The Need for Water Infrastructure Improvements

Tennessee’s communities and economy rely on access to clean, reliable, and abundant water resources.

- There is a necessary investment estimated at $5 to $15 billion between now and 2040 to address Tennessee’s water infrastructure.

- Tennessee faces challenges like other states across the country...
  - Aging water distribution and collection lines
  - Outdated treatment facilities at or near capacity
  - Traditionally limited financial resources for necessary upkeep, maintenance, and expansions
Water Infrastructure Investments

- USDA Rural Development
- American Rescue Plan
- State Revolving Fund
- Community Development Block Grant
- Bipartisan Infrastructure Law
American Rescue Plan (ARP) State and Local Funding for TN

American Rescue Plan Fiscal Recovery Funds (US Treasury)

- State Fiscal Recovery Fund (State of Tennessee) - $3.725 billion
- Coronavirus Capital Projects Fund (State of Tennessee) - $216 million
  - Treasury distributes to Metro Cities - $516 million
  - Treasury distributes to Counties - $1.326 billion
  - Treasury to State as passthrough to Non-Metro Cities - $438 million

Local Fiscal Recovery Fund (Local Governments) - $2.28 billion
Water Infrastructure Investment Program - $1.35 billion

- Non-Competitive Grants: $81,000,000
- State Strategic Projects: $269,000,000
- Administration (State) (up to 6%): $1,000,000,000

Remaining funds will be programmed through a competitive grant program.
Non-Competitive Grants: Eligible Subrecipients

- All counties are eligible subrecipients
- Eligible cities are those that are incorporated and operate water or wastewater systems or a permitted stormwater program
- Systems not owned by cities or counties should collaborate with the communities they serve

95 Counties

271 Cities
Non-Competitive Grants: Funding Allocations

• **Base Allocation**: Provides all cities and counties with sufficient funding to execute at least one project. Accounts for differences in costs to install and maintain infrastructure in urban and rural communities
  - 20% ($200M) to Counties: $2,105,263 per county
  - 15% ($150M) to Cities: $561,798 per city

• **Population Allocation**: Proxy for customers served
  - 25% ($250M) distributed to counties and cities by raw population
  - County populations have subtracted city populations within that county

• **ATPI-Population Allocation**: Weights to consider a community’s economic health, utilizing the Ability To Pay Index
  - 40% ($400M) distributed to counties and cities by weighted population
Non-Competitive Grants: Co-Funding

- 20-40% co-funding required, based on ATPI
- Cash and in-kind contributions are allowable
- Counties and cities may use a combination of the co-funding incentives for a maximum co-funding reduction of 10%

Submit a Collaborative Proposal

Leverage Local ARP Dollars

Address Priority Areas of Emphasis
Non-Competitive Grants: Collaboration

- Multiple entities (systems, cities, and/or counties) may collaborate on a project or projects for a shared purpose.
- Entities engaging in collaborative projects may pool their funds together to accomplish the collaborative project.
- Collaborative projects must identify a lead applicant that will enter a grant contract with TDEC.
- Forthcoming grant guidance will include additional information about collaborative projects.
Water Infrastructure Investment Program: Eligibility

- Projects may address **drinking water, wastewater, or stormwater** improvements
- Must align with U.S. Treasury’s Final Rule
  - Federal rules mandate that activities must align with Drinking Water and Clean Water State Revolving Fund project eligibility*
    - Funds must be obligated by December 31, 2024
    - Funds must be fully spent by December 31, 2026
- Must meet minimum criteria as defined in TDEC’s *Water Infrastructure Investment Plan* and forthcoming grant guidance
- Up to 6% of the funding allocation may be used for pre-grant collaborative planning activities and administrative expenses

* TDEC acknowledges that U.S. Treasury’s Final Rule includes expanded eligible activities. TDEC is currently reviewing and considering these expanded eligibilities with respect to the Water Infrastructure Investment Program.
Tennessee Infrastructure Scorecard

• Assesses financial, managerial, operational, and environmental health of a system

• All water, wastewater, and stormwater systems need to complete the Scorecard

• Scorecard summaries must be submitted to TDEC with the grant proposal

• Five critical need areas reflected through the Scorecard

• Systems may seek assistance from TAUD to complete the Scorecard
# Water Infrastructure Investment Program: Priority Areas

## Critical Need Priority Areas
- Addressing Significant Non-Compliance
- Asset Management Planning
- Water Loss Reductions
- Infiltration / Inflow Reductions
- Modernization of Facilities and Equipment

## Additional Priority Areas
- Water Reuse
- Green Infrastructure and Stormwater Management
- Consolidation / Regionalization
- Managing Risk and Building Resilience
- Planning for Replacement of Lead Service Lines
- Enhancing Service to Small, Underserved, or Disadvantaged Communities
Addressing Critical Need Priority Areas

- Non-competitive grant funds are targeted to support addressing critical need priority areas
- TDEC is developing action levels based on thresholds as determined by completion of the Scorecard
- **Systems will need to demonstrate sufficiently addressing critical need priority areas in the grant application**
- More information will be included in grant guidance
Water Infrastructure Investment Program: Year 1

- Publish Water Infrastructure Investment Plan: December 2021
- Host Grant Training Workshops: March 2022
- Close Non-Competitive Grant Solicitation: Fall / Winter 2022

- Publish Non-Competitive Formula-Based Grant Guidance: February 2022
- Open Non-Competitive Grant Solicitation: Spring 2022
Non-Competitive Grants: Grantee Process

1. Review ARP Eligibility, Funding Allocations, and Co-Funding Requirements
2. Review Proposal and Project Minimum Criteria
3. Develop Proposal, Consisting of Project(s), to Address Needs and Priorities
4. Submit Proposal to TDEC for Review and Approval
Non-Competitive Grants: Terminology

- **Grant Applicant**: Grant applicants are **eligible subrecipients**, including all counties and eligible cities. Grant applicants will compile a proposal, consisting of one or more projects across one or more water infrastructure systems, to submit to TDEC. Grant applicants may not execute water infrastructure projects unless they are also eligible project owners or execute a project in collaboration with or on behalf of an eligible project owner.

- **Project Owner**: Project owners are those **entities that may execute projects**. Project owners must operate a drinking water or wastewater system or a permitted stormwater system. Project owners may also be cities or counties collaborating with and executing a project on behalf of a drinking water or wastewater system or permitted stormwater system. All project owners must complete the Infrastructure Scorecard or collaborate with a system that has completed the Infrastructure Scorecard.
Non-Competitive Grants: Proposal Requirements

- Develop and Submit **Proposal** for TDEC Review and Approval
- Include **Scorecard Summaries**
- Account for All Eligible Project Owners that Serve the City or County
- Demonstrate Commitment of **Co-Funding**
- Include **Letters of Support** from Project Owners that Serve the City or County
- Submit **Progress Updates** to TDEC
Non-Competitive Grants: Project Requirements

- Must be completed by eligible project owners.
- Project owners must complete the scorecard.
- Proposed activities must meet eligibility requirements.
- Demonstrate addressing critical need priority areas.
- Construction projects must secure all applicable permits.
Non-Competitive Grants: Proposal Submittal

**Collaborative Phase**  
(60-90 days)

- Incentivizes partnership and collaboration
- Must involve multiple entities working together with a shared purpose
- Required co-funding based on the *lowest* co-funding of collaborative entities
- TDEC will enter a grant contract with one entity (lead applicant)

**Non-Collaborative Phase**  
(60 – 90 days)

- Late submissions of collaborative proposals will be permitted
- Non-collaborative proposals (single entities for projects) may submit at this phase
Water Infrastructure Investment Program – Years 2-6

- **Release Details About State Strategic Projects**
  - **Summer 2022**

- **Obligate All ARP Funds**
  - **December 31, 2024**

- **Release Details About Competitive Grant Program**
  - **Winter 2022 / Spring 2023**

- **Spend All ARP Funds**
  - **December 31, 2026**
State Strategic Projects

- **TN Infrastructure Scorecard** - $1.75 million
  - In collaboration with the Tennessee Association of Utility Districts
  - Developed online tool and provide technical assistance

- **Additional information about projects funded using state strategic project funds will be made available later**
Competitive Grants

- Any State American Rescue Plan funds not obligated via the non-competitive grant program or state-initiated strategic projects will be programmed via a competitive granting program
- Intended to support priorities and unmet critical needs
- TDEC will consider whether systems received non-competitive grant funds during the competitive grant phase
- Additional information about the competitive grant program will be made available later
What’s Next?

- Visit the **ARP Website**: [tn.gov/environment/arp](tn.gov/environment/arp)
  - Review the *Water Infrastructure Investment Plan*
  - Sign up for the ARP email distribution list
- Prepare for release of **non-competitive grant guidance** (February 2022)
- TDEC will host half-day **grant guidance workshops** (March 2022)
Questions?

Website: tn.gov/environment/arp
Email: TDEC.ARP@tn.gov