



At a Glance

Evaluation of the South Carolina Clean Water State Revolving Fund Program's Capacity to Manage Infrastructure Investment and Jobs Act Funding

Why We Did This Evaluation

To accomplish this objective:

The U.S. Environmental Protection Agency Office of Inspector General conducted this evaluation to determine South Carolina's capacity to manage and use Infrastructure Investment and Jobs Act funds for its Clean Water State Revolving Fund program.

The EPA awards federal funds to the State of South Carolina to administer its Clean Water State Revolving Fund for local water-infrastructure improvement projects. Grantees should meet four dimensions of capacity to manage and use funds: financial, organizational, stakeholder, and human capital. Challenges in any of these four dimensions can adversely impact a grantee's capacity to effectively manage and implement federal grants.

South Carolina is part of EPA Region 4.

To support this EPA mission-related effort:

- *Ensuring clean and safe water.*

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What We Found

South Carolina's Clean Water State Revolving Fund, or CWSRF, program sufficiently meets two of the four dimensions of capacity: financial and organizational. The state has demonstrated that it has the financial resources to sustain and implement its CWSRF program. Also, South Carolina has made organizational changes to improve its capacity to use its CWSRF Infrastructure Investment and Jobs Act funding. For example, it created an outreach coordinator position to help market the state's CWSRF program and educate communities, water systems, and potential program participants on available funding.

However, South Carolina faces challenges related to stakeholder and human capital capacity. In terms of stakeholder capacity, some South Carolina communities may be unable to participate in the CWSRF program because they cannot meet the state's financial audit requirements because of limited resources. Also, increased federal requirements for infrastructure projects, such as the Build America, Buy America Act, and a lack of awareness or understanding of the state CWSRF program may hinder stakeholder participation. In terms of human capital capacity, despite the creation of the outreach coordinator position, South Carolina CWSRF program staff still expressed concerns related to staffing levels. Furthermore, program staff said that their ability to learn more about the federal CWSRF Program is limited, and they expressed a desire for more training.

As a result of these capacity challenges, South Carolina is not using its CWSRF Infrastructure Investment and Jobs Act funding as effectively as it could, and some of its CWSRF financial indicators lag national averages. For example, the number of CWSRF loans the state executed, which is referred to as its pace rate, was 12 percent below the national average in both state fiscal year 2021 and state fiscal year 2022. Also notable is that at the end of state fiscal year 2023, South Carolina had an uncommitted funds balance of \$209 million in its CWSRF. The large influx of CWSRF Infrastructure Investment and Jobs Act funds, which totaled \$62.9 million from fiscal year 2022 through fiscal year 2024, with additional IIJA funding future allotments planned through fiscal year 2026, may exacerbate the South Carolina CWSRF program's financial difficulties.

If South Carolina does not take steps to address its stakeholder and human capital capacity challenges, millions of Infrastructure Investment and Jobs Act dollars intended for water infrastructure improvements may not reach the state's communities.

Recommendations and Planned Agency Corrective Actions

We make four recommendations to the regional administrator for Region 4: (1) encourage the South Carolina CWSRF program to identify potential program participants that are unable to meet financial statement audit requirements; (2) implement a plan to assist the South Carolina CWSRF program in conducting outreach and providing technical assistance to those participants identified as a result of Recommendation 1; (3) assist the South Carolina CWSRF program in increasing its pace rate and decreasing its uncommitted funds balance; and (4) provide annual training to South Carolina CWSRF program staff. The EPA agreed with our recommendations. We consider the first three recommendations resolved with corrective actions pending. The fourth recommendation is unresolved.