

AGENCY NAME:	Rural Infrastructure Authority		
AGENCY CODE:	P450	SECTION:	054

AGENCY’S DISCUSSION AND ANALYSIS

Infrastructure Finance Programs – Summary of Efforts and Results

The S.C. Rural Infrastructure Authority (RIA) makes grant and loan financing available for qualified infrastructure projects (drinking water, sanitary sewer and storm water drainage facilities) statewide. Financial assistance is made available to eligible applicants including local governments, special purpose districts and public works commissions. By working in partnership with local communities, these financial investments are designed to address the key objectives of protecting public health, addressing environmental quality standards and preparing communities for economic opportunities. RIA assistance helps close financial gaps for areas in need of reliable infrastructure. In addition, RIA collaborates with stakeholders to identify and coordinate additional resources for infrastructure improvements and to strengthen utility viability in the long term through planning and regional partnerships.

With recurring state appropriations, RIA’s financial assistance typically totals approximately \$26 million in grants and approximately \$100 million in loans annually. Significantly, over \$1.4 billion in federal American Rescue Plan Act, State and Local Fiscal Recovery (ARPA SLFRF) grant funds were allocated to RIA by the General Assembly to assist with financing of qualified infrastructure projects. Such funds must be fully expended by December 31, 2026. And additional federal funding through the Infrastructure Investment and Jobs Act is being made available to states from the U.S. Environmental Protection Agency (EPA) over a five-year period. Every county will benefit from this infusion of federal funds by modernizing aging infrastructure as well as building capacity for future development.

RIA’s essential role in providing affordable grant and loan financing options for water infrastructure has resulted in an investment of \$195 million in FY25. Cumulatively, since these programs began at RIA, 832 grants have been awarded totaling \$1.8 billion and another \$1.2 billion in affordable loan financing has been provided for 152 projects.

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FY25 Grant Programs

This year, \$61 million in competitive grants were awarded for 62 projects and 56% of funds were awarded to small and rural communities. Grants were selected by RIA’s Board of Directors based on the following program priorities:

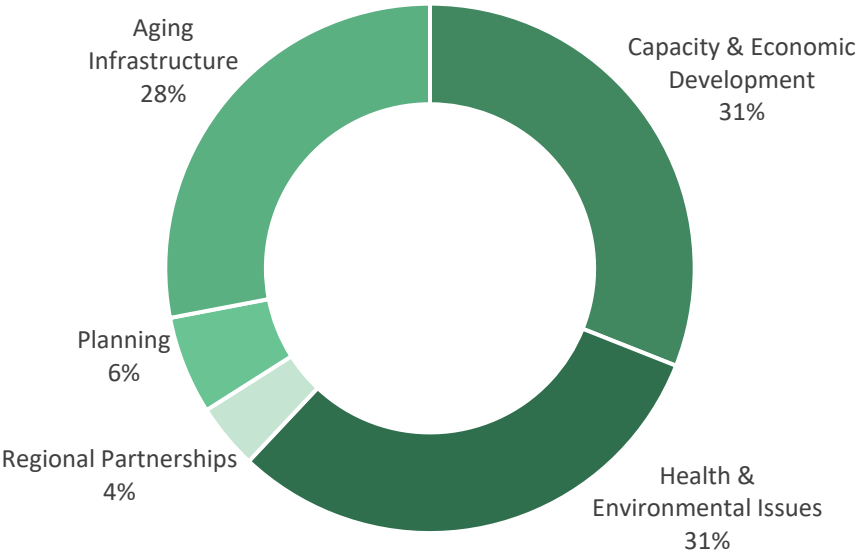


Figure 1. FY 25 grant priorities by dollars awarded.

FY25 State Revolving Funds Loan Programs

Low-cost loan financing is provided through two federally capitalized State Revolving Funds (SRF) for Drinking Water and Clean Water (wastewater and stormwater). The SRF has been annually capitalized by the EPA since 1989. The program was transferred to RIA in 2015. The state program is administered jointly with the S.C. Department of Environmental Services (DES). DES prioritizes projects, handles the technical aspects of the program and ensures compliance with EPA requirements. The RIA’s Office of Local Government (OLG) manages the financial component including credit reviews, loan agreements, closings and disbursement of funds as well as loan repayments and administration.

The SRF program offers below market interest rates for major water, wastewater and stormwater improvement projects throughout the state. This low-cost financing means savings for borrowers and customers.

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The federal Infrastructure Investment and Jobs Act is providing additional funding for SRF loans and principal forgiveness over five years. This year, the program closed 12 loans totaling \$109 million. In addition, \$25 million in all principal forgiveness loans, which do not have to be repaid, were approved for 25 projects.

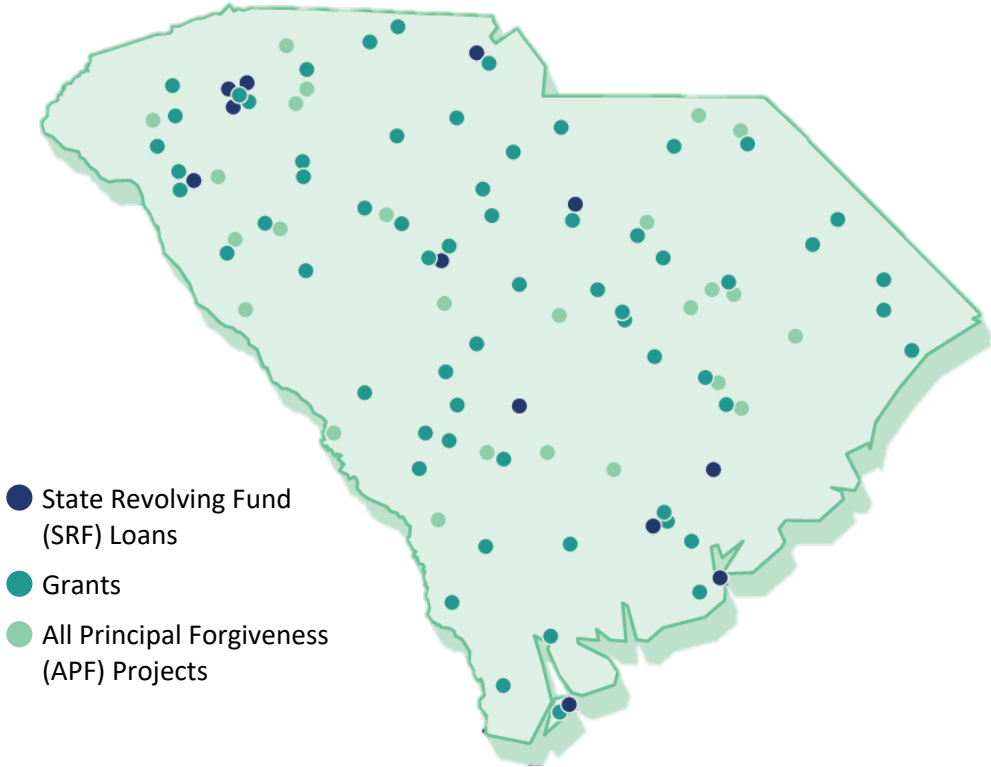


Figure 2. Map of grants and loans in FY 25.

Factors Impacting Performance and Future Plans

One-Time Federal Funding for Grants

The availability of substantial federal funds for infrastructure investment – over \$1.4 billion awarded by RIA in FY23 – has had a tremendous impact on the state. In fact, a recent study by the University of South Carolina, Darla Moore School of Business in conjunction with American Council of Engineering Companies (ACEC-SC) Infrastructure Works Institute (IWI), found that these funds are creating an estimated \$2.4 billion in economic output, including 3,075 jobs each year between FY21 and FY27.

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However, federal funds also have additional compliance requirements and one of the most significant is the need to have all the ARPA SLFRF funds expended by December 31, 2026. Since infrastructure projects by their nature take several years from funding approval to project construction completion, this deadline will be challenging. Additionally, supply chain delays for material and equipment as well as increased costs may play a factor in completion of these projects. Most projects are currently underway and a number of them are nearing completion.

Due to the expenditure deadline for federal funds, RIA is anticipating a significant increase in grant disbursements during FY26. Federal funds will be disbursed ahead of state funds. Staff will review documentation of eligible expenditures before approving grant disbursements. Significant staff resources are being dedicated to this federal program to ensure funds will be spent in compliance with program requirements, and projects completed in a timely manner. Staff are also offering technical assistance throughout the implementation period.

While the influx of federal grant funds has had enormous benefits for RIA's customers, it contributed to a slight dip in demand for the loan program during FY25. Some planned borrowers were unable to complete the technical requirements required before a loan can be closed. The loan program also has significant federal requirements, which have increased in recent years.

State Appropriations

RIA receives approximately \$26 million in recurring state appropriations for its grant programs. Non-recurring state appropriations for grants positively impacted the performance of RIA's existing grant programs. RIA annually obligates its appropriated funds for grants but because the grants are for construction projects, funds are disbursed over several years. RIA increased individual grant amounts in response to the rising costs of construction and materials. The higher grant amount provides more flexibility to applicants, especially small communities that do not have local funds to contribute to projects. Due to the non-recurring appropriations in FY24 and FY25, RIA was still able to fund over 60 projects each year. While the non-recurring funding has helped RIA to address ongoing infrastructure needs statewide, the funding level changes year-to-year makes it more difficult to provide resources for efficient project management and challenges potential applicants who make plans to seek long-term capital improvement financing.

Streamlining Procedures

RIA has made significant efforts to streamline project management processes while maintaining appropriate accountability. Several project management tools have been developed to enhance oversight, document compliance and offer timely technical assistance to those who need it most. For example, the loan program is utilizing a new database to track loan projects more accurately and comprehensively. Additionally, the agency has begun to reach more communities through training and informational videos that are available online which is readily available and convenient for customers. These improvements will have long-term efficiency benefits for all RIA programs.

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Viability Efforts

Following an FY22 study of the challenges facing smaller utilities, particularly in rural areas, RIA has undertaken several initiatives to promote greater long-term viability. Program funding resources have been provided for planning grants to assist such communities in identifying needs and making plans for improvement. In FY25, this grant program was specifically targeted to utilities serving less than 10,000 people. However, requests for this funding were fewer than expected, reflecting the limited capacity of smaller systems and the need for a different approach. Regional partnerships are one alternative and more communities are exploring the feasibility of such partnerships. In FY26, the planning program will focus on regional solutions as well as a new, interactive program of technical assistance, planning and improvement to be offered to utilities with viability challenges.

This year, RIA continued staffing the Viability Assistance Network, a group of state agencies and non-profits collaborating to provide a more coordinated approach to technical assistance. In consultation with this group, RIA published an update to the Utility Viability Tool, which helps utilities identify technical, financial and operational weaknesses so that the appropriate assistance can be provided. A contract is also underway to create a training manual for utility governing board members.

Risk Assessment and Mitigation Strategies

One of the biggest risks to the program funded with federal ARPA dollars is the potential loss of funds if expenditure deadlines are not met. The large scale of projects coupled with federal compliance and timely expenditure requirements pose a particular challenge for smaller communities. The impact associated with a loss of funds would greatly challenge the state's ability to overcome public health and environmental concerns associated with clean drinking water, sanitary sewer and storm drainage protection. Further, there may be missed or delayed economic opportunities which depend on reliable and affordable infrastructure.

RIA has provided a number of on-line resources and guidelines. Additionally, technical assistance is provided regularly to address time and budget concerns and to help identify solutions so that projects can be completed in a timely manner. To mitigate challenges that are the result of cost overruns, staff actively work one-on-one with grantees to scale back projects or identify additional funding to complete projects in a timely manner. RIA has developed a strategy to utilize any unobligated ARPA dollars as they become available to address funding gaps and complete projects by the federal expenditure deadline.

Although these one-time federal dollars represent a significant investment in South Carolina's infrastructure, the need for further investment is staggering. This is evidenced by the receipt of over \$2 billion in applications for projects that could be completed in the short term. To keep up with the critical demands to address aging infrastructure, new emerging contaminants, long-term growth and economic development, it will be critical for the state to continue its commitment to invest in infrastructure needs on a recurring basis, to continue to provide technical assistance to utilities struggling to operate efficiently, and to provide incentives for regional cooperation among utilities to help ensure long-term viability.

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Agency Organization

The RIA is governed by a Board of Directors that includes six members who reside in or represent distressed and/or least developed counties. The Secretary of Commerce serves as Chairman.

The RIA has an Executive Director and had authority for 18 other full time staff positions in FY25 (see Organizational Chart). Additional grant staff have been added to administer the new federal funding programs and ensure technical assistance is provided to applicants and grantees. RIA divisions are organized by grant and loan programs. In order to foster administrative collaboration, RIA contracts with the S.C. Department of Commerce to provide office space, legal, financial, human resources and other administrative support services. This agreement allows for more efficient use of staff and resources available to the RIA.