

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

INTRODUCTION

The Safe Drinking Water Act Amendments of 1996 and South Dakota Codified Law [46A-1-60.1 to 46A-1-60.3](#), inclusive, authorize the South Dakota Drinking Water State Revolving Fund (SRF) program. Program rules are established in Administrative Rules of South Dakota chapter [74:05:11](#).

The state of South Dakota proposes to adopt the following Intended Use Plan (IUP) for the federal fiscal year (FFY) 2026 as required under Section 1452(b) of the Safe Drinking Water Act and [ARSD 74:05:11:03](#). The IUP describes how the state intends to use the Drinking Water SRF to meet the objectives of the Safe Drinking Water Act and further the goal of protecting public health.

On November 6, 2025, a public hearing was held seeking comments on the Drinking 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 was 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 IUP was also available on the Boards and Commissions portal website <https://boardsandcommissions.sd.gov/Meetings.aspx?BoardID=108>. The IUP reflects the results of this review.

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

The IUP includes the following:

- Priority list of projects;
- Short- and long-term goals;
- Criteria and method of fund distribution;
- Funds transferred between the Drinking Water SRF and the Clean Water SRF;
- Financial status;
- Description and amount of non-Drinking Water SRF (set-aside) activities;
- Disadvantaged community subsidies; and
- Infrastructure Investment and Jobs Act (IIJA) Addendum for specific IIJA fund uses and activities.

PRIORITY LIST OF 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 Drinking Water SRF loans as a funding source.

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

Priority ratings are based on the project priority system established in [ARSD 74:05:11:06](#). The general objective of the priority system is to assure projects that address compliance or health concerns, meet certain affordability criteria, or regionalize facilities receive priority for funding.

GOALS, OBJECTIVES, AND ENVIRONMENTAL RESULTS

The long-term goals of the Drinking Water SRF are to fully capitalize the fund, ensure that the state's drinking water supplies remain safe and affordable, ensure that systems are operated and maintained, and promote economic well-being.

The specific long-term objectives of the program are:

1. To maintain a permanent, self-sustaining SRF program that will serve in perpetuity as a financing source for drinking water projects and source water quality protection measures. This will necessitate that the amount of capitalization grant funds for non-Drinking Water SRF activities are reviewed annually to assure adequate cash flow to maintain the fund.
2. To fulfill the requirements of pertinent federal, state, and local laws and regulations governing safe drinking water activities, while providing the state and local project sponsors with maximum flexibility and decision making authority regarding such activities.

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

The specific short-term objectives of the program are:

1. To assist systems in replacing aging infrastructure.
2. To assist systems in maintaining and upgrading its water treatment capabilities to ensure compliance with the Safe Drinking Water Act.
3. To promote regionalization and consolidations of water systems, where mutually beneficial, as a practical means of addressing financial, managerial, and technical capacity.
4. To ensure the technical integrity of Drinking Water SRF projects through the review of planning, design plans and specifications, and construction activities.
5. To ensure the financial integrity of the Drinking Water SRF program through the review of the financial impacts of the set-asides and disadvantaged subsidies and individual loan applications and the ability for repayment.

6. To obtain maximum capitalization of the funds for the state in the shortest time possible while taking advantage of the provisions for disadvantaged communities and supporting the non-Drinking Water SRF activities.

Environmental Results

States are required to establish program activity measures (outcomes) in its Intended Use Plan to receive the federal capitalization grant. Progress related to the measures is to be reported in the following annual report.

For FFY 2026, the specific measures are:

1. In FFY 2025, the fund utilization rate, as measured by the percentage of executed loans to funds available, was 125 percent, which exceeded the target goal of 100 percent. Based on South Dakota utilizing the cashflow model for allocation of funds, the fund utilization rate is anticipated to remain above 100 percent in future years.
2. In FFY 2025, the rate at which projects progressed as measured by disbursements as a percent of assistance provided was 67.1 percent, which was below the goal of 75 percent. This was due to a large number of loans being executed which included significant amounts of American Rescue Plan Act grants in the funding package. Those grant funds are primarily drawn before the SRF loan funds for the project. For FFY 2026, the goal is to increase the construction pace to 75 percent.
3. For FFY 2026, the goal of the Drinking Water SRF program is to fund 24 loans, totaling more than \$106.3 million.
4. For FFY 2026, it is estimated that 94 projects will initiate operations.
5. For FFY 2026, it is estimated that 10 Small Community Planning Grants will be awarded to small systems to evaluate the system's infrastructure needs.
6. For FFY 2026, it is estimated that the South Dakota Association of Rural Water Systems will provide 1,400 hours of technical assistance to small systems.

To ensure measures are accurate and up-to-date, project data will be entered into the EPA SRF Data System on a quarterly basis.

CRITERIA AND METHOD OF FUND DISTRIBUTION

Projects will be funded based on their assigned priority as set forth on the Project Priority list. Projects with the highest ranking that have submitted a complete State Revolving Fund loan application and demonstrated adequate financial, managerial, and technical capacity to receive the loan shall be funded before any lower ranked projects. Projects on the priority list may be bypassed if they have not demonstrated readiness to proceed by submitting a loan application. "Readiness to Proceed" is defined by EPA as the applicant being prepared to begin construction and is immediately ready, or poised to be ready, to enter into assistance agreements. The next highest priority project

that has submitted an application will be funded. The state shall exert reasonable effort to assure that the higher priority projects on the priority list are funded.

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. Information regarding disadvantaged eligibility and subsidy level criteria can be found in the disadvantaged community subsidies section. The interest 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 and for loans for lead service line replacement activities. 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. For lead service line replacement projects from the BIL lead service line replacement funds all eligible projects and borrowers will receive a 0 percent total interest rate for all loan terms.

Table 1 – Drinking 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>Public Entity 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>Nonprofit Corporation Rate</u>				
Interest Rate		4.25%	4.50%	4.75%
Admin. Surcharge		0.25%	0.25%	0.25%
Total		4.50%	4.75%	5.00%
<u>Public Entity Disadvantaged Rate – 80% to 100% of MHI</u>				
Interest Rate				3.50%
Admin. Surcharge				0.25%
Total				3.75%
<u>Public Entity Disadvantaged Rate – 60% to 80% of MHI</u>				
Interest Rate		2.50%		3.25%
Admin. Surcharge		0.25%		0.25%
Total		2.75%		3.50%
<u>Public Entity Disadvantaged Rate – Less than 60% of MHI</u>				
Interest Rate		2.50%		3.25%
Admin. Surcharge		0.00%		0.00%
Total		2.50%		3.25%
<u>BIL Lead Service Line Replacement Loans</u>				
Interest Rate		0.00%	0.00%	0.00%
Admin Rate		0.00%	0.00%	0.00%
Total		0.00%	0.00%	0.00%
<u>Rate Reduction for Build America, Buy America Projects</u>				
For projects subject to Build America, Buy America Act requirements through the Drinking 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 FEES

The interest rate includes an administrative surcharge as identified in Table 1. The primary purpose of the surcharge is 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 the Department of Agriculture and Natural Resources.

As of September 30, 2025, nearly \$1.73 million of administrative surcharge funds are available. It is estimated that during FFY 2026 and additional \$1.5 million of administrative surcharge funds will be received.

Beginning in FFY 2005, administrative surcharge funds were provided to the planning districts to defray expenses resulting from 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.

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

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, \$75,000 of administrative surcharge funds will be allocated for operator certification training.

In FFY 2026, \$2,700,000 of administrative surcharge funds will be allocated to provide a portion of the necessary state match for the FFY 2026 capitalization grants.

SMALL SYSTEM FUNDING

A requirement of the program is that a minimum of 15 percent of all dollars credited to the fund be used to provide loan assistance to small systems that serve fewer than 10,000 persons. Since the inception of the program, loans totaling more than \$626.7 million have been made to systems meeting this population threshold, or 44.2 percent of the \$1.419 billion of total funds available for loan. Attachment II – List of Projects to be funded in FFY 2026 identifies more than \$106.3 million in projects, of which more than \$51.2 million is for systems serving less than 10,000; therefore, the state expects to continue to exceed the 15 percent threshold.

Water systems must demonstrate the technical, managerial, and financial capability to operate a water utility before it can receive a loan.

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

AMOUNT OF FUNDS TRANSFERRED BETWEEN THE DRINKING WATER SRF AND THE CLEAN 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 transferred \$15,574,320 from the Clean Water SRF to the Drinking Water SRF program in past years. In FFY 2006 and 2011, \$7.5 million of 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 anticipated FFY 2026 capitalization grant, the ability exists to transfer more than \$71.2 million from the Clean Water SRF program to the Drinking Water SRF program. More than \$69.2 million could be transferred from the Drinking Water SRF Program to the Clean Water SRF program. Table 2 (pages 13 and 14) itemizes the amount of funds transferred between the programs and the amount of funds available to be transferred.

No base program transfers are currently proposed for FFY 2026, this will be evaluated further during the year.

FINANCIAL STATUS

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 estimated FFY 2026 capitalization grant is \$8,500,000 which requires \$1,700,000 in state match. Bond proceeds or 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. As of September 30, 2025, \$377.1 million in leveraged bonds have been issued for the Drinking Water SRF program. It is anticipated that up to \$100 million of additional 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 \$6,000,000 excess 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.

As of September 30, 2025, 553 loans totaling \$1,414,657,878 have been made.

South Dakota has switched from a cash-on-hand financing model to a cashflow model. This model allows funding to be awarded based on the anticipation of future repayments and leveraged bonds being issued. With the anticipated FFY 2026 capitalization grant, state match, leveraged bonds, excess interest earnings, and repayments, nearly \$144.9 million in new funds for projects will be available. This information is provided in Attachment III, Drinking Water SRF Funding Status.

Funds will be allocated to the set-aside activities in the amounts outlined on pages 9 and 10. All remaining funds will be used to fund projects on the project priority list. A more detailed description of the activities can be found in the section pertaining to set-asides and the attachments.

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.

The Safe Drinking Water Act included three provisions that call for a withholding of Drinking Water SRF grant funds where states fail to implement three necessary programmatic requirements. These provisions were assuring the technical, financial and managerial capacity of new water systems, developing a strategy to address the capacity of existing systems, and developing an operator certification program that complies with EPA guidelines. The State of South Dakota continues to meet the requirements of these provisions and will not be subject to withholding of funds.

Additional Subsidy – Principal Forgiveness

The 2010 and 2011 Drinking Water SRF appropriations mandated that not less than 30 percent of the funds made available for Drinking Water SRF capitalization grants shall be used by the state to provide additional subsidy to eligible recipients. The 2012 through 2015 capitalization grants mandated additional subsidy be provided in an amount not less than 20 percent, but not more than 30 percent, of the capitalization grants. The 2016 through 2019 capitalization grant mandated additional subsidy of exactly 20 percent of the total grant be provided to recipients. The FFY 2020 through 2025 capitalization grants included the ability to award principal forgiveness for any borrower of exactly 14 percent of the total grant award. 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 to qualify for principal forgiveness. Other applicants must have a minimum rate of \$70 per month based on 7,000 gallons usage to qualify for principal forgiveness.

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 15 summarizes the amounts of principal forgiveness provided to date. It is anticipated the FFY 2026 capitalization grant included the ability to award principal forgiveness for any borrower equal to 14 percent of the total grant award. Additional principal forgiveness can also

be provided to disadvantaged communities. Further discussion can be found in the Disadvantaged Community Subsidy section beginning on page 11.

Attachment II – List of Projects to be Funded in FFY 2026 identifies \$2,066,150 in principal forgiveness for communities not eligible for the additional disadvantaged community principal forgiveness.

DESCRIPTION AND AMOUNT OF NON-PROJECT ACTIVITIES (SET-ASIDES)

The Safe Drinking Water Act authorizes states to provide funding for certain non-project activities provided that the amount of that funding does not exceed certain ceilings. Unused funds in the non-Drinking Water SRF will be banked for future use, where allowable, or transferred to the project loan account at the discretion of the state and with concurrence from the EPA Regional Administrator.

The following sections identify what portions of the capitalization grant will be used for non-Drinking Water SRF activities and describe how the funds will be used.

Administration. The Water Infrastructure Improvements for the Nation (WIIN) Act of 2017 provides three options to states to calculate the administrative set-aside available from each year's capitalization grant. States may use the greatest of 1) \$400,000 per year, 2) 1/5 of a percent of the current valuation of the Drinking Water SRF fund based on the most recent previous year's audited financial statements, or 3) an amount equal to four percent of the annual capitalization grant allotment. The Infrastructure Investment and Jobs Act (IIJA) also provides these same options for determining the administrative set-aside.

Four percent of the anticipated FFY 2026 base capitalization grant is \$340,000, four percent of the anticipated FFY 2026 IIJA Supplemental capitalization grant is up to \$995,920, and 1/5 of a percent of the current fund valuation of \$280,897,879 results in \$561,795 available for administrative fees. **No administrative set-aside will be allocated from the base capitalization grant, and IIJA Supplemental grant funds will be utilized in the amount of \$600,000.**

Specific activities to be funded are: staff salary, benefits, travel, and overhead; retaining of bond counsel, bond underwriter, financial advisor, and trustee; and other costs to administer the program.

Unused administrative funds will be banked to assure a source of funds not dependent on state general funds.

Small system technical assistance. **Two percent of the estimated capitalization grant is \$170,000; whereas, two percent of the estimated IIJA Supplemental capitalization grant is up to \$497,960. No funds will be allocated from the base program capitalization grant from this set-aside. South Dakota intends to allocate \$175,000, from the IIJA general supplemental set-aside allotment to fund these activities.**

The objective of this set-aside is to bring non-complying systems into compliance and improve operations of water systems. States may use up to two percent of its allotment to assist in funding these activities.

Since fiscal year 1997, the board has contracted with the South Dakota Association of Rural Water Systems to help communities evaluate the technical, managerial, and financial capability of its water

utilities. These contracts have been renewed periodically to allow the continuation of assistance activities. The South Dakota Rural Water Association provides such on-site assistance as leak detection, consumer confidence reports, water audits, board oversight and review, treatment plant operations, operator certification, and rate analysis.

To promote proactive planning within small communities, the Small Community Planning Grant program was initiated in fiscal year 2001. Communities are reimbursed 80 percent of the cost of an engineering study, with the maximum grant amount for any study being \$8,000.

\$175,000 funds from the IIJA supplemental funding set-aside are proposed to be allocated for these activities in 2026. Unused funds from previous years' set-aside for small system technical assistance are banked for use in future years. As of September 30, 2025, \$233,275 remains from previous years' base program and IIJA supplemental allocations to be used for the purposes described above.

State program management. No funds will be allocated from the base program State Program Management set-aside for the administration of the state's Public Water System Supervision (PWSS) program in FFY 2026. Set-aside funds of \$300,000 from the IIJA Supplemental grant funds will be utilized.

The state may use up to 10 percent of its allotment to (1) administer the state PWSS program; (2) administer or provide technical assistance through water protection programs, including the Class V portion of the Underground Injection Control program; (3) develop and implement a capacity development strategy; and (4) develop and implement an operator certification program. The WIIN Act of 2017 removed the requirements for an additional dollar-for-dollar match of capitalization funds for these activities.

The Performance Partnership Grant for South Dakota's PWSS program does not provide sufficient funds to complete all tasks and activities identified in the workplan. A total of \$300,000 from the IIJA Supplemental grant will be set-aside for these activities in FFY 2026. Additional PWSS fees will be used to fully fund all activities identified in the workplan.

Local assistance and other state programs. No funds will be allocated from the base program Local Assistance set-aside capitalization grant. South Dakota intends to allocate \$100,000, from the IIJA general supplemental set-aside allotment to fund these activities.

The state can fund other activities to assist development and implementation of local drinking water protection activities. Up to 15 percent of the capitalization grant may be used for the activities specified below, but not more than 10 percent can be used for any one activity. The allowable activities for this set-aside are: (1) assistance to a public water system to acquire land or a conservation easement for source water protection; (2) assistance to a community water system to implement voluntary, incentive-based source water quality protection measures; (3) to provide funding to delineate and assess source water protection areas; (4) to support the establishment and implementation of a wellhead protection program; and (5) to provide funding to a community water system to implement a project under the capacity development strategy.

Since 2008, Midwest Assistance Program (MAP) has been assisting communities that received an SRF loan and recommendations were made in the capacity assessment to improve the technical, financial, or managerial capacity of the system. In addition, MAP has assisted in the review of capacity assessments required as part of the Drinking Water SRF loan applications.

\$100,000 funds from the IJIA supplemental funding set-aside are proposed to be allocated for these activities in 2026. There remains \$147,164 from prior years' allocations for these activities.

DISADVANTAGED COMMUNITY SUBSIDIES

Communities that meet the disadvantaged eligibility criteria described below and in [ARSD 74:05:11.01\(8\)](#) may receive additional subsidies. This includes communities that will meet the disadvantaged criteria as a result of the project.

Definition. To be eligible for loan subsidies a community must meet the following criteria:

1. for municipalities and sanitary districts:
 - a. the median household income is below the state-wide median household income; and
 - b. the monthly residential water bill is \$45 or more for 5,000 gallons usage; or
2. for other community water systems:
 - a. the median household income is below the state-wide median household income; and
 - b. the monthly water bill for rural households is \$70 or more for 7,000 gallons usage.

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.

Affordability criteria used to determine subsidy amount. Public entity disadvantaged communities below 80 percent of the statewide median household income, but at or greater than 60 percent may receive up to a one percentage point reduction in interest rates. Public entity disadvantaged communities with a median household income less than 60 percent of the statewide median household income may receive zero percent loans, if interest rates are approved to that level. See Table 1 for the disadvantaged interest rates for FFY 2026.

Amount of capitalization grant to be made available for providing additional subsidies to disadvantaged communities. Disadvantaged communities are eligible for additional subsidy in the form of principal forgiveness. South Dakota utilized the option to provide additional subsidy in the form of principal forgiveness to disadvantaged communities in federal fiscal years 2016 through 2018, in an amount equal to 30 percent of the annual capitalization grant.

The American Water Infrastructure Act (AWIA) of 2018 added new requirements to provide additional subsidy to disadvantaged communities. The FFY 2019 through 2021 capitalization grants mandated states must provide a minimum of 6 percent and may provide up to 35 percent of the capitalization grant amount as additional subsidy to disadvantaged communities.

The 2021 IJIA amendments increased the minimum to 12 percent and maximum of 35 percent of the capitalization grant amount must be provided as additional subsidy to disadvantaged communities. This applies to 2022 and subsequent base program capitalization grants unless amended by Congress.

Table 3 on page 15 summarizes the amounts of disadvantaged principal forgiveness provided to date.

Attachment II – List of Projects to be Funded in FFY 2026 identifies \$23.7 million in principal forgiveness.

Identification of systems to receive subsidies and the amount. Systems that are eligible to receive disadvantaged community rates and terms are identified in Attachment I and Attachment II.

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

Base Program 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
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	\$16,745,025
2003	\$8,004,100	\$2,641,353	\$19,386,378	\$7,761,360		CW Cap Grant/Match	\$3,812,058	\$19,386,378
2004	\$8,303,100	\$2,740,023	\$22,126,401				\$6,552,081	\$22,126,401
2005	\$8,285,500	\$2,734,215	\$24,860,616				\$9,286,296	\$24,860,616
2006	\$8,229,300	\$2,715,669	\$27,576,285		\$7,500,000	Leveraged Bonds	\$12,001,965	\$20,076,285
2007 - 2010	\$38,094,000	\$12,571,020	\$40,147,305				\$24,572,985	\$32,647,305
2011 2012	\$9,418,000	\$3,107,940	\$43,255,245		\$10,000,000	Repayments	\$27,680,925	\$25,755,245
- 2023	\$107,848,000	\$35,589,840	\$78,845,085				\$63,270,765	\$61,345,085
2024	\$4,661,000	\$1,538,130	\$80,383,215				\$64,808,895	\$62,883,215
2025	\$10,906,000	\$3,598,980	\$83,982,195				\$68,407,875	\$66,482,195
2026 Est	\$8,500,000	\$2,805,000	\$86,787,195				\$71,212,875	\$69,287,195

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	\$24,900,000	\$8,217,000	\$28,687,560				\$28,687,560	\$28,687,560
2026 Est	\$24,898,000	\$8,216,340	\$36,903,240				\$36,903,240	\$36,903,240

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	\$2,493,150
2023	\$7,640,000	\$2,521,200	\$5,014,350	\$1,043,000		CWSRF EC Grant	\$3,512,350	\$5,014,350
2024	\$7,640,000	\$2,521,200	\$7,535,550	\$1,043,000		CWSRF EC Grant	\$4,990,550	\$7,535,550
2025	\$7,640,000	\$2,521,200	\$10,056,750				\$7,511,750	\$10,056,750
2026 Est	\$7,640,000	\$2,521,200	\$12,577,950				\$10,032,950	\$12,577,950

Table 3 – Principal Forgiveness Allowed and Awarded

	Principal Forgiveness for all Borrowers			Disadvantaged-only Principal Forgiveness ^a		
Year	Minimum	Maximum	Awarded from FY Grant	Minimum	Maximum	Awarded from FY Grant
2010	\$4,071,900	\$13,573,000	\$13,573,000			
2011	\$2,825,400	\$9,418,000	\$9,418,000			
2012	\$1,795,000	\$2,692,500	\$2,692,500			
2013	\$1,684,200	\$2,526,300	\$2,526,300			
2014	\$1,769,000	\$2,653,500	\$2,653,500			
2015	\$1,757,400	\$2,636,100	\$2,636,100			
2016	\$1,662,400	\$1,662,400	\$1,662,400	\$0	\$2,493,600	\$2,493,600
2017	\$1,648,200	\$1,648,200	\$1,648,200	\$0	\$2,472,300	\$2,471,688
2018	\$2,221,400	\$2,221,400	\$2,221,400	\$0	\$3,332,100	\$3,282,690
2019	\$2,220,600	\$2,220,600	\$2,220,600	\$666,180	\$3,886,050	\$3,886,050
2020	\$1,541,540	\$1,541,540	\$1,541,540	\$660,660	\$3,853,850	\$3,693,850
2021	\$1,554,000	\$1,554,000	\$1,554,000	\$666,000	\$3,885,000	\$3,867,106
2022	\$981,120	\$981,120	\$981,120	\$840,960	\$2,452,800	\$2,205,350
2023	\$691,320	\$691,320	\$691,320	\$592,560	\$1,728,300	\$592,560
2024	\$652,540	\$652,540	\$652,540	\$559,320	\$1,631,350	\$559,320
2025	\$1,526,840	\$1,526,840	\$647,460	\$1,308,720	\$3,817,700	\$1,308,720
2026 Est	\$1,190,000	\$1,190,000	\$0	\$1,020,000	\$2,975,000	\$0
Totals	\$29,792,860	\$49,389,360	\$47,319,980	\$6,314,400	\$32,527,450	\$24,360,934

	IIJA General Supplemental Principal Forgiveness ^a		IIJA Lead Service Line Replacement Principal Forgiveness ^a		IIJA Emerging Contaminants Principal Forgiveness ^b	
Year	Required Amount	Awarded from FY Grant	Required Amount	Awarded from FY Grant	Required Amount	Awarded from FY Grant
2022	\$8,816,080	\$8,816,080	\$490,000 ^d	\$490,000	\$8,014,000 ^c	\$8,014,000
2023	\$10,316,950	\$10,316,950	\$0 ^d	\$0	\$8,683,000 ^c	\$8,683,000
2024	\$11,262,650	\$11,262,650	\$0 ^d	\$0	\$8,683,000 ^c	\$7,640,000
2025	\$12,200,020	\$1,350,356	\$14,038,500	\$0	\$7,640,000	\$6,588,000
2026 Est	\$12,200,020	\$0	\$14,038,500	\$0	\$7,640,000	\$0
Totals	\$54,795,720	\$31,746,036	\$28,567,000	\$490,000	\$39,608,000	\$30,925,000

^a Principal Forgiveness will only be provided to eligible entities that meet the Disadvantaged Community definition in ARSD 74:05:11:01(8) and described on page 11 of the IUP.

^b At least 25% of these funds must be provided to entities that qualify as a Disadvantaged Community or systems with service populations less than 25,000.

^c Combined total of DWSRF Emerging Contaminant allocation and CWSRF Emerging Contaminant allocation which was transferred to the DWSRF for eligible emerging contaminants projects.

^d Due to lack of project interest, South Dakota was not able to apply for these grants beyond amounts indicated and no funds will be utilized.

ATTACHMENT I

PROJECT PRIORITY LIST

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

Priority Points	Community/ Public Water System	Project Number	Project Description	Est. Loan Amount	Expected Loan Rate & Term	Pop. Served	Dis-advan- tagged
221	Brookings-Deuel Rural Water System	C462453-05	Problem: the town of Ward's existing water source has experienced Manganese contamination above the Health Action Level, and the town does not currently treat for removal of Iron or Manganese. Manganese has been classified as an emerging contaminant and recommended for removal. Portions of the Brookings-Deuel RWS distribution system lack capacity to meet user demands and need to be moved related to a DOT highway realignment project. Project: Ward has determined that regionalization with connection to Brookings-Deuel RWS for bulk water supply to serve the community's water needs. The project includes installation of approximately 8.5 miles of new line to connect with existing distribution main having the needed capacity to serve the town. An additional 20.5 miles of existing distribution system line will be replaced or paralleled to allow increased capacity and pressure to meet existing user demands.	\$6,000,000	5.00%, 30 years	8,500	Yes

Priority Points	Community/ Public Water System	Project Number	Project Description	Est. Loan Amount	Expected Loan Rate & Term	Pop. Served	Dis-advan- taged
160	Sioux Falls	C462232-13	Problem: The city of Sioux Falls has previously identified PFAS impacted wells near the Sioux Falls Regional Airport. These wells have been taken out of service to remove the source of contamination in drinking water. However, with these wells out of service, Sioux Falls has less source water capacity available to meet user demand. Project: Sioux Falls has identified a project to make a third connection to the Lewis & Clark Regional Water System (L&C) to provide for the replacement of portions of the source water capacity from those wells that were removed from service.	\$7,648,000	3.75%, 30 years	192,533	Yes
153	Carriage Hills Water Association	C462508-01	Problem: the existing water system is beyond its useful life and continued operation of the water system is not cost effective. Project: replace the existing distribution system to meet city of Rapid City standards and at completion of the project users will become individual users of Rapid City.	\$7,600,000	5.00%, 30 years	267	Yes
140	WEB Water Development Association	C462426-05	Problem: the existing distribution system for unincorporated users of Wecota is undersized and beyond its useful life and water meters are beyond their useful life. Project: replace approximately 2,100 feet of water main with PVC pipe, install new water meters and meter pits.	\$363,000	5.00%, 30 years	35,000	
138	Randall Community Water District	C462436-07	Problem: the city of Mitchell lacks necessary source water to meet peak demands and provide for new customers. Project: installation of 32.5 miles of 20-inch watermain and related appurtenances to allow the system to provide service to Mitchell as a second source of water for the city. This project has received previous DWSRF funding.	\$5,000,000	3.75%, 30 years	16,716	Yes
130	Salem	C462057-08	Problem: the existing water treatment system equipment is beyond its useful life and in need of replacement. Project: installation of a new water treatment filtration skid, improvements on the raw water transmission main to prevent membrane fouling, and necessary appurtenances.	\$6,270,000	3.75%, 30 years	1,325	Yes

Priority Points	Community/ Public Water System	Project Number	Project Description	Est. Loan Amount	Expected Loan Rate & Term	Pop. Served	Dis-advan- tagged
123	Bryant	C462121-04	Problem: a portion of the existing distribution system pipe is cast iron pipe and beyond its useful life, there are several dead-end lines in the system, and there are believed to be some existing lead service line connection. Project: install 2,250 feet of new PVC watermain in various locations within the community and if lead service line are found replace those to be in compliance.	\$2,643,000	3.50%, 30 years	471	Yes
114	Canistota	C462226-05	Problem: a portion of the existing distribution system pipe is cast iron pipe and beyond its useful life, there are several dead-end lines in the system, and the existing water storage tank lacks capacity to meet average day demand. Project: install 7,500 feet of new PVC watermain in various locations within the community and construct a new 50,000-gallon elevated water storage tank.	\$7,184,190	3.75%, 30 years	631	Yes
107	Mission Hill	C462364-02	Problem: a portion of the existing distribution system pipe is beyond its useful life, there are several dead-end lines in the system, and the system lacks storage capacity to meet average day demand. Project: install 1,500 feet of new PVC watermain in various locations within the community and construct a new 65,000-gallon elevated water storage tank.	\$1,925,000	3.75%, 30 years	190	Yes
98	Mitchell	C462129-09	Problem: portions of the existing distribution system pipe is cast iron, sand-cast, or asbestos cement pipe and beyond its useful life, several areas of the system are served by dead-end lines, other distribution pipe is undersized to provide needed capacity. Project: replace 43.4 miles of existing watermain with new PVC watermain and install 13,000 feet of new watermain to loop the system in areas throughout the community.	\$57,000,000	3.50%, 30 years	15,660	Yes
97	Buffalo Gap	C462317-03	Problem: a portion of the existing distribution system pipe is cast iron pipe and beyond its useful life, other distribution pipe is undersized to provide needed capacity. Project: install 2,750 feet of new PVC watermain throughout the community.	\$1,314,000	3.25%, 30 years	131	Yes

Priority Points	Community/ Public Water System	Project Number	Project Description	Est. Loan Amount	Expected Loan Rate & Term	Pop. Served	Dis-advan-taged
95	Clear Lake	C462037-03	Problem: a portion of the existing distribution system pipe is cast iron or asbestos cement pipe and beyond its useful life and other distribution pipe is undersized to provide needed capacity. Project: install 4,500 feet of new PVC watermain throughout the community.	\$2,696,900	4.00%, 30 years	1,218	
95	Salem	C462057-09	Problem: some of the existing wells are beyond their useful life and positioned too close causing limitations on capacity. Project: install up to two additional wells located appropriately to meet system needs.	\$2,100,000	3.75%, 30 years	1,325	Yes
94	Viborg	C462240-04	Problem: a portion of the existing distribution system pipe is cast iron pipe which is beyond its useful life and there are several dead-end lines in the system. Project: install 3,700 feet of new PVC watermain in various locations within the community.	\$2,707,000	3.50%, 30 years	814	Yes
93	Kingbrook Rural Water System	C462432-12	Problem: a portion of the distribution system lacks sufficient capacity to meet user demand. Project: Install 9 miles of 16-inch transmission main in the pipeline segment between the Bruce water treatment plant and Badger pump station.	\$12,750,000	5.00%, 30 years	15,928	
90	Salem	C462057-10	Problem: the existing water meters are beyond their useful life. Project: install new water meters with remote read capability.	\$860,000	3.50%, 10 year	1,325	Yes
85	Gregory	C462126-04	Problem: a portion of the existing distribution system pipe is cast iron pipe and beyond its useful life. Project: install 6,300 feet of new PVC watermain throughout the community.	\$1,948,991	3.50%, 30 years	1,221	Yes (Pending rate increase)
85	Rapid City	C462014-06	Problem: two of the city's existing wells are in need of improvements to continue proper functioning, the city lacks adequate supply for user demand in portions of the system and needs additional source water capacity. Project: rehabilitation and upgrades to existing wells #4 and #13 to include construction of new well houses and installation of a new well #14 to meet needed capacity.	\$14,152,000	3.75%, 30 years	74,703	Yes

Priority Points	Community/ Public Water System	Project Number	Project Description	Est. Loan Amount	Expected Loan Rate & Term	Pop. Served	Dis-advan- taged
85	Springfield	C462071-03	Problem: a portion of the existing distribution system pipe is cast iron pipe which is beyond its useful life and undersized to meet user demand. Project: install 3,800 feet of new PVC watermain throughout the community.	\$2,250,000	3.50%, 30 years	1,914	Yes
82	Hecla	C462276-01	Problem: a portion of the existing distribution system pipe is cast iron pipe and beyond its useful life. Project: install 100 feet of new PVC watermain.	\$135,728	3.50%, 30 years	193	Yes
79	Faulkton	C462217-03	Problem: the existing booster station is beyond its useful life and lacks capacity to provide needed service. Project: construct a new booster station facility.	\$668,000	3.50%, 20 years	826	Yes (Pending rate increase)
77	Toronto	C462080-01	Problem: existing water lines need to be moved and realigned due to a DOT project to adjust the alignment of Highway 28 which is also Main Street. Project: approximately 2,600 feet of water main, hydrants and valves to be relocated and installed.	\$700,000	3.50%, 30 years	196	Yes
74	Hill City	C462231-03	Problem: the city currently lacks adequate water capacity with existing wells, an unused well has Arsenic levels above the MCL, areas of the distribution system lack necessary pressure, the distribution system is segregated into separate pressure zones without the ability to move water between zones, several areas of the system are served by dead-end lines or watermains that are beyond their useful life. Project: install treatment and pumping equipment to allow use of an unused well, install a new booster station and ground storage reservoir in the high-pressure zone, replace pressure zone separation valves with new pressure reducing valves to improve system operation, install 9,300 feet of new water main to loop portions of the system, and replace 3,350 feet of existing water main.	\$10,880,000	4.00%, 30 years	872	

Priority Points	Community/ Public Water System	Project Number	Project Description	Est. Loan Amount	Expected Loan Rate & Term	Pop. Served	Dis-advan- tagged
18	B-Y Water District	C462431-03	Problem: B-Y customers currently read and self-report water usage from meters for billing, this is prone to errors and mistakes. It also increases the time for leaks to be found and creates higher water loss. Project: replace fully approximately 30 percent of all meters that are beyond their useful life. The remaining 70 percent will have new remote read capable equipment installed for remote reading and billing purposes.	\$4,000,000	3.50%, 10 years	19,431	
14	Milbank	C462023-03	Problem: the existing wells serving as water sources for the city exceed secondary maximum contaminant levels for iron, manganese, sulphate, and total dissolved solids. These secondary contaminants contribute to poor water aesthetics for residential users and cause issues with industry and health care facilities utilizing the water for business needs. Project: Construct a new 3.0 MGD treatment plant designed to remove iron and manganese to below secondary MCLs and allow for future installation for softening of water.	\$39,000,000	3.75%, 30 years	3,544	Yes (Pending rate increase)
12	Belle Fourche	C462012-03	Problem: the existing Springs raw water transmission line is undersized to meet capacity needs and beyond its useful life. Project: install 25,000 feet of new and increased size HDPE transmission pipe.	\$5,123,000	3.50%, 30 years	5,617	Yes (Pending rate increase)
11	Hot Springs	C462040-02	Problem: a portion of the existing distribution system is experiencing leaks and beyond its useful life, the system lacks pumping capacity to fully utilize existing wells and meet user demands, portions of the distribution system lack pressure to meet demand, and the total system storage is less than necessary to meet peak day demand. Project: replace 7,200 feet of watermain with new PVC, install additional pumps at the Evans pump station, install a booster station and 9,33 feet of new transmission line to connect wells to the distribution system, and install a new 1,300,000-gallon water storage tank.	\$16,350,000	3.50%, 30 years	3,395	Yes (Pending rate increase)

Priority Points	Community/ Public Water System	Project Number	Project Description	Est. Loan Amount	Expected Loan Rate & Term	Pop. Served	Dis-advan-taged
9	Valley Springs	C462239-04	Problem: a portion of the existing distribution system pipe is cast iron pipe and beyond its useful life. Project: install 1,100 feet of new PVC watermain throughout the community.	\$1,261,600	4.00%, 30 years	885	
8	Big Stone City	C462224-03	Problem: the existing distribution system pipe size, condition, and material is unknown. Project: the distribution system will be potholed to assess, size, condition, and material and prioritized for future replacement needs as preliminary engineering.	\$100,000	3.75%, 30 years	412	Yes (Pending rate increase)
8	B-Y Water District	C462431-04	Problem: existing water lines need to be moved and realigned due to a DOT project to adjust the alignment of Highway 18. Project: 7 miles of 24-inch pipe, 7 miles of 10-inch pipe, and nearly 4 miles of smaller 2- to 4-inch pipe, needing to be moved. Work will include associated valves, air releases, and a pump station.	\$13,200,000	4.00%, 30 years	19,431	
5	Crooks	C462227-04	Problem: a portion of the existing distribution system pipe is experiencing leaks and beyond its useful life. Project: install 4,250 feet of new PVC watermain throughout the community.	\$2,090,000	4.00%, 30 years	1,362	

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 ^{3,4,5}
Loans Expected							
160	Sioux Falls	C462232-13	\$7,648,000	\$7,648,000	Jan. 2026	2025 & 2026 IJA EC	3,5
85	Rapid City	C462014-06	\$14,152,000	\$5,660,800	Jan. 2026	Repay/Lev. Bonds	3
77	Toronto	C462080-01	\$770,000	\$308,000	Jan. 2026	Repay/Lev. Bonds	3
221	Brookings-Deuel Rural Water System	C462453-05	\$6,000,000	\$3,700,000	March 2026	2025 & 2026 IJA EC and Base/IJA GS	3,5
140	WEB Water Development Association	C462426-05	\$363,000	\$36,300	March 2026	Repay/Lev. Bonds	
123	Bryant	C462121-04	\$2,643,000	\$1,057,200	March 2026	Repay/Lev. Bonds	3
114	Canistota	C462226-05	\$3,000,000	\$1,200,000	March 2026	Repay/Lev. Bonds	3
107	Mission Hill	C462364-02	\$1,925,000	\$770,000	March 2026	Repay/Lev. Bonds	3
98	Mitchell	C462129-09	\$3,000,000	\$1,200,000	March 2026	2025 & 2026 Base/IJA GS	3
95	Clear Lake	C462037-03	\$2,696,900	\$269,690	March 2026	Repay/Lev. Bonds	
95	Salem	C462057-09	\$2,100,000	\$840,000	March 2026	Repay/Lev. Bonds	3
94	Viborg	C462240-04	\$2,707,000	\$1,082,800	March 2026	Repay/Lev. Bonds	3
93	Kingbrook Rural Water System	C462432-12	\$12,750,000	\$500,000	March 2026	2025 & 2026 Base/IJA GS	
90	Salem	C462057-10	\$860,000	\$344,000	March 2026	Repay/Lev. Bonds	3
85	Gregory	C462126-04	\$1,948,991	\$779,596	March 2026	Repay/Lev. Bonds	3
74	Hill City	C462231-03	\$3,000,000	\$300,000	March 2026	Repay/Lev. Bonds	
18	B-Y Water District	C462431-03	\$4,000,000	\$400,000	March 2026	2025 & 2026 Base/IJA GS	
12	Belle Fourche	C462012-03	\$5,123,000	\$2,049,200	March 2026	2025 & 2026 Base/IJA GS	3
11	Hot Springs	C462040-02	\$5,000,000	\$2,000,000	March 2026	Repay/Lev. Bonds	3
9	Valley Springs	C462239-04	\$1,261,600	\$126,160	March 2026	Repay/Lev. Bonds	
5	Crooks	C462227-04	\$2,090,000	\$209,000	March 2026	Repay/Lev. Bonds	
82	Hecla	C462276-01	\$135,728	\$54,291	June 2026	Repay/Lev. Bonds	3
8	B-Y Water District	C462431-04	\$13,200,000	\$225,000	June 2026	2025 & 2026 Base/IJA GS	
14	Milbank	C462023-03	\$10,000,000	\$4,000,000	Sept. 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 disadvantaged communities, this may be from funds within the base capitalization grant, IJA general supplemental, IJA lead service line replacement, or IJA emerging contaminants grant allotments depending on project eligibility.
4. Projects identified are anticipated to be funded in part utilizing IJA lead service line replacement allotments.
5. Projects identified are anticipated to be funded in part utilizing IJA emerging contaminants allotment.

**ATTACHMENT III
BASE PROGRAM FUNDING STATUS**

Federal Fiscal Years 1997 - 2025

Capitalization Grants	\$254,799,698
IIJA Supplemental Grants	\$86,930,000
State Match (Base and IIJA)	\$64,441,240
ARRA Grant	\$19,500,000
Set-Asides (Base and IIJA)	(\$22,110,902)
Transfer of FY 2002 & 2003 Clean Water Capitalization Grant and State Match	\$15,574,320
Leveraged Bonds	\$377,115,014
Excess Interest as of September 30, 2025	\$73,687,536
Excess Principal as of September 30, 2025	<u>\$129,678,502</u>

Total Funds Dedicated to Loan \$999,615,408

Closed Loans made through September 30, 2025 (\$1,247,157,922)

Available funds as of September 30, 2025 (\$247,542,514)

Federal Fiscal Year 2026 Projections

Base Capitalization Grant	\$8,500,000
IIJA General Supplemental Grant	\$24,898,000
State Match (combined total)	\$6,679,600
Set-Asides (combined total)	(\$1,175,000)
Projected Excess Principal Repayments	\$6,000,000
Projected Unrestricted Interest Earnings	\$0
Leveraged Bonds	<u>\$100,000,000</u>
Projected FFY 2026 Loan Sub-total	\$144,902,600

Funds Available for Loans (\$102,639,914)

Loans Awarded and Unclosed as of September 30, 2025 (\$127,214,956)

Total Funds Available for Loans (\$229,854,870)

Loan Amount Identified on Attachment II - List of Projects to be Funded in FFY 2026 \$97,426,219

Administrative Surcharge Funds Available as of September 30, 2025	
Program Income	\$789,905
Non-Program Income	<u>\$944,062</u>
Total	<u><u>\$1,733,967</u></u>

**IJA EMERGING CONTAMINANTS
PROGRAM FUNDING STATUS**

Federal Fiscal Years 2022-2025

DWSRF IJA Emerging Contaminants Grants	\$29,423,000	
State Match	\$0	
Set-Asides	(\$0)	
Transfer FFY 2022 through 2024 Grants from CWSRF Emerging Contaminants	\$2,545,000	
Total Funds Dedicated to Loan		\$31,968,000
Closed Loans made through September 30, 2025		\$22,265,000
Available funds as of September 30, 2025		\$9,343,000

Federal Fiscal Year 2026 Projections

2026 DWSRF IJA Emerging Contaminants Grant	\$7,640,000	
2025 DWSRF IJA Emerging Contaminants Grant	\$1,052,000	
Transfer of FY 2025 Clean Water Emerging Contaminants Grant	\$1,043,000	
State Match	\$0	
Set-Asides	\$0	
Projected FFY 2026 Loan Sub-total		\$9,735,000
Funds Available for Loans		\$19,078,000
Loans Awarded and Unclosed as of September 30, 2025		(\$8,300,000)
Total Funds Available for Loans		\$10,778,000
Loan Amount Identified on Attachment II - List of Projects to be Funded in FFY 2026		\$8,948,000

**IJA LEAD SERVICE LINE REPLACEMENT
PROGRAM FUNDING STATUS
Federal Fiscal Year 2022 - 2025**

DWSRF IJA Lead Service Line Replacement	\$1,000,000	
Grants		
State Match	\$0	
Set-Asides	(\$0)	
Total Funds Dedicated to Loan		\$1,000,000
Closed Loans made through September 30, 2025		<u>(\$604,426)</u>
Available funds as of September 30, 2025		\$395,574

Federal Fiscal Year 2026 Projections

IJA Lead Service Line Replacement Grant	\$28,650,000	
State Match	\$0	
Set-Asides	<u>(\$0)</u>	
Projected FFY 2026 Loan Sub-total		\$28,650,000
Funds Available for Loans		\$29,045,574
Loans Awarded and Unclosed as of September 30, 2025		\$0
Total Funds Available for Loans		<u><u>\$29,045,574</u></u>
Loan Amount Identified on Attachment II - List of Projects to be Funded in FFY 2026		<u><u>\$0</u></u>

Addendum to the 2026 DWSRF 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 Drinking Water State Revolving Fund (DWSRF) program totals approximately \$61.2 million.

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

The IIJA funding will be issued through the DWSRF in three categories: 1) DWSRF IIJA General Supplemental Funding, 2) DWSRF IIJA Emerging Contaminants Funding, and 3) DWSRF IIJA Lead Service Line Funding. The IUP amendments and the BIL funding categories are described below.

IIJA Funding Categories and Use of Funds

DWSRF IIJA General Supplemental Funding

The IIJA includes a general supplemental funding allotment to South Dakota anticipated to be \$24,898,000 in 2026 for the DWSRF program. The existing DWSRF 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 DWSRF program.
- All eligible projects for this allotment must be listed on the existing Attachment I – 2026 Project Priority List on the IUP.

Requirements

- Application, prioritization, and approval for funding will be the same as the existing DWSRF program.
- State match is 20% of the total amount of the capitalization grant in fiscal year 2026. Bond proceeds and administrative surcharge funds 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 issued as additional subsidization in the form of principal forgiveness. Additional subsidization must be provided to eligible entities that meet the Disadvantaged Community definition in [ARSD 74:05:11.01\(8\)](#) and described on pages 11 and 12 of the base program IUP.

Set-Aside Activities for DWSRF IIJA General Supplemental Funding

Similar to the DWSRF base program, South Dakota may set-aside a portion of the capitalization grant for non-project, or set-aside activities, that are necessary to accomplish the requirements of the Safe Drinking Water Act.

The anticipated 2026 IIJA DWSRF appropriation is \$24,898,000. A description of each set-aside and the funding available from the 2026 IIJA general supplemental capitalization grant for each activity is detailed below.

Administration Set-Aside

2026 IIJA Federal Year One - Requested Amount \$600,000

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

Four percent of the anticipated FFY 2026 base capitalization grant is \$340,000, four percent of the FFY 2026 IIJA Supplemental capitalization grant is \$995,920, and 1/5 of a percent of the current fund valuation of \$280,897,879 results in \$561,795 available for administrative fees. The state is choosing to utilize \$600,000 allowable from the IIJA for administrative purposes.

Use of funds and expected accomplishments

Specific activities to be funded are: staff salary, benefits, travel, and overhead; retaining of bond counsel, bond underwriter, financial advisor, and trustee; and other costs to administer the program.

Small System Training and Technical Assistance (2%)

2026 IIJA Federal Year One - Requested Amount \$175,000

These monies support ongoing training and technical assistance to small systems serving less than 10,000 people to bring non-complying systems into compliance and improve operations of water systems as described on pages 9 and 10 of the DWSRF base program IUP.

State's may utilize up to two percent of the IIJA general supplemental allocation in this set-aside, which is \$497,960. Unobligated funds available from prior year grants as of September 30, 2025, are \$233,275. South Dakota intends to allocate \$175,000, from the IIJA general supplemental set-aside allotment to fund these activities.

Use of funds and expected accomplishments

Funds are used to provide technical assistance, training, and completion of engineering studies for small systems.

State Program Management (10%)

2026 IIJA Federal Year One - Requested Amount \$300,000

Funds under this set-aside are available for use to assist in management of state program management to include administration of the state's Public Water System Supervision (PWSS) program and other state program related activities as described on page 10 of the DWSRF base program IUP.

States may utilize up to ten percent of the IIJA general supplemental allocation in this set-aside, which is \$2,489,800. South Dakota intends to allocate \$300,000, from the IIJA general supplemental set-aside allotment to fund these activities.

Use of funds and expected accomplishments

Funds are used for South Dakota's PWSS program to complete all tasks and activities identified in the Performance Partnership Grant workplan.

Local Assistance and Other State Programs (15%)

2026 IIJA Federal Year One - Requested Amount \$100,000

This set-aside can fund other activities to assist development and implementation of local drinking water protection activities. These activities are described on pages 10 and 11 of the base program IUP.

There remains \$147,164 from prior years' allocations, for these activities. South Dakota intends to take \$100,000 to assist new and existing systems to achieve and maintain technical, managerial, and financial capacity from this set-aside.

Use of funds and expected accomplishments

Midwest Assistance Program (MAP) will continue its efforts with borrowers to improve the technical, financial, or managerial capacity of the systems and assist in the review of capacity assessments required as part of the Drinking Water SRF loan applications.

DWSRF IIJA Emerging Contaminants Funding

The IIJA includes an estimated funding allocation of \$7,640,000 to South Dakota in 2026 to be applied to drinking water emerging contaminant projects, \$1,052,000 from the prior year 2025 allotment remains available to request. The 2025 CWSRF Emerging Contaminant allotment of \$1,043,000 and the anticipated 2026 CWSRF allotment of \$1,043,000 also remain available to request and transfer to the DWSRF Emerging Contaminants funds if needed to fund eligible projects. This totals \$10,778,000 available for DWSRF Emerging Contaminant activities. Depending on which projects submit applications for funding South Dakota may request all or a portion of the available funds for Emerging Contaminants projects.

Eligibility

- Entities and projects eligible for this funding must be eligible under the existing DWSRF program and the primary purpose must be to address emerging contaminants in drinking water.
- All eligible projects for this allotment must be listed on the 2026 IUP Attachment I - Project Priority List. Projects eligible for this source of funds are identified on Attachment II – List of Projects to be Funded in 2026.
- Eligible emerging contaminants include perfluoroalkyl and polyfluoroalkyl substances (PFAS) and contaminants on EPA's [Contaminant Candidate Lists](#). Additional eligibility details and requirements for this category are defined in the [EPA IIJA SRF Implementation Memo](#) dated March 8, 2022.

Requirements

- Application, prioritization, and approval for funding will be the same as the existing DWSRF program.
- State match is not required.
- 100% of the capitalization grant amount, less set-asides, must be issued as additional subsidization in the form of principal forgiveness.

- Distribution of funding
 - Twenty-five percent of funds from this category must go to communities that qualify as a disadvantaged community or communities with populations less than 25,000. Applicants with project costs exceeding available funds or with project components unrelated to addressing emerging contaminants, may receive funds for the remaining project costs through the DWSRF supplemental or base programs. Additional principal forgiveness may be available from the DWSRF supplemental or base programs for applicants that qualify as a disadvantaged community.

Set-Aside Activities for DWSRF IIJA Emerging Contaminants Funding

South Dakota may set-aside a portion of the capitalization grant for non-project, or set-aside activities, that are necessary for implementing Emerging Contaminants activities.

No set-aside funds are proposed to be allocated from the IIJA emerging contaminants funding in 2026. South Dakota reserves the ability to request set-aside funding in future years, if necessary, from the 2026 IIJA emerging contaminants funding.

DWSRF IIJA Lead Service Line Funding

The IIJA includes a funding allotment of \$28,650,000 to South Dakota in 2026 to be applied to the lead service line replacement projects.

Eligibility

- Entities and projects eligible for this funding must be eligible under the existing DWSRF program and be a lead service line replacement project or associated activity directly connected to the identification, planning, design, and replacement of lead service lines.
- All eligible projects for this allotment must be listed on the existing Attachment I - Project Priority List. Projects eligible for this source of funds are identified on Attachment II – List of Projects to be Funded in 2026.
- Additional eligibility requirements for this category of funding are defined in the [EPA IIJA SRF Implementation Memo](#) dated March 8, 2022.

Requirements

- Application, prioritization, and approval will be the same as the existing DWSRF program.
- State match is not required
- For lead service line replacement projects from the IIJA lead service line replacement funds, all eligible projects and borrowers will receive a 0 percent total interest rate for all loan terms.
- 49 percent of the capitalization grant amount must be issued as additional subsidization in the form of principal forgiveness. Additional subsidization must be provided to eligible entities that that qualify as a disadvantaged community.
- Distribution of funding
 - Applicants with project costs exceeding available funds, or with project components unrelated to lead service line identification and replacement, may receive funds for the remaining project costs through the DWSRF supplemental or base programs. Additional principal forgiveness may be available from the DWSRF supplemental or base programs for

applicants meeting DWSRF IIJA Principal Forgiveness Eligibility Criteria or base program principal forgiveness criteria.

Set-Aside Activities for DWSRF IIJA Lead Service Line Replacement Funding

South Dakota may set-aside a portion of the capitalization grant for non-project, or set-aside activities, that are necessary for implementing lead service line replacement.

No set-aside funds are proposed to be allocated from the IIJA lead service line replacement funding in 2026. South Dakota reserves the ability to request set-aside funding in future years, if necessary, from the 2026 IIJA lead service line replacement funding.

DWSRF IIJA Principal Forgiveness Eligibility Criteria

An eligible applicant may receive principal forgiveness in the DWSRF IIJA Supplemental General Supplemental Funding, DWSRF IIJA Emerging Contaminants Funding, and DWSRF IIJA Lead Service Line Funding if it meets the Disadvantaged Community definition in [ARSD 74:05:11.01\(8\)](#) and described on pages 11 and 12 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 eligible to receive DWSRF IIJA Emerging Contaminants Funding and DWSRF IIJA Lead Service Line Funding are specifically annotated on Attachment II – List of Projects Expected to be Funded in FFY 2026. Projects may be funded by a combination of IIJA supplemental funds and base program funds.

IIJA Funding Applicable Provisions and Additional Requirements

All provisions promulgated through statute, guidance, or regulations issued by EPA for the implementation of the CWSRF and DWSRF programs 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 IIJA supplemental appropriations are federal funds and therefore all equivalency requirements apply to projects funded by IIJA.

The EPA IIJA SRF Implementation Memo includes the following other 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 will issue 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 DWSRF program equivalency projects and IIJA funded projects. IIJA 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. 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.fsrs.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 IIJA capitalization grants and base program funds. Upon disbursement of funds, these assistance agreements may draw from both IIJA and base SRF capitalization grants for eligible project components.
4. Green Project Reserve: If provided for in the annual appropriation, the green project reserve (GPR) is applicable to the IIJA 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 IIJA's requirements, authorities, and narrower SRF eligibilities, states may only transfer funds between the specific IIJA appropriations in the equivalent CWSRF or DWSRF program. In other words, transfer of funds may occur between the CWSRF and DWSRF General IIJA capitalization grants and between the CWSRF and DWSRF IIJA Emerging Contaminants capitalization grants. Because there is no similar CWSRF appropriation to the DWSRF IIJA LSLR appropriation, no funds may be transferred from or to the DWSRF IIJA LSLR appropriation. States may not transfer IIJA appropriations to or from base appropriations.
6. Recycled Funds: To the extent assistance recipients repay IIJA funds or provide interest payments to the state SRF program, those repaid funds and interest have the flexibility to be used for any SRF-eligible purpose. For example, repaid DWSRF IIJA LSLR funds are not limited to future LSLR projects and activities.
7. 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 IIJA funding.

Public Review and Comment

On November 6, 2025, a public hearing was held seeking comments on the IIJA addendum to the DWSRF

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>.