



INTENDED USE PLAN
DRINKING WATER STATE REVOLVING FUND

STATE FISCAL YEAR (SFY) 2022
FEDERAL FISCAL YEAR (FFY) 2021





**Drinking Water State Revolving Fund
Intended Use Plan**
August 2021

Table of Contents

Introduction..... 3

Drinking Water State Revolving Fund Program Goals..... 4

 Long-Term DWSRF Goals..... 4

 Short-Term DWSRF Goals..... 5

Drinking Water Priority Ranking System..... 7

 List of Projects 8

 Funding of Projects 8

 Project By-Passing Procedures 8

 Interest Rates and Affordability Criteria..... 8

 ATPI Reduced Interest Rates..... 9

 Principal Forgiveness for Small and Disadvantaged Communities..... 11

 Green Project Reserve Interest Rate Reductions 13

Financial Status of the DWSRF Loan Program..... 17

Criteria and Method used for Distribution of Funds 18

 Loan Terms and Fees 18

Set-Aside Activities..... 19

 State Program Management..... 21

 State Program Management..... 23

 Small Systems Technical Assistance 24

 Local Assistance and Other State Programs..... 24

 Program Assistance Contracts..... 26

Assurances and Specific Proposals..... 27

FFY 2021 Appropriations Bill and Other Requirements 28

 Subsidization..... 28

 Davis-Bacon 28

 American Iron and Steel..... 29

 Disadvantaged Business Enterprise (MBE)/Women's Business Enterprise (WBE) Goals 29

 Environmental Benefits 31

Appendix..... 32

Drinking Water State Revolving Fund

Intended Use Plan

August 2021

Introduction

The Tennessee General Assembly passed the “Drinking Water Revolving Fund Act of 1997” to provide low-interest loans to local governments as a vehicle to finance water infrastructure improvement projects. Today, the Drinking Water State Revolving Fund (DWSRF) Loan Program is within the Tennessee Department of Environment and Conservation (TDEC) Division of Water Resources and has provided over \$300 million dollars in assistance to Tennessee communities since the program began. This program is part of the TDEC State Revolving Fund (SRF), which provides low-interest loans and technical assistance to cities,

counties, utility districts, and water authorities across the state for planning, design, and construction of drinking water, stormwater, and wastewater infrastructure projects. The SRF program supports TDEC’s mission to protect and promote human health and safety, and to protect and improve water quality across the state by helping communities afford safe, sustainable and resilient water systems. DWSRF is designed as a federal-state partnership program to assist public water systems (PWS) in attaining safe and reliable drinking water. The federal program was created through Congress’ 1996 amendments to the Safe Drinking Water Act (SDWA), which authorized the U.S. Environmental Protection Agency (USEPA) to establish a DWSRF Loan Program to further the objectives of the SDWA. The SDWA instructs states to utilize DWSRF funds to address risks to human health, drinking water compliance issues, and to assist PWS most in need. Additional information about the DWSRF program can be found on the TDEC SRF website.

The USEPA awards Drinking Water Capitalization Grant funds annually to the State, and in turn, the State obligates federal funds, along with a 20% state match, to provide financing to public and private water systems for planning, design, and construction projects that include (but are not limited to): plant replacement and upgrade; distribution system installation, repair, and upgrade; water loss; treatment; storage; water reuse;

Elements of the Drinking Water State Revolving Fund Intended Use Plan:

TDEC SRF long-term and short-term goals

The financial status of the Drinking Water SRF Loan Program

Description of the methods and criteria used to distribute funds

Description of the amount of set aside funds and details on how the state intends to use those monies.

Priority Ranking List (PRL) for 2021

TDEC’s new Small and Disadvantaged Community program

TDEC’s new Ability To Pay Index

Drinking Water State Revolving Fund Intended Use Plan

August 2021

green infrastructure; energy optimization; and resilience. These funds are repaid over time, ensuring the long-term viability of the DWSRF program. In addition, a portion of the Capitalization Grant (up to 31%) can be “set-aside” for direct support of state staff, DWSRF administration, water system capacity development, operator certification, source water protection, small systems technical assistance and the Public Water System Supervision (PWSS) program. Each state determines the appropriate balance between water infrastructure projects and set-asides for their unique circumstances. Section 1452(b) of the SDWA requires each state to annually prepare an Intended Use Plan (IUP) to outline the use of grant funds awarded to the state and to describe how those uses support the goal of protecting public health and the environment.

TDEC’s [Drinking Water IUP](#) serves as the planning document detailing how the federal fiscal year (FFY) 2021 appropriations for the DWSRF loan program will be used. The State of Tennessee’s allotment of FFY 2021 DWSRF Loan Program dollars is \$19,284,000. The State is required to provide a 20% match of federal funds or \$3,856,800. The EPA Capitalization Grant plus State match will provide an expected \$ 23,140,800 in funds available for the DWSRF program in SFY 2022.

Drinking Water State Revolving Fund Program Goals

The U.S. Congress gives state DWSRF programs flexibility to design a program tailored to meet the needs of the state, local communities, public water systems and private water systems. Tennessee’s DWSRF program has developed long and short-term goals as a framework for decisions Tennessee makes in the DWSRF program.

Long-Term DWSRF Goals

1. Ensure a safe and adequate water supply for the small communities by maximizing small community participation in the DWSRF program.
2. Provide assistance for projects to facilitate compliance with national primary drinking water regulations under section 1412 of the SDWA or otherwise significantly further the health protection objectives of the Act [section 1452(a)(2)].
3. Protect and enhance the water quality in Tennessee by ensuring the technical integrity of funded projects.
4. Maintain the long-term financial integrity of the DWSRF program through the judicious use and management of its assets and by realizing an adequate rate of return, preventing

Drinking Water State Revolving Fund Intended Use Plan

August 2021

fraud, waste, and abuse.

5. Ensure the use of accounting, audit, and fiscal procedures that conform with [Generally Accepted Accounting Principles \(GAAP\)](#) as issued by the Government Accounting Standards Board (GASB).
6. Obligate funds in a timely manner and provide technical and administrative assistance for efficient project management.
7. Use the DWSRF set-aside funds strategically and in coordination with the program loans to maximize the DWSRF loan account's impact on achieving affordable compliance and public health protection.
8. Facilitate allocation of program resources to address the most significant public health and compliance problems by actively working with these systems and the drinking water regulatory staff.
9. Promote the development of the technical, managerial, and financial capability of all PWS to maintain or come into compliance with state drinking water and federal SDWA requirements.
10. Encourage the consolidation or regionalization of PWS that lack the capability to operate and maintain systems in a cost-effective manner, thus allowing them to take advantage of the economies of scale available to larger water systems.
11. Provide drinking water assistance in an orderly and environmentally sound manner.
12. Assure that all new water systems funded by the program demonstrate technical, managerial, and financial capability with respect to each national primary drinking water regulation in effect.

Short-Term DWSRF Goals

1. Coordinate completion of set-aside work plans for each set-aside activity annually.
2. Support the continuation of source water protection programs.
3. Coordinate implementation of capacity development strategy with PWSS staff.
4. Update administrative policies and guidance including standard operating procedures for the DWSRF Loan Program.

Drinking Water State Revolving Fund Intended Use Plan

August 2021

5. Provide supervision and direct technical assistance to PWS.
6. Assist the development and implementation of local drinking water protection initiatives.
7. Expand the use of green project funding to include more projects and encourage innovative use of SRF funds following EPA's guidance. TDEC SRF has elected to strive for a goal of up to 18% of grant funds to be used for innovative, green, or resilient projects.
8. Expand and broaden our outreach activities to ensure that public and private water systems are aware of and understand DWSRF assistance options and the loan application process by presenting at regional roundtables and an annual statewide workshop to publicize the DWSRF program in coordination with the Tennessee Department of Economic & Community Development and USDA-Rural Development.
9. Develop a database for drinking water project data and program management data.
10. Ensure that all grant award funds are expended in an expeditious and timely manner.
11. Use the federal DWSRF Project Benefits Reporting (PBR) system to track drinking water projects and report quarterly to EPA.
12. Review current DWSRF rules and statute for potential updates. Recommendations for updates may include improved clarity or language concerning source water protection eligibilities, extended loan terms, use of SRF funds for asset management plans, land conservation, and inclusive language for green infrastructure elements that improve hydrology and drinking water quality.
13. Review and develop recommendations for updates to the DWSRF priority ranking system.
14. Research other state SRF Programs and conduct a cost benefit analysis to make recommendations for implementing a loan closing fee to support a sustainable funding source and reduce the SRF Program reliance on state appropriations for match funding.
15. Securing new equipment and updating technology for DWSRF staff.

Drinking Water State Revolving Fund Intended Use Plan

August 2021

Drinking Water Priority Ranking System

TDEC's DWSRF program uses a priority ranking system to develop the [Priority Ranking List \(PRL\)](#). Applicants seeking funding must submit a Questionnaire that includes a detailed project description, need for the project, total project cost, projected construction start and completion dates, requested loan amount, and term of the loan. Projects eligible for DWSRF funding are described in the [EPA Eligibility Handbook](#). Projects are prioritized by those that address reducing risks to human health or those working to maintain or improve compliance with SDWA. Tennessee has established a priority ranking system, compliant with the SDWA, based on a scale from 0-100 points. Priority points will be assigned based on the type of project and the severity of the problem to be addressed by the proposed project. The only projects eligible for the maximum of 100 points will be those that address serious, acute risks to human health. Other projects will be assigned 20, 40, 60, or 80 points depending on the severity of the problem and whether a compliance problem exists. Projects requesting funds for ineligible activities such as fire protection, dam construction, or future growth will not be assigned priority points. Projects demonstrating the greatest risk to human health will receive the highest priority points followed by projects addressing compliance problems and then projects addressing other needs. Projects with the same priority points will be ranked based on consideration of the Ability To Pay Index (ATPI) and population served to assist small and disadvantaged communities.

- Fundable Drinking Water Project Categories**
- Water Quality Issues
 - Source or Capacity Challenges
 - Water Storage
 - Leakage Problems
 - Pressure Issues
 - Replacement or Rehabilitation Needs
 - Water Line Extensions
 - Regional Drinking Water Consolidation
 - New Drinking Water Systems

- Projects and activities *not* eligible for funding and primarily intended for the following:**
- Future growth
 - Economic development
 - Fire protection
 - Dams
 - Reservoirs
 - Water rights
 - Laboratory fees for monitoring
 - Operation and maintenance expenses

Section 1452(3)(A)(i) and (ii) of the SWDA states the DWSRF Loan Program may not provide assistance to any system that is in significant non-compliance with any national drinking water regulation or variance unless the State conducts a review and determines that the project will enable the system to return to compliance and the system will maintain an adequate level of technical, managerial, and financial capability to maintain compliance.



Drinking Water State Revolving Fund Intended Use Plan

August 2021

List of Projects

In accordance with Section 1452(b)(3)(B) of the SDWA, TDEC SRF has developed a list of projects to receive funding in the first year after the grant award. The PRL includes: the name of the community, project description, points awarded, green project amount (if applicable), population in the service area, expected terms of financial assistance, the construction start and end date, and the projected amount of eligible assistance. The DWSRF PRL in the Appendix contains eligible projects for which the total cost of assistance requested is at least equal to the amount of the Capitalization Grant being applied for before the EPA awards the grant.

Funding of Projects

The FFY 2021 Capitalization Grant funding priority will be directed to the highest-ranked projects that are ready to proceed with construction. This includes small and disadvantaged communities, green and resilient infrastructure projects, and projects with subsidies. Correspondence will be provided to all communities with projects on the 2021 PRL after SRF receives the official Grant Award Notice from EPA.

Project By-Passing Procedures

Projects on the PRL, regardless of rank, may be bypassed if communities are not ready to proceed. Communities not ready to proceed may be bypassed based on failure to submit a complete application 90 days after being notified or are not ready to proceed. DWSRF Loan Program projects are ranked with the potential to be funded based on the highest number of priority points awarded on the 2021 DWSRF PRL. Additionally, DWSRF gives priority to communities with projects that are ready to proceed. Upon receipt of the FFY 2021 Capitalization Grant, TDEC will contact all communities with projects on the 2021 PRL with a funding notification letter. Communities that do not respond to the funding notification letter may be bypassed. The DWSRF Loan Program will work with entities that are bypassed to ensure that the projects will be eligible for funding in the following fiscal year to the maximum extent possible. Exceptions to the order of funding may be allowed under special circumstances. Such projects would include those where some type of failure was unanticipated and requires immediate attention to protect public health, safety, and to improve water quality condition.

Interest Rates and Affordability Criteria

The SRF program has developed multiple ways for communities and utility systems to benefit from SRF financing. Reduced interest rates, principal forgiveness, and green project reserve

Drinking Water State Revolving Fund Intended Use Plan

August 2021

subsidy are all financing options an applicant can explore in an attempt to reduce their overall financial burden for drinking water infrastructure improvements. Communities and utility systems seeking infrastructure financing from SRF can take advantage of the following rate reducing strategies.

1. **ATPI Reduced Interest Rates:** The SRF program bases interest rates on a community's Ability To Pay Index and the Market Rate. Communities at a greater economic disadvantage will be awarded lower interest rates.
2. **Principal Forgiveness for Small and Disadvantaged Communities:** Small communities with low ATPIs may be eligible for principal forgiveness. Details on qualifications can be found in the [Principal Forgiveness for Small and Disadvantaged Communities](#) section of this document. Communities can qualify for both (1) ATPI Reduced Interest Rates and (2) principal forgiveness.
3. **Green Project Reserve (GPR) Interest Rate Reductions:** The SRF program may award additional interest rate reductions if the project proposal incorporates a significant amount of green infrastructure, water and energy efficiency, or sustainable, resilient, and innovative practices. Details on project requirements can be found in the [Green Project Reserve Interest Rate Reductions](#) section of this document. Communities can qualify for both (1) ATPI Reduced Interest Rates and (3) GPR Interest Rate Reductions if their proposal qualifies.
4. No single project submission is eligible for all three rate reducing strategies at one time.

ATPI Reduced Interest Rates

The State will use the ATPI for the allocation of DWSRF subsidies and interest rates. The development and use of the index are required for the administration of SRF loans by the Water Resources Reform and Development Act (WRRDA) of 2014, 33 U.S.C.A. §§ 2201 to 2355. The index is derived from a database of socioeconomic and financial data. It is used to assist in decision making regarding interest rates, allocation of subsidy, and identification of options intended to benefit communities most in need. The index is determined based on a normal distribution of affordability scores for cities and for counties. The affordability score is a simple average of nine (9) factors unique to each community. Together, these factors: median household income, unemployment, food stamp dependence, families in poverty, community assets, revenues, debt, and expenditures, and change in population determine a community's Ability To Pay Index value. Tennessee intends to update the ATPI annually to capture the most current fiscal capacity, changes, and economic trends of communities

Drinking Water State Revolving Fund Intended Use Plan

August 2021

across the state.

A community's interest rate will be based, in part, on their ATPI. Interest rates can vary from 40 percent of the interest rate reported to 100 percent of the interest rate reported on the 20-year, 25-year, and 30-year Bond Buyer Index and the Municipal Market Data General Obligation Yields published every Thursday. Communities that fall within the lower economic scale of the ATPI will be eligible for a lower interest rate.

The state has developed a tiered interest rate reduction methodology that corresponds to a community's ATPI. Low range ATPI's (0-20) will be awarded a 0.40 multiplier. ATPI scores with a range of 30 – 40 will be awarded a 0.60 multiplier, 50-60 will be awarded a 0.80 multiplier and ATPIs of 70 or greater will receive the standard reported interest rates. SRF interest rates are further stratified by the term of the loan. Once loan terms are established, the appropriate base interest rate is selected. The community ATPI is verified, then the multiplier corresponding to the ATPI is multiplied by the base interest rate to establish the SRF awarded interest rate.

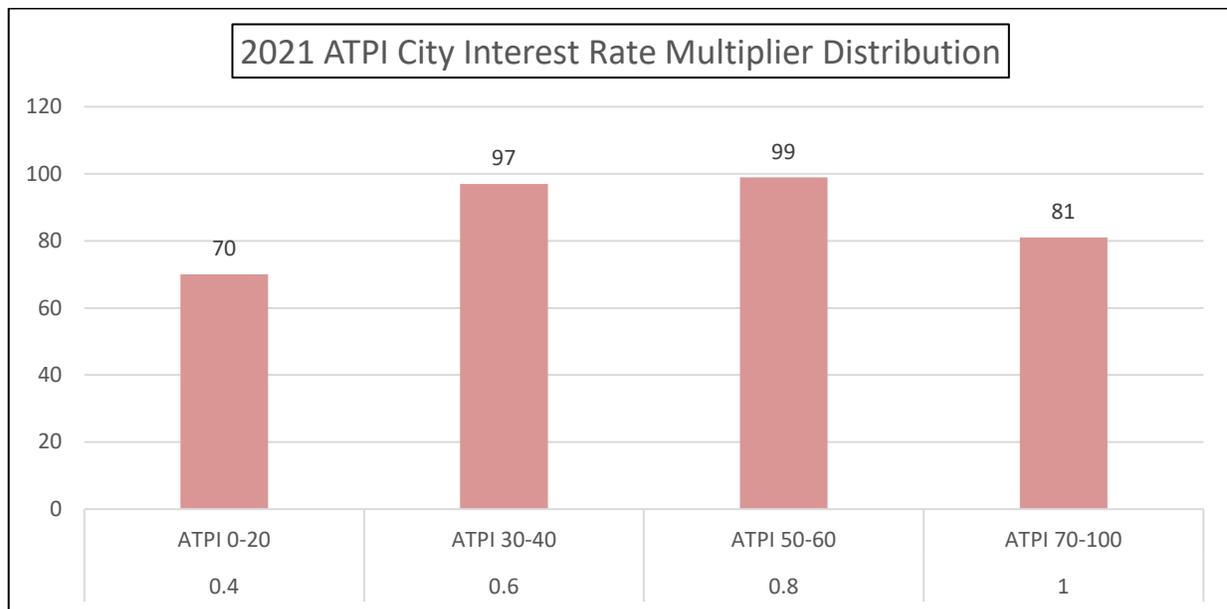


Figure 1: ATPI Interest Rate Multiplier Distribution

The State may also recommend a reduction of the interest rate to incentivize Green Projects Reserve (GPR) and sustainable & resilient projects, but not below zero percent. Interest rate reductions for GPR will be based on the scale, complexity, and environmental benefits of the

Drinking Water State Revolving Fund Intended Use Plan

August 2021

proposed project. Eligible project types and activities for drinking water can be found in the [EPA Eligibility Handbook](#). The GPR reductions will follow a process where first, the SRF awarded interest rates are determined based on a community's ATPI, then if the project qualifies, rates can be further reduced from 0.1% - 0.3%. Amount of GPR rate reductions will be determined by SRF technical staff using the GPR interest rate reduction requirements and based on project descriptions from loan applicant Questionnaire submittals.

Principal Forgiveness for Small and Disadvantaged Communities

The SRF Program continues to respond to requests from Governor Lee regarding rural community assistance by prioritizing allocation of subsidy for drinking water infrastructure (in the form of principal forgiveness and lower interest rates) to communities identified as both small and economically disadvantaged. Eligibility of DWSRF principal forgiveness will be determined based on the most current ATPI. Small communities are those with a population of 10,000 or less per designation by EPA guidelines. To be considered disadvantaged, the community must score 50 or less on the ATPI. The affordability criteria from the ATPI will also be used to prioritize projects that have the same number of points from the PRL. Communities with greater economic need and smaller populations will be given a higher ranking. Standard principal forgiveness for eligible communities will be provided at 20% of the loan value (total project costs not to exceed \$2,500,000 for a single loan or project within a year, and within total SRF allotted principal forgiveness for a given fiscal year).

As part of TDEC's effort to assist small, disadvantaged, and rural communities, SRF has developed a small and disadvantaged community subsidy of 50% principal forgiveness for planning and planning and design loans only. Priority areas are limited to asset management planning and regionalization. These projects are considered pilots and should address high priority water infrastructure challenges. DWSRF may expand the use of 50% principal forgiveness for planning and design projects beyond the priority areas based on available funding. Communities on the 2021 PRL will be notified if they qualify for this opportunity based on their project Questionnaire submission. Once a community is notified they qualify, a project Implementation Plan should be submitted with the following elements:

1. Project narrative- description of the investigation, planning, or design
2. Project goals and objectives- description of the goals and expected outputs.
3. Description of the social media platform used to update the community about the project progress.

Drinking Water State Revolving Fund Intended Use Plan

August 2021

4. Project timeline- detail how long the investigation, planning, or design will take to complete, by phase. A more comprehensive project timeline will be required after the Financial Sufficiency Review during the loan application process.
5. Include all other elements required for the Priority Project 50% principal forgiveness funding mechanism (see below).

The number of priority projects selected will be based on funding availability. Cooperatively, communities and TDEC will develop pilot projects and in-kind efforts that allow the community to take a leadership position to develop innovative solutions and to educate other communities across the state. In-kind efforts will be included as part of the SRF loan agreement and considered a binding agreement at the time of loan approval. Based on these initial priority projects, SRF will develop formal guidelines and eligibility criteria for future projects and submit these for public comment as part of the next IUP.

The SRF Program will allocate proportional amounts of principal forgiveness on an annual basis for those communities with the lowest ATPI. The SRF program will also develop a cash flow model to analyze the DWSRF funding base and forecast impacts to the overall SRF Program. This information will assist the State in program evaluation and make future programmatic decisions regarding fund management for GPR projects and small and disadvantaged communities.

Eligibility Requirements for Principal Forgiveness

Small and disadvantaged communities are eligible for standard principal forgiveness or the pilot project program if the proposed projects meet specific eligibility requirements:

1. Communities must have a population of 10,000 or less
2. Communities must have an ATPI of 50 or less
3. Projects must be on the current DWSRF Priority Ranking List (PRL)
4. Projects shall be ready to proceed (based on type of loan)
5. Entity must pass a financial sufficiency review by TDEC SRF
6. May not be combined with other forms of principle forgiveness
7. Must have submitted the last three years of audited financial statements submitted to the Tennessee Comptroller of the Treasury, Division of Local Government Audit

Standard Principal Forgiveness

1. 20% loan forgiveness not to exceed \$2,500,000 in total project costs and shall apply as long as DWSRF has not already met the annual cap on principal forgiveness

Drinking Water State Revolving Fund Intended Use Plan

August 2021

2. Projects must include construction (planning, design, and construction projects or construction solely).
3. Standard principal forgiveness will not be given for planning and design loans (unless the project qualifies for the priority program).

Priority Project Principal Forgiveness

1. 50% loan forgiveness not to exceed \$500,000 in total loan costs per project
2. Projects are for planning and planning and design loans only
3. Priority project loan forgiveness will not be available for construction projects
4. Utility system reporting must conform (or work to conform) to most current TDEC DWR reporting standards
5. Agree to a DWR/SRF led, drinking water quality, based decision making, pre-coordination meeting for drinking water plant projects
6. [TN Infrastructure Scorecard](#) complete as part of the project. Scorecard instructions and the Scorecard workbook are provided on the [SRF website](#).
7. Implementation Plan- a project plan outlining innovative and resilient practices
8. Partnering with SRF to ensure knowledge transfer through development of a case study of the pilot project
9. Participate in 2 workshops facilitated by TN Association of Utility Districts and in connection with pilot project
10. Maintains a social media campaign that highlights project progress

Green Project Reserve Interest Rate Reductions

The FFY 2021 Capitalization Grant allows DWSRF funding of GPR projects at the discretion of each state to address green infrastructure, resilience, water or energy efficiency improvements, or other environmentally innovative activities. The State has chosen to allocate a minimum of 10% of the FFY 2021 project funds and will strive for a goal of 18% allocation to fund eligible green projects.

A lower interest rate may be awarded to eligible communities for green projects that meet eligibility requirements defined in the [EPA Eligibilities Handbook](#). The green component cost of the project cannot be less than 20% of the total project cost to be considered for this category of funding. Selection and ranking of projects meeting green project criteria will follow the same process as all other SRF projects.

Eligibility Requirements for Interest Rate Reductions for Green Project Reserve projects

All communities, regardless of size and ATPI, are eligible for interest rate reductions if the

Drinking Water State Revolving Fund Intended Use Plan

August 2021

projects proposed meet specific eligibility requirements. Only construction projects qualify for interest rate reductions for green projects. All eligible green projects must be on the current PRL, meet the definition of a green project, and submit a business case to demonstrate green project costs and environmental benefits. The amount of interest rate reduction will be based on the scale and complexity of the green project proposal. There are three primary project categories eligible for interest rate reductions. Projects should fall within at least one of the following categories: Water and Energy Efficiency, Green Infrastructure and Source Water Protection, or Resilient, Sustainable, and Environmentally Innovative.

SRF projects should meet at least one criterion to qualify for green project subsidy:

1. Increase water efficiency
2. Increase energy efficiency
3. Recycle/reuse water
4. Production/use of clean energy
5. Improvement in source water quality and/or quantity
6. Maximization of reliance on natural hydrologic functions
7. Establish or restore streams and wetlands for source water protection
8. Other source water protection activities
9. Build system resiliency from an identified hazard, prevent flooding, or provide system redundancy

Green projects eligible for 0.1% interest rate reduction, not to exceed \$250,000 in total amortized interest savings

Water Efficiency

1. 10%-20% water loss reduction.
2. Cost/benefit ratio (low benefit/value per dollar spent—possibly a 0-20% cost saving)

Energy Efficiency

3. 10%-20% reduction in energy costs or energy reduction.
4. Cost/benefit ratio (low benefit/value per dollar spent—possibly a 0-20% cost saving)

Green Infrastructure and Source Water Protection

1. Must be part of a utility-owned facility or as part of a water infrastructure project
2. Demonstrates improvement in source water quality and/or quantity
3. Improves reliance on natural hydrologic functions
4. Potential methods for achievement in above criteria
 - a. Project increases pervious land cover (land conversion program) at the site scale

Drinking Water State Revolving Fund

Intended Use Plan

August 2021

- by 10-20% through installation of native vegetation, stream buffers, stream or wetland rehabilitation and the like **OR**
- b. Manages wet weather via increased infiltration, evapotranspiration, or reuse on-site through capture and treatment of at least 0.5 inch of runoff in a 1 year, 24-hour storm event **OR**
- c. At least 20% of overall project costs are associated with green infrastructure practices as defined by EPA guidance

Resilient, Sustainable, and Environmentally Innovative

1. At least 20% of overall project costs are associated with components defined as resilient, sustainable, environmentally innovative and green according to [EPA guidance](#)

Green projects eligible for 0.2% interest rate reduction, not to exceed \$500,000 in total amortized interest savings

Water Efficiency

1. 21-40% in water loss reduction
2. Cost/benefit ratio (low benefit/value per dollar spent—possibly a 21-30% cost saving)
3. Must meet at least three green criteria eligible activities from above list

Energy Efficiency

1. 21-40% in energy savings or water loss reduction
2. Cost/benefit ratio (low benefit/value per dollar spent—possibly a 21-30% cost saving)
3. Must meet at least three green criteria eligible activities from above list

Green Infrastructure and Source Water Protection

1. Must be part of a utility-owned facility or as part of a water infrastructure project
2. Demonstrates improvement in source water quality or quantity
3. Improves reliance on natural hydrologic functions
4. Potential methods for achieving above criteria include:
 - a. Project increases pervious land cover (landscape conversion program) at the site scale by 21-30% through installation of native vegetation, stream buffers, stream or wetland rehabilitation and the like **OR**
 - b. Manages wet weather via increased infiltration, evapotranspiration, or reuse on-site through capture and treatment of 0.75 inches of runoff in a 1 year, 24-hour storm event **OR**
 - c. At least 30% of overall project costs are associated with green project practices as defined by EPA guidance
 - d.

Drinking Water State Revolving Fund

Intended Use Plan

August 2021

Resilient, Sustainable, and Environmentally Innovative

1. 30% of overall project costs are associated with components defined as resilient, sustainable, environmentally innovative and green according to [EPA guidance](#)

Green projects eligible for 0.3% interest rate reduction, not to exceed \$1,000,000 in total amortized interest savings

Water Efficiency

1. 41% or greater energy savings or water loss reduction.
2. Cost/benefit ratio (low benefit/value per dollar spent—greater than 31% cost saving)
3. Must meet at least four green criteria eligible activities from above list

Energy Efficiency

1. 41% or greater energy savings or water loss reduction.
2. Cost/benefit ratio (low benefit/value per dollar spent—greater than 31% cost saving)
3. Must meet at least four green criteria eligible activities from above list

Green Infrastructure and Source Water Protection

1. Must be part of a utility-owned facility or as part of a water infrastructure project
2. Demonstrates improvement in source water quality or quantity
3. Improves reliance on natural hydrologic functions
4. Potential methods for achieving above criteria include:
 - a. Project increases pervious land cover (landscape conversion program) at the site scale by 31-40% through installation of native vegetation, stream buffers, stream or wetland rehabilitation and the like **OR**
 - b. Manages wet weather via increased infiltration, evapotranspiration, or reuse on-site through capture and treatment of 1 inch of runoff in a 1 year, 24-hour storm event **OR**
 - c. At least 41% of overall project costs are associated with green project practices as defined by EPA guidance

Resilient, Sustainable, and Environmentally Innovative

1. 41% or greater of overall project costs are associated with components defined as resilient, sustainable, environmentally innovative and green according to [EPA guidance](#)
2. Supports long term solutions or behavioral changes and strategies for change specific to the innovative nature of the project

**Drinking Water State Revolving Fund
Intended Use Plan**

August 2021

Financial Status of the DWSRF Loan Program

The DWSRF carried forward, from the prior year, \$37,823,928 in funds. Based on the carry forward funds, principal repayments, loan interest income, and treasury interest income added to the available funds less the set-asides from the FFY 2021 Capitalization Grant the State can provide approximately \$74,219,508 for project loans (Table 1). These funds are obligated, at the 80% federal and 20% state match. Reimbursements are submitted by loan recipients; once approved by the State, the funds are reimbursed to the recipient for their project-related expenditure. Recipients repay the loans and these funds are deposited into the Fund and interest is earned.

Financial Status of the DWSRF Loan Program for SFY 2022		
Prior-Year (SFY 2021) Carry-forward Funds		\$37,823,928
FFY 2021 Capitalization Grant		19,284,000
20% of FFY 2021 Capitalization Grant matched by State		3,856,800
Less: Set-asides		
4% Administration	\$ (764,320)	
8.4% State Program Management Public Water Supply Supervision (PWSS)	(1,600,896)	
1.6% State Program Management Operator Certification	(309,904)	
2% Small System Technical Assistance (SMS)	(382,200)	
Subtotal Set-asides		(3,057,320)
Principal repayments and Loan Revenue *		13,800,000
Loan Interest Income*		1,800,000
Treasury Interest Income*		923,300
Total DWSRF Loan Program Project Funds Available		\$74,219,508
DWSRF Commits to Projects in SFY 2022		16,226,680
* Estimated Principal, Interest, and Treasury Interest for SFY 2021		

Table 1: DWSRF Financial Status

Drinking Water State Revolving Fund

Intended Use Plan

August 2021

Criteria and Method used for Distribution of Funds

The SDWA allows each state the flexibility to establish the allocation of funds from Capitalization Grants used for infrastructure loans, assistance to financially disadvantaged communities, and set-aside activities. The state, in turn, has the responsibility to best direct the funds to address water infrastructure problems.

The primary use of the Capitalization Grant, and state match funds is to provide low-interest loans and other financial assistance to municipalities and rural water districts for the construction of public water supply projects. This assistance can be provided as: a planning loan; planning and design loan; or construction loan. It is to be noted that not all drinking water compliance problems can be solved through capital financing of infrastructure improvements.

TDEC SRF has determined, based on projected total award and potential use of set-asides, the DWSRF will have \$19,872,280 in project loan funds available from the FFY 2021 Capitalization Grant and state match. The state is required, by section 1452(a)(2)(F) of the SDWA, to use fifteen percent (15%) of the FFY 2021 Project Funds to provide loan assistance to systems serving fewer than 10,000 persons to the extent that there are a sufficient number of eligible projects to fund. Additionally, America's Water Infrastructure Act (AWIA) of 2018 provisions and amendments to the SDWA require states to provide at least six percent (6%) and up to thirty-five percent (35%) of the federal fiscal year capitalization grant as subsidies for disadvantaged communities to the extent there are sufficient applications for loans. Tennessee's DWSRF Loan Program developed a small and disadvantaged community loan forgiveness process that prioritizes allocation of subsidy for disadvantaged communities with an ATPI of 50 or less.

Loan Terms and Fees

The term of the loan will be a maximum of 40 years or the useful life of the project, whichever is shorter. A loan fee of 8 basis points (0.08%) is charged by the Office of State and Local Finance for the DWSRF loans that are awarded on or after October 1, 2009. The interest rates for utility districts and water authorities that have service areas in more than one county will be evaluated and ranked by utilizing the lowest ATPI for the county or city that directly benefit from the project(s) associated with the loan.

Drinking Water State Revolving Fund Intended Use Plan

August 2021

Financial, Managerial, and Technical Capacity

The State is required under Section 1452(a)(3) of the SDWA to develop a process to assess the technical, financial, and managerial capacity of water systems before a loan can be awarded. State law was amended March 10, 1998, to give authority to the TDEC to require all new community water systems and new non-transient, non-community water systems commencing operation after October 1, 1999, to demonstrate technical, managerial, and financial capacity to comply with the national primacy drinking water regulations and the provisions of the Tennessee SDWA and the rules promulgated thereunder. The law was also amended to grant to TDEC the authority to develop a strategy to assist PWSS in acquiring and maintaining technical, managerial, and financial capacity. Regulations governing the Capacity Development Program in the State for new systems became effective on August 29, 1999. The state is in compliance with the SDWA section 1420(c)(3), which requires the state to assess the effectiveness of their strategy to ensure that PWSS providers have the technical, managerial and financial capacity to operate a PWS.

In addition to the strategy, the State has two (2) boards that evaluate the technical, financial, and managerial capacity of water systems eligible for DWSRF loans. The Water and Wastewater Financing Board addresses cases involving county and municipal government water systems and water and wastewater authorities. The Utility Management Review Board addresses cases involving utility districts and water and wastewater authorities. SRF loan applicants in significant noncompliance will be required to demonstrate to the DWSRF Loan Program that the proposed DWSRF project will ensure compliance. The DWSRF Loan Program will access documents that demonstrate the loan applicant's managerial, technical, and financial capacity. This evaluation allows TDEC to recommend the loan for approval to the Tennessee Local Development Authority Board. Additionally, as part of the loan application process, an administrative loan fee is charged to DWSRF loans awarded after October 1, 2009, by the State Comptroller of the Treasury.

Set-Aside Activities

Sections 1452(g) and (k) of the Safe Drinking Water Act allow states to set aside up to 31% of the Capitalization Grant for specific activities. The eligible DWSRF set-aside types include administration and technical assistance (4%), small systems technical assistance (2%), state program management (10%) and local assistance and other state programs (15%). TDEC SRF intends to use a portion of the total set-asides allowable under the law. Table 2 outlines the DWR program, amount of Capitalization Grant (both in percent and funds), and activities

Drinking Water State Revolving Fund Intended Use Plan

August 2021

TDEC intends to fund through the set-aside allotment. Funds not expended in these categories by the end of the fiscal year will carry forward.

Division and Program	Set Aside %	Activities	Funds
DWR / SRF	4% Administration	DWSRF Loan Program administration, and database development	\$764,320
DWR/ Drinking Water Unit, FTC	8.4% State Program Management - Public Water System Supervision (PWSS)	Sanitary surveys, investigation, publications, laboratory support & certification	\$1,600,896
DWR/ FTC	1.6% State Program Management - Operator Certification	Operator certification program and database development	\$309,904
DWR/SRF/FTC	2% Small System Technical Assistance (SMS)	Regulatory compliance, technical assistance to small communities	\$382,200
TOTALS			\$3,057,320

Table 2: DWSRF Set-aside Activities

The SDWA allows each state to set-aside these funds from its federal capitalization grant to support various drinking water programs including administration, technical assistance, state program management, and special activities. The DWSRF program plans to use approximately \$3,057,320 in federal funding for eligible DWSRF activities. Outcomes from these activities are reported to EPA in the DWSRF Annual Reports.

The DWSRF intends to use up to four percent (4%) (\$764,320) of the set-asides for administrative support includes database development, salaries and benefits of employees; travel of staff relating to project management, conferences, seminars, and workshops; technical assistance contracts, training for state employees; general office supplies; equipment purchases (as needed), communication and printing, and rent of office space.

Drinking Water State Revolving Fund Intended Use Plan

August 2021

State Program Management

Public Water Supply Supervision (PWSS)

The State of Tennessee intends to set aside eight point four percent (8.4 %) or \$1,600,896 of the FFY 2021 Capitalization Grant for the following critical purposes:

- For Public Water System Supervision programs activities under Section 1443(a)
- To further develop and implement a Capacity Development Strategy under Section 1420
- To implement a Laboratory Certification Program

The PWSS program goals, objectives, and deliverables for this year include such activities as continued implementation of the Enforcement Tracking Tool in conjunction with formal enforcement efforts; continue to manage and implement the laboratory certification program statewide, record keeping and evaluation of voluminous water quality data; and closely tracking monitoring and reporting requirements for all public water systems. The set-aside will also be used to provide the necessary training and travel expenses associated with the PWSS program and laboratory certification program. Other technical services and assistance to public water systems include addressing challenges associated with the managerial, technical, and financial capacity of public water systems. The PWSS program will continue to evaluate its success in assisting public water supply systems to achieve compliance with the SDWA. Results of the PWSS program will be provided in the FY 2021-2022 DWSRF Annual Report.

TDEC DWR intends to use PWSS set-aside to purchase technical supplies along with field supplies necessary for the Drinking Water Program and to conduct the following activities:

- Review Drinking Water Engineering Plans
- Compliance Monitoring Data Management
- Technical Assistance
- Laboratory Certifications/Audits
- Enforcement/Compliance
- Sanitary Surveys
- Area Wide Optimization Program / Capacity Development Training and Assistance
- Technical Meetings/Trainings

The PWSS set-aside will also be directed towards salaries and benefits to retain approximately 18 positions or partial positions in DWR for those who conduct drinking

Drinking Water State Revolving Fund Intended Use Plan

August 2021

water-related work activities along with the time and travel. During FY 2021-2022, DWR will use the majority of the set-aside money to continue the existing level of activities related to Tennessee’s PWSS program. Our work efforts include incorporating capacity development activities into the technical assistance provided to Tennessee’s public water systems. In addition to continuing existing activities, DWR proposes to use set-aside money to continue to address issues raised by the 1996 amendments to SDWA along with continued implementation of the Revised Total Coliform Rule, SDWA updates and possible revisions to the Lead and Copper Rule. Further, DWR proposes to have public water systems begin monitoring for Per- and Polyfluoroalkyl Substances (PFAS) in anticipation of revisions to the SDWA. The benefits of PFAS monitoring is to establish a baseline of understanding of a contaminant of concern and considered special (non-routine) monitoring. PFAS monitoring is included in the Capacity Development portion of the 2017 Drinking Water State Revolving Fund Eligibility Handbook.

The following positions will perform the aforementioned activities:

- Drinking Water Program Manager - (1)
- Administrative Support Members - (2)
- Drinking Water Engineers - (3)
- Drinking Water Laboratory Certification Officers - (4)
- Drinking Water Compliance Data Management - (3)
- Area Wide Optimization Program Staff - (5)

Projected Activity	Projected Outputs
Technical Assistance to PWS’s	900
Technical Assistance Visits (Environmental Field Offices)	300 visits
Drinking Water Laboratory Certifications	75 certifications
Drinking Water Laboratory Audits	40 audits
Engineering Plans reviewed	100% reviewed within 30 days of receipt
Enforcement / Compliance	150 Compliance Status correspondence; 15 Directors Orders
Data Management	Reports entered into SDWIS database within 60 days of receipt

Table 3: Projected activities scheduled for completion using PWSS set-aside funds

Drinking Water State Revolving Fund Intended Use Plan

August 2021

State Program Management

Drinking Water Operator Certification Program

The State of Tennessee intends to set aside one-point six percent (1.6%) or \$309,904 of the FFY 2021 Capitalization Grant for the Water Operator Certification Program. The Water Operator Certification Program is administered by the Water and Wastewater Certification Board and implemented by the Fleming Training Center (FTC) under the authority of the *Water and Wastewater Operator Certification Act*. The FTC Certification staff members manage over 4,000 licenses in water treatment and distribution while offering certification exams to over 1,000 applicants yearly. The certification program evaluates and approves over 300 continuing education activities a year. The set-aside will partially fund five positions and a seasonal clerk.

FTC has identified three funding goals for the SFY 2022 DW IUP:

1. Funding for administration of the Water Operator Certification program
2. Continued development of the Operator Certification Database
3. Validated examination blueprints and examination questions for the Water Operator Certification Exams.

Goal 1- Provide for administration of the Water Operator Certification Program

The Operator Certification Program is supported by two full-time staff members with three additional staff members allocating time between the operator certification and training. The operator certification program is responsible for ensuring, through certification, that individuals are qualified to operate water systems. This is achieved by evaluating education and experience of operators for initial certification and ensuring compliance with continuing education requirements once certified.

Goal 2- Continued Development of Operator Certification Database

Development and implementation of enhancements to the Operator Certification Database and online portal.

Goal 3- Development of a Validated Operator Certification Examinations

Psychometricians from Middle Tennessee State University will create an updated exam blueprint, create validated exam questions and examination forms.

Drinking Water State Revolving Fund Intended Use Plan

August 2021

Small Systems Technical Assistance

TDEC will set aside two percent (2%) or \$382,200 of the FFY 2021 Capitalization Grant to provide technical assistance to PWSS serving 10,000 or fewer persons. These funds will provide partial funding of the nine (9) full-time positions at the Fleming Training Center (FTC) and training for small water system operators as well as supporting the Small Water Systems certification program. Funds will be expended monthly across the fiscal year.

The FTC provides four primary services to water and wastewater treatment systems and operators:

1. Training individuals to become water and wastewater system operators;
2. Administering the State water and wastewater operator certification program;
3. Providing Continuing Education classes and seminars to certified operators allowing them to meet their CEU requirements; and
4. Providing technical assistance to water and wastewater facilities/operators.

The Fleming Training Center intends to use this set-aside to provide training and technical assistance to public water supplies serving populations of less than 10,000. Three full-time instructors are available for both on-site and remote technical assistance. The training center provides both continuing education classes and operator training courses throughout the year across the state with emphasis on water treatment operations, operator math, water laboratory methods, and cross-connection control training.

Local Assistance and Other State Programs

Source Water Protection Program

Tennessee Department of Environment and Conservation (TDEC), Division of Water Resources (DWR) continues to work with partner divisions and agencies to update the Source Water Assessment for the state of Tennessee. The assessment will include evaluating physical parameters along with sources of potential contamination to assign vulnerability rankings to each public water system based upon these factors.

Real-time Groundwater Level Monitoring

A groundwater level monitoring network will be established to evaluate aquifer conditions at representative areas throughout the state. Prioritization for monitoring locations will be weighted by drought prone and historically affected areas. The information from these stations is intended to assist public water systems with establishing additional metrics for drought plan implementation and further research for water availability and capacity of

**Drinking Water State Revolving Fund
Intended Use Plan**

August 2021

public water systems.

Expenditures and technical assistance to protect and update SWP areas

Technical assistance and funding will be made available for activities to protect source water protection areas and to delineate/update wellhead protection areas for public water systems. Protection activities expenditures in source water areas may include survey or replacement of failing septic systems as well as well abandonment. Each of these activities are important to prevent sources of contamination in source water protection areas and may be funded as expenditures where other resources are not available. In addition, technical resources and expenditures can be used to delineate/update wellhead protection areas. These projects may include hydrogeologic evaluations, surface water, and groundwater modeling, or dye tracing to identify groundwater recharge areas for aquifers used by public water systems for production.

The following positions will perform the aforementioned activities:

- Drinking Water Consultant - (1)
- Drinking Water Wellhead Scientist - (1)
- Partner agencies

Projected Activity	Projected Outputs
Source Water Assessment Update	1 Statewide – 782 Individual PWSs
Real-time Groundwater Level Monitoring	10 sites
Expenditures and technical assistance to protect and update SWP areas	\$100,000

Table 4: Projected Source Water Protection program activities

Wellhead Protection Program

The State of Tennessee has hired for the a position responsible for coordinating Wellhead Protection Program activities including:

- Review Wellhead Protection Plans provided by utilities
- Provide technical assistance and guidance to utilities for developing Wellhead Protection Plans
- Work with partners in other agencies to prioritize source water protection conservation projects

Drinking Water State Revolving Fund Intended Use Plan

August 2021

- Create a database of potential contaminant sources from state and other agencies Geographic Information System (GIS) layers
- GIS analysis to examine potential sources of contamination within source water protection areas
- Work with interagency partners to update a statewide Source Water Assessment
- Assist internal and external customers with data requests regarding proximity of municipal wells and wellhead protection areas

An additional position will be integrated into the Drinking Water Unit to provide technical assistance for Source Water Program implementation and assistance to public water systems. The position will be responsible for assisting in coordination of the Source Water Program, educational outreach, review of Source Water protection plans, steward of database required for the Source Water Assessment report update, and to help guide protection and conservation funding efforts with State Revolving Fund staff and partner agencies.

The following positions will perform the aforementioned activities:

- Drinking Water Wellhead Protection Program – Environmental Consultant - (1)
- Partner Agencies

Projected Activity	Projected Outputs
Wellhead Protection Plan Reviews	150 plans/year
Source Water Assessment Update	1 Updated Assessment
Conservation Project Coordination	10 sites/year
GIS analysis – internal/external customers	50 inquiries/year (estimated)
Education events	3 events/year

Table 5: Projected Wellhead Protection program activities

Program Assistance Contracts

Targeted Technical Assistance and Training for Small and Disadvantaged Communities

TDEC SRF will contract with the Tennessee Association of Utility Districts to develop a consolidated technical assistance contract to provide targeted technical assistance to distressed or disadvantaged communities. This contract (\$100,000 from FFY 2020) will focus on issues with public water and wastewater systems; managerial, financial, and technical

Drinking Water State Revolving Fund Intended Use Plan

August 2021

capacities for systems; assist in reducing occurrence of health-based drinking water violations; optimize resources and support to small and disadvantaged communities and systems across the state; develop new capacity to make full use of Federal Capitalization Grant set-asides for drinking water; and implement priorities under TN H2O. Technical assistance will be provided at no cost to eligible communities.

Assurances and Specific Proposals

The State shall provide the necessary assurances and certifications described in the Operating Agreement submitted as part of the Capitalization Grant Application. This Operating Agreement is the official agreement between the State and EPA.

Pursuant to Section 1452 of the SDWA, the State certifies that:

- The State has the authority to establish a DWSRF Loan Program project loan fund and to operate the DWSRF Loan Program in accordance with the SDWA
- The State will comply with its statutes and regulations
- The State has the technical capability to operate the program
- The State will accept Capitalization Grant funds in accordance with a payment schedule
- The State will deposit all Capitalization Grant funds in the DWSRF Loan Program project fund or set-aside account
- The State will deposit interest earnings and repayments into the DWSRF Loan Program project fund
- The State will use Generally Accepted Accounting Principles
- The State will have the DWSRF Loan Program project fund and set aside account audited annually in accordance with Generally Accepted Government Auditing Standards
- The State will adopt policies and procedures to assure that borrowers have a dedicated source of revenue for repayments
- The State will commit and expend funds as efficiently as possible, and in an expeditious and timely manner
- The funds will be used in accordance with the IUP
- The State will provide EPA with an Annual Report
- The State will comply with all federal crosscutting authorities
- In addition, the State certifies that it will conduct environmental reviews on water system projects in satisfying the National Environmental Policy Act-like requirements. The State's Environmental Review Process procedures are contained in the approved Operating Agreement.
- The State publishes the draft Intended Use Plan for public comment annually on the

Drinking Water State Revolving Fund Intended Use Plan

August 2021

SRF website and the DWR website. The State provides a 30-day public comment period followed by a public meeting where the details of the IUP are reviewed. Any public comments received during this period are responded to and posted as a public notice along with the updated IUP. Modifications are made to the IUP when needed and after appropriate public notice is given.

- The State opens the Solicitation for Drinking Water projects in both the winter and the summer of every year.

States are allowed to transfer up to 33% of the DWSRF Capitalization Grant into the Clean Water State Revolving Fund (CWSRF) or an equal dollar amount from the CWSRF into the DWSRF. 40 C.F.R. § 35.3555(c)(8). Tennessee reserves the right to transfer between these funds.

FFY 2021 Appropriations Bill and Other Requirements

Subsidization

AWIA contains provisions and amendments to the SDWA that require states to provide at least six percent (6%) and up to thirty-five percent (35%) of the federal fiscal year capitalization grant as subsidies for disadvantaged communities to the extent there are sufficient applications for loans.

Davis-Bacon

The Davis-Bacon Act, 46 Stat. 1494 (Pub. Law 71-800), and Related acts apply to contractors and subcontractors performing on federally funded or assisted contracts in excess of \$2,000 for the construction, alteration, or repair (including painting and decorating) of public buildings or public works. The Davis-Bacon Act (DBA) and Related Acts require contractors and subcontractors to pay their laborers and mechanics employed under the contract no less than the locally prevailing wages and fringe benefits for corresponding work on similar projects in the area. The Davis-Bacon Act directs the Department of Labor to determine such locally prevailing wage rates. The Davis-Bacon Act applies to contractors and subcontractors performing work on federal or District of Columbia contracts. The prevailing Davis-Bacon Act wage provisions apply to the "Related Acts," under which federal agencies assist construction projects through grants, loans, loan guarantees, and insurance.

For prime contracts in excess of \$100,000, contractors and subcontractors must also, under the provisions of the Contract Work Hours and Safety Standards Act, as amended, pay

Drinking Water State Revolving Fund Intended Use Plan

August 2021

laborers and mechanics, including guards and watchmen, at least one and one-half times their regular rate of pay for all hours worked over 40 in a workweek. The overtime provisions of the Fair Labor Standards Act may also apply to DBA-covered contracts.

American Iron and Steel

The American Iron and Steel (AIS) provision requires the DWSRF assistance recipients to use iron and steel products that are produced in the United States. This requirement applies to projects for the construction, alteration, maintenance, or repair of a PWSS or treatment works and if the project is funded through an assistance agreement executed beginning January 17, 2014. AWIA extends the AIS provision for DWSRF projects through Fiscal Year 2023.

On October 23, 2018, the President signed AWIA, which includes several updates and revisions to the SDWA, including the DWSRF provisions. Section 2022 of AWIA amended Section 1452(a)(4)(A) of SDWA to extend the requirement for the use of American Iron and Steel (AIS) products in projects receiving financial assistance from the DWSRF during fiscal years 2019 through 2023.

Disadvantaged Business Enterprise (MBE)/Women's Business Enterprise (WBE) Goals

MBE/WBE reporting is required in annual reports. Reporting is required for assistance agreements where funds are budgeted for procuring construction, equipment, services and supplies (including funds budgeted for direct procurement by the recipient or procurement under subawards or loans in the "Other" category) with a cumulative total that exceed the threshold amount of \$250,000, including amendments and/or modifications. When reporting is required, all procurement actions are reportable, not just that portion which exceeds \$250,000.

In accordance with 40 CFR, Part 33, Subpart D, established goals/objectives remain in effect for three fiscal years unless there are significant changes to the data supporting the fair share objectives. The loan recipient is required to follow requirements as outlined in 40 CFR Part 33, Subpart D when renegotiating the fair share objectives/goals.

Pursuant to 40 CFR § 33.301, the recipient agrees to make the following good faith efforts whenever procuring construction, equipment, services, and supplies under an EPA financial assistance agreement, and to require that sub-recipients, loan recipients, and prime contractors also comply. Records documenting compliance with the six good faith efforts

Drinking Water State Revolving Fund

Intended Use Plan

August 2021

shall be retained:

1. Ensure Disadvantaged Business Enterprises (DBE) are made aware of contracting opportunities to the fullest extent practicable through outreach and recruitment activities. For Indian Tribal, State, and Local and Government recipients, this will include placing DBEs on solicitation lists and soliciting them whenever they are potential sources.
2. Make information on forthcoming opportunities available to DBEs and arrange time frames for contracts and establish delivery schedules, where the requirements permit, in a way that encourages and facilitates participation by DBEs in the competitive process. This includes, whenever possible, posting solicitations for bids or proposals for a minimum of 30 calendar days before the bid or proposal closing date.
3. Consider in the contracting process whether firms competing for large contracts could subcontract with DBEs. For Indian Tribal, State, and local Government recipients, this includes dividing total requirements when economically feasible into smaller tasks or quantities to permit maximum participation by DBEs in the competitive process.
4. Encourage contracting with a consortium of DBEs when a contract is too large for one of these firms to handle individually.
5. Use the services and assistance of the Small Business Administration (SBA) and the Minority Business Development Agency of the Department of Commerce.
6. If the prime contractor awards subcontracts, require the prime contractor to take the steps in paragraphs (1) through (5).

The recipient agrees to comply with the contract administration provisions of 40 CFR, Section 33.302 (a)-(d) and (i).

Recipients of a Continuing Environmental Program Grant or other annual reporting grant agree to create and maintain a bidders list. Recipients of an EPA financial assistance agreement to capitalize a revolving loan fund also agree to require entities receiving identified loans to create and maintain a bidders list if the recipient of the loan is subject to, or chooses to follow, competitive bidding requirements. Please see 40 CFR, Section 33.501 (b) and (c) for specific requirements and exemptions.

A class exception to the entire Subpart D of 40 CFR Part 33 has been authorized pursuant to the authority in 2 CFR 1500.3(b). Notwithstanding Subpart D of 40 CFR Part 33, recipients are

Drinking Water State Revolving Fund Intended Use Plan

August 2021

not required to negotiate or apply fair share objectives in procurements under assistance agreements.

When required, the recipient agrees to complete and submit a "MBE/WBE Utilization Under Federal Grants and Cooperative Agreements" report (EPA Form 5700-52A) on an annual basis.

Environmental Benefits

The State agrees to complete on a real-time basis the DWSRF PBR in accordance with the Procedures for Implementing Certain Provisions of the FFY 2021 Appropriation. The following information will be entered quarterly into the DWSRF PBR: (1) Type of GPR Project, if funded, (green infrastructure, water efficiency, energy efficiency environmentally innovative), (2) Amount of SRF loan and amount of GPR funding, (3) Brief description of the GPR project, (4) The amount of subsidy provided, (5) Population served by the project, and (6) Information on the Environmental Benefits of the SRF Assistance Agreements. Copies of the PBR worksheets will be placed in the Annual Report. Section 1452 of the SDWA requires the State to complete and submit an Annual Report within 90 days after the end of the fiscal year covered by the IUP. This report will contain detailed information on how the State has met the goals and objectives of the previous year as stated in the IUP and Capitalization Grant agreement. Additionally, the Annual Report identifies loan recipients (name and identification number), loan amounts and terms, green projects, projects receiving subsidization (principal forgiveness), amount of subsidy, similar details on other forms of financial assistance provided from DWSRF, population of loan recipient, and other such information as EPA may require.



**Drinking Water State Revolving Fund
Intended Use Plan**
August 2021

Appendix

[DW Priority Ranking List](#)