year's capitalization grant. States may use the larger of 1) an amount equal to four percent of the total annual capitalization grants, 2) \$400,000 per year or 3) 1/5 of a percent of the current valuation of the Clean Water SRF fund based on the most recent previous year's audited financial statements.

The IIJA allows states to use an amount equal to four percent of all grant awards to the Clean Water SRF for administrative purposes.

Four percent of the estimated fiscal year 2026 base capitalization grant is \$140,280 and IIJA Supplemental grant is \$483,760, and 1/5 of a percent of the current fund valuation of \$288,671,865 results in \$577,343 available for administrative fees. As a result, an administrative allowance of \$600,000 will be reserved for administrative purposes in FFY 2026. Of this amount, \$116,240 will be from the base grant and the remaining \$483,760 will be from the IIJA Supplemental grant.

Capitalization Grant Technical Assistance Set-Aside

Passage of the IIJA allows states the ability to use an amount up to two percent of all grant awards to the Clean Water SRF for technical assistance activities to small and rural systems. This includes the ability to provide funds for planning studies and for non-profit organizations to assist applicants in need of technical, managerial, or financial capacity training.

In fiscal year 2001, the Board of Water and Natural Resources initiated the Small Community Planning Grant program to encourage proactive planning by small communities. The planning grants reimburse 80 percent of the cost of the study. Planning grants are available only to communities of 2,500 or less. Communities are reimbursed 80 percent of the cost of an engineering study, with the maximum grant amount for any project being \$10,000.

Prior to 2022, South Dakota utilized administrative surcharge funds to fund planning grants and a contract for technical, managerial, or financial capacity training. To fund these activities in FFY 2026 South Dakota will utilize \$50,000 of the IIJA general supplemental funds. No base CWSRF program funds will be allocated for this set-aside.

ASSURANCES AND SPECIFIC PROPOSALS

The state has assured compliance with the following sections of the law in the State/EPA Operating Agreement – XI Certification Procedures. In addition, the state has developed specific proposals on implementation of those assurances in the administrative rules promulgated by the Board of Water and Natural Resources.

Section 602(a) – Environmental Reviews – The state certifies that it will conduct environmental reviews of each project on Attachment II receiving assistance from the Clean Water SRF, as applicable. The state will follow EPA-approved National Environmental Policy Act (NEPA) like procedures in conjunction with such environmental reviews.

Section 602(b)(3) – Binding Commitments – The state certifies that it will enter into binding commitments equal to at least 120 percent of each grant payment within one year after receipt.

Section 602(b)(4) – Timely Expenditures of Funds – The state is committed to obligate Clean Water SRF moneys to eligible applicants as quickly and efficiently as possible to facilitate the financing of eligible projects and to initiate construction with a minimum of delay.

Section 602(b)(5) – First Use Enforceable Requirements – The state certifies that all major and minor wastewater treatment facilities identified as part of the National Municipal Policy (NMP) universe are:

1. in compliance, or
2. have received funding through various state and federal assistance programs and constructed a facility designed to produce an effluent capable of meeting the appropriate permit limits and achieve compliance with its discharge permit, or
3. have upgraded existing facilities or constructed new facilities through its own means to achieve compliance with its discharge permit.

Section 602(b)(6) – Compliance with Title II Requirements – The state certifies that it will comply as applicable.

Section 602(b)(13) – Cost Effectiveness Certification – The state will require Clean Water SRF assistance recipients and their consulting engineer to certify that they have studied and evaluated the cost effectiveness of the proposed project, and to the maximum extent practicable, have selected the alternative that maximizes the potential for efficient water use, reuse, and recapture, and conservation and energy conservation.

Section 602(b)(14) – Procurement of Architectural and Engineering Services – The state will not provide Clean Water SRF assistance to projects for architectural or engineering services that are identified as an equivalency project in the annual report, unless the project has complied with the architectural and engineering procurement procedures identified in 40 U.S.C. 1101 *et seq.*

Section 608 – American Iron and Steel Provisions – The state certifies that it will require American Iron and Steel products to be utilized for all treatment works projects receiving assistance from the Clean Water SRF, as applicable.

Section 70914(a) of IIJA – Build America, Buy America Provisions – The state certifies that it will require Build America, Buy America products to be utilized for all projects receiving assistance from the Clean Water SRF that are identified as an equivalency project in the annual report, unless exempted by an approved national or project specific waiver.

SRF Data System – Project data will be entered into the EPA SRF Data System on a quarterly basis.

CRITERIA AND METHOD FOR DISTRIBUTION OF FUNDS

The Clean Water SRF funds are distributed using the following criteria:

1. the availability of funds in the Clean Water SRF program;
2. the applicant's need;

3. violation of health and safety standards; and
4. the applicant's ability to repay.

The methods and criteria used are designed to provide the maximum flexibility and assistance that is affordable to the borrower while providing for the long-term viability of the fund.

Public Review and Comment – On May 25, 1988, a public hearing was held to review the initial Clean Water SRF rules and to receive comments. The Board of Water and Natural Resources approved the rules following the hearing. Revisions to the Clean Water SRF rules have been made periodically to reflect the needs of the program.

On November 6, 2025, a public hearing was held seeking comments on the Clean Water SRF 2026 Intended Use Plan. The notice was published at least 20 days prior in four newspapers of general circulation in different parts of the state. The department maintains a public notice page on its website <https://danr.sd.gov/public/default.aspx>, and interested parties are able to submit comments through the website. The 2026 IUP and IIJA addendum were made available during the public notice period for review and comment. The department sends out weekly updates to a list of interested parties who have subscribed for updates to the website. Upon posting the public notice on the department's website, the 2026 IUP and IIJA addendum were e-mailed to a list of interested parties that regularly receive notice of Board of Water and Natural Resources activities. As part of the required board meeting notice, the addendum was also available on the Boards and Commissions portal website <https://boardsandcommissions.sd.gov/Meetings.aspx?BoardID=108>.

Public Comments: No public comments were received during the public notice period or during the November 6, 2025 public hearing.

Table 2 – Amounts Available to Transfer between State Revolving Fund Programs

Year	DWSRF Capitalization Grant	Amount Available for Transfer	Banked Transfer Ceiling	Base Program Transfers		Transfer Description	CWSRF Funds Available to Transfer	DWSRF Funds Available to Transfer
				Amount Transferred from CWSRF to DWSRF	Amount Transferred from DWSRF to CWSRF			
1997 - 2001	\$42,690,000	\$14,087,700	\$14,087,700				\$14,087,700	\$14,087,700
2002	\$8,052,500	\$2,657,325	\$16,745,025	\$7,812,960		CW Cap Grant/Match	\$8,932,065	\$24,557,985
2003	\$8,004,100	\$2,641,353	\$19,386,378	\$7,761,360		CW Cap Grant/Match	\$3,812,058	\$34,960,698
2004	\$8,303,100	\$2,740,023	\$22,126,401				\$6,552,081	\$37,700,721
2005	\$8,285,500	\$2,734,215	\$24,860,616				\$9,286,296	\$40,434,936
2006	\$8,229,300	\$2,715,669	\$27,576,285		\$7,500,000	Leveraged Bonds	\$19,501,965	\$35,650,605
2007 - 2010	\$57,594,000	\$19,006,020	\$46,582,305				\$38,507,985	\$54,656,625
2011	\$9,418,000	\$3,107,940	\$49,690,245		\$10,000,000	Repayments	\$51,615,925	\$47,764,565
2012 - 2023	\$107,848,000	\$35,589,840	\$85,280,085				\$87,205,765	\$83,354,405
2024	\$4,661,000	\$1,538,130	\$86,818,215				\$88,743,895	\$84,892,535
2025	\$10,906,000	\$3,598,980	\$90,417,195				\$92,342,875	\$88,491,515
2026	\$3,842,000	\$1,267,860	\$91,685,055	\$25,000,000		Repayments Leveraged Bonds	\$93,610,735	\$89,759,375

IIJA General Supplemental Transfers

Year	DWSRF Capitalization Grant	Amount Available for Transfer	Banked Transfer Ceiling	Amount Transferred from CWSRF to DWSRF	Amount Transferred from DWSRF to CWSRF	Transfer Description	CWSRF Funds Available to Transfer	DWSRF Funds Available to Transfer
2022	\$17,992,000	\$5,937,360	\$5,937,360				\$5,937,360	\$5,937,360
2023	\$21,055,000	\$6,948,150	\$12,885,510				\$12,885,510	\$12,885,510
2024	\$22,985,000	\$7,585,050	\$20,470,560				\$20,470,560	\$20,470,560
2025	\$24,898,000	\$8,216,340	\$28,686,900				\$28,686,900	\$28,686,900
2026	\$24,888,000	\$8,213,040	\$36,899,940				\$36,899,940	\$36,899,940

IIJA Emerging Contaminants Transfers

Year	DWSRF Capitalization Grant	Amount Available for Transfer	Banked Transfer Ceiling	Amount Transferred from CWSRF to DWSRF	Amount Transferred from DWSRF to CWSRF	Transfer Description	CWSRF Funds Available to Transfer	DWSRF Funds Available to Transfer
2022	\$7,555,000	\$2,493,150	\$2,493,150	\$459,000		CWSRF EC Grant	\$2,034,150	\$2,952,150
2023	\$7,640,000	\$2,521,200	\$5,014,350	\$1,043,000		CWSRF EC Grant	\$3,512,350	\$6,516,350
2024	\$7,640,000	\$2,521,200	\$7,535,550	\$1,043,000		CWSRF EC Grant	\$4,990,550	\$10,080,550
2025	\$7,640,000	\$2,521,200	\$10,056,750	\$1,043,000		CWSRF EC Grant	\$6,468,750	\$13,644,750
2026	\$7,640,000	\$2,521,200	\$12,577,950	\$1,043,000		CWSRF EC Grant	\$7,946,950	\$17,208,950

Table 3 – Principal Forgiveness Allowed and Awarded

	Principal Forgiveness for all Borrowers*		
Year	Minimum	Maximum	Awarded from FY Grant
2010	\$1,497,982	\$4,993,274	\$4,993,274
2011	\$669,233	\$2,230,777	\$2,230,777
2012	\$383,922	\$575,882	\$575,882
2013	\$307,120	\$460,680	\$359,114
2014	\$372,924	\$559,386	\$548,729
2015	\$0	\$2,045,100	\$2,045,100
2016	\$652,500	\$2,610,000	\$2,610,000
2017	\$647,400	\$2,589,600	\$2,589,600
2018	\$785,900	\$3,143,600	\$3,143,600
2019	\$777,900	\$3,111,600	\$3,079,621
2020	\$778,000	\$3,112,000	\$3,112,000
2021	\$777,900	\$3,111,600	\$2,566,600
2022	\$1,136,200	\$2,272,400	\$2,272,400
2023	\$736,600	\$1,473,200	\$1,473,200
2024	\$801,600	\$1,603,200	\$898,800
2025	\$1,557,600	\$3,115,200	\$1,401,350
2026	\$701,400	\$1,402,800	\$0
Totals	\$12,584,181	\$38,410,299	\$33,900,047

	IIJA General Supplemental Principal Forgiveness*		IIJA Emerging Contaminants Principal Forgiveness	
Year	Required Amount	Awarded from FY Grant	Required Amount	Awarded from FY Grant
2022	\$4,281,620	\$4,281,620	\$0**	\$0
2023	\$5,014,170	\$5,014,170	\$0**	\$0
2024	\$5,470,360	\$5,470,360	\$0**	\$0
2025	\$5,926,060	\$5,015,000	\$0**	\$0
2026	\$5,926,060	\$0	\$0**	\$0
Totals	\$26,618,270	\$19,781,150	\$0	\$0

* Principal Forgiveness will only be provided to eligible entities that meet the Affordability Criteria definition in ARSD 74:05:08:12.03 and described on pages 5 and 6 of the IUP.

** All of the CWSRF Emerging Contaminant allocation was transferred to the DWSRF for eligible emerging contaminants projects.

ATTACHMENT I

PROJECT PRIORITY LIST

Attachment I is a comprehensive list of projects that are eligible for Clean Water SRF loans. This list was developed from State Water Plan applications. Inclusion on the list carries no obligations to the Clean Water SRF program. Attachment II lists those projects expected to be funded in FFY 2026.

Priority Points	Loan Recipient	Project Number	Project Description	Estimated Loan Amount	Expected Loan Rate & Term	Principal Forgiveness Eligible	NPDES Permit Number
36	James River Water Development District	C461497-01	Installation of nonpoint source best management practices to improve water quality in the watersheds outlined in the South Central Watershed Implementation Project - Segment 3.	\$1,000,000	4.00%, 30 yrs		NA, NPS
32	Viborg	C461240-05	The wastewater treatment facility is currently under a compliance schedule to upgrade treatment to meet ammonia limits. A submerged attached growth reactor treatment system would be installed to meet limits. Ares of the sanitary sewer collection system are beyond their useful life and 4,400 feet of current clay pipe would be replaced with PVC.	\$8,072,000	4.00%, 30 yrs	Yes (Pending rate increase)	SD0020541
30	Whitewood	C461006-04	The treatment facility is currently out of compliance with discharge permit requirements. The project would repurpose the existing aeration basin to serve as an oxidation ditch to increase the ammonia removal capabilities and install a lift station to facilitate this process.	\$500,000	4.00%, 30 yrs	Yes	SD0021466

Priority Points	Loan Recipient	Project Number	Project Description	Estimated Loan Amount	Expected Loan Rate & Term	Principal Forgiveness Eligible	NPDES Permit Number
26	Columbia	C461078-02	Replacement or relining of approximately 10,000 feet of clay sanitary sewer and installation of 2,400 feet of storm sewer throughout the community. The treatment facility would be moved to a new location out of the impact area from flooding and sized for total retention, this would include a lift station and forcemain to convey wastewater to the facility and other necessary work.	\$12,395,003	4.00%, 30 yrs	Yes (Pending rate increase)	SD0022926
24	Howard	C461127-03	The treatment facility is currently out of compliance with discharge permit requirements. The project would add aeration units to the treatment cells, increase the depth of the existing secondary cell, and construct an additional cell and artificial wetland to increase treatment levels.	\$2,648,192	4.00%, 30 yrs	Yes (Pending rate increase)	SD0020613
23	Lake Poinsett Sanitary District	C461027-01	Installation of more than 30,000 feet of sanitary sewer, service connection lines, individual grinder pump stations, 12 main lift stations and associated appurtenances to connect to houses currently on septic systems to centralized collection and construction of a new treatment pond.	\$15,181,990	4.00%, 30 yrs		SD0026450
23	Roscoe	C461292-04	The treatment facility is currently out of compliance with discharge permit requirements. The project would expand the existing facility by constructing an artificial wetland to provide total retention treatment ability for the facility.	\$2,260,000	4.00%, 30 yrs	Yes	SD0020036

Priority Points	Loan Recipient	Project Number	Project Description	Estimated Loan Amount	Expected Loan Rate & Term	Principal Forgiveness Eligible	NPDES Permit Number
23	Volga	C461046-03	Expansion and upgrades to the wastewater treatment facility for current and future growth needs. The project will include the following process or equipment improvements pretreatment, pumping, final clarifiers, aeration system, and sludge drying. The project will allow the treatment system to operate as an activated sludge system, the existing lagoons will not be utilized for treatment but will remain for equalization storage.	\$18,709,000	3.75%, 20 yrs	Yes (Pending rate increase)	SD0021920
22	Hill City	C461231-02	Construction of a second sequencing batch reactor wastewater treatment train to provide for needed capacity and system redundancy. After completion of the new treatment process, the existing treatment process equipment and electrical components that are in poor condition will be replaced.	\$13,785,000	3.75%, 20 yrs		SD0020885
21	Prairiewood Sanitary District	C461290-01	The existing wastewater treatment facility and lift station are in need of improvements. The project would replace the current lift station that is beyond its useful life with a new duplex lift station. The treatment improvements would include the regrading of existing pond dikes, sludge removal, installation of a new liner, rip-raping of cells, and improvements to the facility access road.	\$1,895,000	4.00%, 30 yrs		SDG826425

Priority Points	Loan Recipient	Project Number	Project Description	Estimated Loan Amount	Expected Loan Rate & Term	Principal Forgiveness Eligible	NPDES Permit Number
20	Sioux Falls	C461232-51	The Sioux Falls Water Reclamation Facility has been completing improvements to maintain compliance with wastewater permits and to expand the facility to meet future growth needs. An identified priority still needing to be completed is the replacement and increased sizing of the primary clarifiers. The existing clarifiers have been in use since the 1980s and are in need of repair and expansion to meet the sizing of the wastewater flows the facility receives.	\$51,900,000	3.75%, 20 yrs		SD0022128
18	Aberdeen	C461072-06	Rehabilitation of the main lift station and improvements to the wastewater treatment facility to provide additional capacity and provide the ability to meet anticipated future permit limits.	\$10,000,000	3.75%, 20 yrs	Yes (Pending rate increase)	SD0020702
18	Mitchell	C461129-17	This project would install curb and gutter, storm water inlets, piping, and a detention pond to manage storm water flows along 13th Avenue between Wisconsin and Minnesota Streets. Sanitary sewer pipe in the area will be replaced along the project route where necessary.	\$1,560,000	4.00%, 30 yrs	Yes	SD0020702
16	Hot Springs	C461040-03	This project would replace the existing wastewater treatment system that is beyond its useful life and not able to meet user capacity demand. The project would install a moving bed biofilm reactor treatment system and new discharge point to the Fall River. Improvements will be made to other existing treatment components to facilitate this and necessary lift stations and forcemains to allow the new discharge point will also be installed.	\$27,241,000	4.00%, 30 yrs	Yes (Pending rate increase)	SD0022918

Priority Points	Loan Recipient	Project Number	Project Description	Estimated Loan Amount	Expected Loan Rate & Term	Principal Forgiveness Eligible	NPDES Permit Number
16	Milbank	C461023-03	This project would replace the existing treatment facility headworks building that is beyond its useful life. This would include new influent pumping, SCADA controls, grit removal, pretreatment, and other necessary equipment for proper treatment operation.	\$17,500,000	4.00%, 30 yrs		SD0020371
16	Vermillion	C461022-04	Construction of a new solid waste disposal cell to include liner and leachate collection system, partial closure and capping of three existing landfill cells, and associated fencing and roads for operations.	\$2,620,000	3.50%, 10 yrs	Yes	NA, NPS
15	Belle Fourche	C461012-05	Construction of a new solid waste disposal cell to include liner and leachate collection system, and associated fencing and roads for operations.	\$2,836,000	3.75%, 20 yrs	Yes	NA, NPS
12	Mitchell	C461129-16	Replacement of approximately 28.8 miles of existing sanitary sewer, increasing the capacity of 26,000 feet of sewer and replacement or rehabilitation of six existing lift stations. This project will be completed in multiple phases over many years.	\$55,000,000	4.00%, 30 yrs	Yes	SD0023361
12	Sioux Falls	C461232-50	The southeast area of the city adjacent to the new South Veterans Parkway highway is an area of new growth in the city. To allow for this growth new sanitary sewer trunk lines, lift stations, and gravity sewer are necessary to allow for anticipated growth to occur over the next 20 years.	\$15,535,000	3.75%, 20 yrs		SD0022128
11	Lennox	C461105-11	Replacement of approximately 9,250 feet of clay sanitary sewer and installation of 9,400 feet of storm sewer in several locations throughout the community.	\$13,732,060	4.00%, 30 yrs	Yes	SD0021768

Priority Points	Loan Recipient	Project Number	Project Description	Estimated Loan Amount	Expected Loan Rate & Term	Principal Forgiveness Eligible	NPDES Permit Number
11	Salem	C461057-08	Relining with cast in place pipe of approximately 10,400 feet of existing clay sanitary sewer pipe. A submersible pump and discharge pipe will be added to the main lift station to increase sanitary sewer conveyance capacity to the treatment lagoons.	\$1,620,000	4.00%, 30 yrs	Yes	SD0020966
10	North Sioux City	C461009-04	Replacement of an existing lift station serving an industrial park area with a new larger lift station to accommodate increased flows. The existing gravity sewer and forcemain connected to the lift station would also be replaced with larger size pipe to accommodate growth.	\$5,144,180	4.00%, 30 yrs	Yes	SD0020567
10	North Sioux City	C461009-05	Replacement of the existing River Drive lift station which serves a 900-acre area of residential, commercial, and industrial users with a new larger lift station to which is beyond its useful life. To better accommodate lift station design and sizing a new site near the existing lift station will be used.	\$4,803,700	4.00%, 30 yrs	Yes	SD0020567
9	Crooks	C461227-06	Replacement of approximately 3,300 feet of clay sanitary sewer and 2,200 feet of storm sewer throughout the community.	\$3,030,000	4.00%, 30 yrs		SD0020761
9	Custer	C461021-08	Replacement of approximately 4,000 feet of clay sanitary sewer along 5th Street.	\$2,650,000	4.00%, 30 yrs	Yes	SD0023281
9	Gregory	C461126-05	Replacement of approximately 8,000 feet of clay sanitary sewer and 1,700 feet of storm sewer throughout the community.	\$2,381,583	4.00%, 30 yrs	Yes	SD0022179
9	Lemmon	C461015-02	Replacement or relining with cast-in-place pipe approximately 11,500 feet of existing sanitary collection pipe that was identified as beyond its useful life.	\$4,700,000	4.00%, 30 yrs	Yes (Pending rate increase)	NDG32577 1

Priority Points	Loan Recipient	Project Number	Project Description	Estimated Loan Amount	Expected Loan Rate & Term	Principal Forgiveness Eligible	NPDES Permit Number
9	Springfield	C461071-03	Replacement of approximately 2,600 feet of clay sanitary sewer and installation of 1,500 feet of storm sewer throughout the community.	\$3,250,000	4.00%, 30 yrs	Yes (Pending rate increase)	SD0022047
8	Canistota	C461226-06	Replacement of approximately 7,000 feet of clay sanitary sewer and installation of 6,700 feet of storm sewer throughout the community.	\$6,306,200	4.00%, 30 yrs	Yes (Pending rate increase)	SD0022497
8	Elkton	C461229-05	Replacement of approximately 2,540 feet of clay sanitary sewer with PVC primarily on streets north of the railroad and east of Antelope Street.	\$1,225,000	4.00%, 30 yrs		SD0020788
8	Northdale Sanitary District	C461005-01	Replacement and rerouting of existing sanitary sewer collection lines and forcemain jeopardized by collapsing streets over an abandoned gypsum mine.	\$1,181,000	4.00%, 30 yrs		NA
8	Valley Springs	C461239-04	Replacement of approximately 2,400 feet of clay sanitary sewer and a storm sewer box culvert and associated work within the project area for stormwater management.	\$2,417,400	4.00%, 30 yrs		SD0020923
8	Wessington	C461302-01	Replacement or relining with cast-in-place pipe approximately 9,920 feet of existing sanitary collection pipe that was identified as beyond its useful life.	\$3,618,011	4.00%, 30 yrs	Yes (Pending rate increase)	SDG823591
7	Big Stone City	C461224-01	This project would be for preliminary engineering efforts to clean and televise the wastewater collection system material and condition, for approximately 32,700 feet of sanitary sewer. It will allow for prioritization of future upgrades and replacements.	\$205,000	4.00%, 30 yrs	Yes (Pending rate increase)	SDG823663
7	Bryant	C461121-03	Replacement of approximately 2,100 feet of clay sanitary sewer throughout the community.	\$2,259,000	4.00%, 30 yrs	Yes	SD0021555
7	Clear Lake	C461037-04	Replacement of approximately 2,250 feet of storm sewer throughout the community.	\$2,130,400	4.00%, 30 yrs	Yes	NA, Stormwater

Priority Points	Loan Recipient	Project Number	Project Description	Estimated Loan Amount	Expected Loan Rate & Term	Principal Forgiveness Eligible	NPDES Permit Number
7	Wilmot	C461077-01	Replacement of approximately 1,500 feet of clay sanitary sewer outfall line along Main Street.	\$850,000	4.00%, 30 yrs	Yes	SD0021024
6	Hecla	C461276-04	Replacement of 400 feet of sanitary sewer, re-routing 850 feet of sanitary sewer to avoid conflicts with other facilities, and replacement of an existing lift station that is beyond its useful life.	\$2,500,000	4.00% 30 yrs	Yes	SDG820214
6	Ipswich	C461133-04	Installation of approximately 4,000 feet of storm sewer and associated improvements for stormwater conveyance.	\$15,130,500	4.00%, 30 yrs	Yes	NA, Stormwater
6	White	C461118-02	Installation of approximately 2,000 feet of storm sewer pipe and associated appurtenances for stormwater conveyance.	\$325,000	4.00%, 30 yrs		NA, Stormwater
5	Pukwana	C461417-01	Installation of 7,250 feet of new sanitary sewer collection pipe and 200 feet of storm sewer. This will serve a currently undeveloped area for potential future residential housing.	\$4,363,000	4.00%, 30 yrs		SDG822586

ATTACHMENT II – LIST OF PROJECTS TO BE FUNDED IN FFY 2026

Priority Points	Loan Recipient	Project Number	Assistance Amount	Principal Forgiveness ¹	Funding Date	Expected Funding Source ²	Fund/Project Eligibility ^{3,4}
	Green Project Reserve Information						
Loans Made							
12	Mitchell	C461129-16	\$3,930,000		Jan. 2026	Repay/Lev. Bonds	3
12	Sioux Falls	C461232-50	\$17,746,000		Jan. 2026	2025 & 2026 Base/IIJA GS	
30	Whitewood	C461006-04	\$1,942,000	\$708,000	March 2026	Repay/Lev. Bonds	3
24	Howard	C461127-03	\$2,816,000		March 2026	Repay/Lev. Bonds	3
23	Lake Poinsett Sanitary District	C461027-01	\$6,299,000		March 2026	Repay/Lev. Bonds	
23	Roscoe	C461292-04	\$2,260,000	\$1,458,000	March 2026	Repay/Lev. Bonds	3
22	Hill City	C461231-02	\$1,659,000		March 2026	Repay/Lev. Bonds	
21	Prairiewood Sanitary District	C461290-01	\$1,249,000		March 2026	Repay/Lev. Bonds	
18	Aberdeen	C461072-06	\$16,198,000		March 2026	Repay/Lev. Bonds	3
18	Mitchell	C461129-17	\$1,560,000		March 2026	Repay/Lev. Bonds	3
16	Hot Springs	C461040-03	\$9,166,000		March 2026	Repay/Lev. Bonds	3
16	Milbank	C461023-03	\$15,500,000		March 2026	Repay/Lev. Bonds	
16	Vermillion	C461022-04	\$2,132,000		March 2026	Repay/Lev. Bonds	3
15	Belle Fourche	C461012-05	\$2,552,400		March 2026	Repay/Lev. Bonds	3
11	Salem	C461057-08	\$1,620,000		March 2026	Repay/Lev. Bonds	3
9	Crooks	C461227-06	\$2,334,000		March 2026	2025 & 2026 Base/IIJA GS	
9	Custer	C461021-08	\$2,650,000	\$2,125,000	March 2026	Repay/Lev. Bonds	3
9	Gregory	C461126-05	\$1,750,000		March 2026	Repay/Lev. Bonds	3
9	Lemmon	C461015-02	\$4,700,000		March 2026	Repay/Lev. Bonds	3
8	Canistota	C461226-06	\$3,612,000	\$2,513,000	March 2026	Repay/Lev. Bonds	3
8	Elkton	C461229-05	\$632,000		March 2026	Repay/Lev. Bonds	
8	Northdale Sanitary District	C461005-01	\$1,181,000		March 2026	Repay/Lev. Bonds	
8	Valley Springs	C461239-04	\$2,087,000		March 2026	2025 & 2026 Base/IIJA GS	
8	Viborg	C461240-05	\$1,946,000		March 2026	Repay/Lev. Bonds	3
8	Viborg	C461240-06	\$249,000		March 2026	Repay/Lev. Bonds	3
7	Bryant	C461121-03	\$2,259,000	\$1,298,000	March 2026	Repay/Lev. Bonds	3
7	Clear Lake	C461037-03	\$2,130,000		March 2026	Repay/Lev. Bonds	3
7	Wilmot	C461077-01	\$850,000		March 2026	Repay/Lev. Bonds	3
20	Sioux Falls	C461232-51	\$51,900,000		June 2026	Repay/Lev. Bonds	
	GPR Project Type: Energy Efficiency (Categorical) GPR Amount: TBD						
6	Hecla	C461276-04	\$2,500,000	\$2,000,000	June 2026	Repay/Lev. Bonds	3

1. Principal forgiveness amounts shown for loans expected are estimates for planning purposes only.

2. Projects identified using capitalization grant funds are for equivalency requirements planning purposes only Actual projects used for capitalization grant equivalency will be identified on the FFY 2026 annual report.

3. Projects are anticipated to be funded in part utilizing capitalization grant principal forgiveness reserved for affordability criteria communities and may be from funds within the base capitalization grant, IIJA general supplemental, or IIJA emerging contaminants grant allotments depending on project eligibility.

4. Projects identified are anticipated to be funded in part utilizing IIJA emerging contaminants allotments.

ATTACHMENT III PROGRAM FUNDING STATUS

Federal Fiscal Years 1989 – 2025

Capitalization Grants	\$239,649,200
IIJA Supplemental Grants	\$42,229,000
State Match (Base and IIJA)	\$56,897,340
ARRA Grant	\$19,239,100
Set-Asides (Base and IIJA)	(\$12,933,669)
Leveraged Funds	\$668,703,951
Transfer FFY 2002 & 2003 Capitalization Grant and State Match to DWSRF	(\$15,574,320)
Excess Interest as of September 30, 2025	\$148,438,693
Excess Principal as of September 30, 2025	<u>\$218,573,160</u>
 Total Funds Dedicated to Loan	 \$1,365,222,455
 Closed Loans made through September 30, 2025	 <u>(\$1,624,856,676)</u>
 Available funds as of September 30, 2025	 (\$259,634,221)

Federal Fiscal Year 2026 Projections

Base Capitalization Grant	\$3,507,000
IIJA General Supplemental Grant	\$12,094,000
State Match (combined total)	\$3,120,200
Set-Asides (combined total)	(\$650,000)
Projected Excess Principal Repayments	\$10,000,000
Projected Unrestricted Interest Earnings	\$0
Transfer CWSRF Repayments to DWSRF	(\$25,000,000)
Transfer DWSRF Bond Proceeds to CWSRF	\$25,000,000
Leveraged Bonds	<u>\$200,000,000</u>
Projected FFY 2026 Loan Subtotal	\$228,071,200
 Funds Available for Loans	 (\$31,563,021)
 Loans Awarded and Unclosed as of September 30, 2025	 (\$208,397,325)
 Total Funds Available for Loans	 <u><u>(\$239,960,346)</u></u>
 Loan Amount Identified on Attachment II - List of Projects to be Funded in FFY 2026	 <u>\$167,409,400</u>

Administrative Surcharge Funds Available as of September 30, 2025	
Restricted Account (Administrative Purposes Only)	\$869,154
Discretionary Account (Available for Other Eligible Purposes)	<u>\$798,903</u>
Total	<u>\$1,668,057</u>

IIJA EMERGING CONTAMINANTS PROGRAM FUNDING STATUS

Federal Fiscal Years 2022-2025

CWSRF IIJA Emerging Contaminants Grants	\$2,545,000	
State Match	\$0	
Set-Asides	\$0	
Transfer FFY 2022, 2023, and 2024 Grants to DWSRF Emerging Contaminants	(\$2,545,000)	
Total Funds Dedicated to Loan		\$0
Closed Loans made through September 30, 2025		\$0
Available funds as of September 30, 2025		\$0

Federal Fiscal Year 2026 Projections

CWSRF IIJA Emerging Contaminants Grant 2025	\$1,043,000	
CWSRF IIJA Emerging Contaminants Grant 2026	\$1,043,000	
Transfer of 2025 IIJA Emerging Contaminants to DWSRF Emerging Cont.	(\$1,043,000)	
Transfer of 2026 IIJA Emerging Contaminants to DWSRF Emerging Cont.	(\$1,043,000)	
State Match	\$0	
Set-Asides	\$0	
Projected FFY 2026 Loan Sub-total		\$0
Funds Available for Loans		\$0
Loans Awarded and Unclosed as of September 30, 2025		\$0
Total Funds Available for Loans		\$0
Loan Amount Identified on Attachment II - List of Projects to be Funded in FFY 2026		\$0
		\$0

Addendum to the 2026 CWSRF Intended Use Plan:

Infrastructure Investment and Jobs Act

The Infrastructure Investment and Jobs Act (IIJA), was signed into law on November 15, 2021. The IIJA invests more than \$50 billion over the next five years in EPA water infrastructure programs including the State Revolving Funds. South Dakota's anticipated 2026 allotment for the Clean Water State Revolving Fund (CWSRF) program totals \$13,137,000.

This addendum is for the distribution of IIJA funds in 2026.

The IIJA funding will be issued through the CWSRF in two categories: 1) CWSRF IIJA General Supplemental Funding and 2) CWSRF IIJA Emerging Contaminants Funding. The IUP amendments and the IIJA funding categories are described below.

IIJA Funding Categories and Use of Funds

CWSRF IIJA General Supplemental Funding

The IIJA includes a general supplemental funding allotment of \$12,094,000 to South Dakota in 2026 for the CWSRF program. The existing CWSRF program as described in this IUP applies to this funding category and includes the following:

Eligibility

- Eligible entities and projects for this funding must be eligible under the existing CWSRF program.
- All CWSRF eligible projects must be listed on the existing Attachment I - 2026 Project Priority List of the CWSRF IUP.

Requirements

- Application, prioritization and approval for funding will be the same as the existing CWSRF program.
- State match is 20% of the total amount of the capitalization grant in fiscal year 2026. Bond proceeds or administrative surcharge fees will be used to provide the matching funds.
- Loan interest rate and terms will be the same as the existing program.
- Forty-nine percent of the capitalization grant amount must be awarded as additional subsidization in the form of principal forgiveness. Additional subsidization will be provided to eligible entities that meet the Affordability Criteria established in [ARSD 74:05:08:12.03](#). Applicants meeting the Affordability Criteria may be eligible for additional principal forgiveness from the base program.

Technical Assistance Set-Asides

IIJA includes the following provision:

Additional Use of Funds--A State may use an additional 2 percent of the funds annually awarded to each State under this title for nonprofit organizations (as defined in section 104(w)) or State, regional, interstate, or municipal entities to provide technical assistance to rural, small, and tribal publicly owned treatment works (within the meaning of section 104(b)(8)(B)) in the State.

States have the flexibility to use up to an amount equal to two percent of its annual CWSRF capitalization grant for the purpose of hiring staff, nonprofit organizations, or regional, interstate, or municipal entities to assist rural, small, and tribal publicly owned treatment works. The form of that assistance is flexible and could include, but is not limited to, community outreach, technical evaluation of wastewater solutions, preparation of applications, preliminary engineering reports, and financial documents necessary for receiving SRF assistance. This provision applies to the base program, the IIJA CWSRF General Supplemental fund, and the IIJA CWSRF Emerging Contaminants fund.

The 2026 IIJA CWSRF appropriation for infrastructure is anticipated to be \$12,094,000. In 2022 and 2023, a combined \$379,420 was set-aside to provide planning grants to communities of 2,500 or less and provide technical assistance to rural communities through a contracted provider. More information on these technical assistance activities is provided on pages 8 and 9 of the base program IUP. There remains \$234,532 funds from prior year capitalization grants to fund these activities. In FFY 2026, \$50,000 of CWSRF program funds will be allocated for this set-aside.

Capitalization Grant Administrative Allowance

The IIJA provides three options to states to calculate the administrative fees available from each year's capitalization grant. States may use the larger of 1) an amount equal to four percent of all grant awards to the CWSRF, 2) \$400,000 per year or 3) 1/5 of a percent of the current valuation of the Clean Water SRF fund based on the most recent previous year's audited financial statements.

Four percent of the estimated fiscal year 2026 base capitalization grant is \$246,000 and IIJA Supplemental grant is \$483,760, and 1/5 of a percent of the current fund valuation of \$288,671,865 results in \$577,343 available for administrative fees. As a result, an administrative allowance of \$600,000 will be reserved for administrative purposes in FFY 2026. Of this amount, \$483,760 will be from the IIJA Supplemental grant and the remaining \$116,240 from the base grant.

CWSRF IIJA Emerging Contaminants Funding

The IIJA includes a funding allocation of \$1,043,000 to South Dakota in 2026 to be applied to

clean water emerging contaminants. The Department proposes to transfer these funds to the DWSRF Emerging Contaminant Fund. Information regarding transferring funds can be found in the IIJA Funding Applicable Provisions and Additional Requirements section.

CWSRF IIJA Principal Forgiveness Eligibility Criteria

An eligible applicant may receive principal forgiveness from the CWSRF IIJA General Supplemental Funding if it meets the Affordability Criteria established in [ARSD 74:05:08:12.03](#) and outlined on pages 4 through 6 of the base program IUP.

Project Priority List and List of Projects Expected to be Funded

All projects identified on Attachment I - Project Priority List and Attachment II - List of Projects Expected to be Funded in FFY 2026 are eligible to receive IIJA supplemental funding. Projects may be funded by a combination of IIJA supplemental funds and base program funds.

IIJA Funding Provisions and Additional Requirements

All provisions promulgated through statute, guidance, or regulations issued by EPA for the implementation of the CWSRF program will remain in effect (e.g. American Iron and Steel and Davis-Bacon related prevailing wage requirements) unless they are inconsistent with the IIJA, capitalization grant conditions, or the requirements contained in the [EPA IIJA SRF Implementation Memo](#) dated March 8, 2022.

The EPA IIJA SRF Implementation Memo includes the following provisions summarized below:

1. Build America, Buy America Act: IIJA creates the Build America, Buy America (BABA) Act domestic sourcing requirements for Federal financial assistance programs for infrastructure, including the SRF programs. For more specific information on BABA implementation, please refer to the Office of Management and Budget's Build America, Buy America Act Implementation Guidance. EPA issued a separate memorandum for BABA after the United States Office of Management and Budget (OMB) publishes its guidance. The American Iron and Steel provisions of both the CWSRF and DWSRF continue to apply.

BABA applies to both the existing CWSRF program equivalency projects and IIJA equivalency funded projects. IIJA equivalency funded projects will be required to comply with BABA requirements, unless exempted by an approved national or project specific waiver. The OMB guidance and EPA memorandums mentioned above will determine the specific requirements for implementing and meeting the BABA requirement.

2. Reporting: States must use EPA's SRF Data System to report key IIJA project characteristics and milestone information no less than quarterly. Additional reporting will be required through the terms and conditions of the grant award. The Federal Funding Accountability and

Transparency Act (FFATA) of 2010 requires SRF programs to report on recipients that received federal dollars in the FFATA Subaward Reporting System (www.fsr.gov).

3. Blending Funds and Cash Draws: States have the flexibility to craft single assistance agreements (e.g., loans) that contain multiple types of construction components and activities. These assistance agreements may commit funds from multiple IJA capitalization grants and base program funds. Upon disbursement of funds, these assistance agreements may draw from both IJA and base SRF capitalization grants for eligible project components.

4. Green Project Reserve: If provided for in the annual appropriation, the green project reserve is applicable to the IJA capitalization grants for the corresponding fiscal year.

5. Inter-SRF Transfers: Per SRF statute and regulation, states have the flexibility to transfer funds between the CWSRF and DWSRF. Given IJA's requirements, authorities, and narrower SRF eligibilities, states may only transfer funds between the specific IJA appropriations in the equivalent CWSRF or DWSRF program. In other words, transfer of funds may occur between the CWSRF and DWSRF General IJA capitalization grants and between the CWSRF and DWSRF IJA Emerging Contaminants capitalization grants. Because there is no similar CWSRF appropriation to the DWSRF IJA LSLR appropriation, no funds may be transferred from or to the DWSRF IJA LSLR appropriation. States may not transfer IJA appropriations to or from base appropriations.

6. Federal Civil Rights Responsibilities, Including Title VI of the Civil Rights Act of 1964 is reviewed by the state to ensure requirements are met and applies to DWSRF and CWSRF programs for both base and IJA funding.

Public Review and Comment

On November 6, 2025, a public hearing was held seeking comments on the IJA addendum to the CWSRF 2026 Intended Use Plan. The notice was published at least 20 days prior in four newspapers of general circulation in different parts of the state. The department maintains a public notice page on its website <https://danr.sd.gov/public/default.aspx>, and interested parties are able to submit comments through the website. The 2026 IUP and IJA addendum were made available during the public notice period for review and comment. The department sends out weekly updates to a list of interested parties who have subscribed for updates to the website. Upon posting the public notice on the department's website, the 2026 IUP and IJA addendum were e-mailed to a list of interested parties that regularly receive notice of Board of Water and Natural Resources activities. As part of the required board meeting notice, the addendum was also available on the Boards and Commissions portal website <https://boardsandcommissions.sd.gov/Meetings.aspx?BoardID=108>.