



INTENDED USE PLAN
DRINKING WATER STATE REVOLVING FUND

STATE FISCAL YEAR 2020
FEDERAL FISCAL YEAR 2019

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

April 2020



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Drinking Water State Revolving Fund

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Introduction

The Tennessee General Assembly passed the “Drinking Water Revolving Fund Act of 1997” to provide low-interest loans to local government 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 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 (PWSS) in attaining safe and reliable drinking water. The federal program was created through Congress’s 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 PWSS most in need. Additional information about the DWSRF program can be found on the TDEC SRF website.

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 FFY 2019

TDEC’s new Small and Disadvantaged Community program

TDEC’s new Ability to Pay Index

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 PWSS for planning, design, and construction projects that include (but are not limited to): plant replacement and upgrade; distribution

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system installation, repair, and upgrade; water loss; treatment; storage; water reuse; 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) 2019 appropriations for the DWSRF Loan Program will be used. The State of Tennessee’s federal allotment of FFY 2019 DWSRF Loan Program funds is \$19,113,000 and the 20% state match required is \$3,822,600.

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, and PWSS. 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,

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preventing 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 PWSS to maintain or come into compliance with state drinking water and federal SDWA requirements.
10. Encourage the consolidation or regionalization of PWSS 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.
13. Update Division of Water Resources rules governing the DWSRF.

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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.
5. Provide supervision and direct technical assistance to PWSS.
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 PWSS are aware of and understand DWSRF assistance options and the loan application process by presenting 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 funds in the SRF and grant award 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.

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 letter of request that includes a detailed

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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

Table 1: DWSRF Drinking Water Project Options

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.

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 and a comprehensive priority list of eligible projects for

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

Table 2: Ineligible Projects

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funding in future years (DWSRF will maintain past PRLs). The PRL includes: the name of the community, project title, points awarded, green project amount and description (if applicable), population in the service area, expected terms of financial assistance, and the projected amount of eligible assistance. The SRF 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 2019 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 FY 2020 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 with construction. DWSRF Loan Program projects are ranked with the potential to be funded based on the highest number of priority points awarded on the FY 2020 DWSRF PRL. Additionally, DWSRF gives priority to communities with projects that are ready to proceed. Upon receipt of the FFY 2019 Capitalization Grant, TDEC will contact all communities with projects on the FY 2020 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 with ranked projects to be 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 conditions.

Interest Rates and Affordability Criteria

The interest rate will be based on a community's ability to pay determined through the ATP. Interest rates can vary from zero to 100 percent of the interest rate reported on the 20-year Bond Buyer Index and the Municipal Market Data General Obligation Yields published every Thursday. The SRF program provides an updated interest rate every Monday. The State may also recommend a reduction of the interest rate to incentivize green projects and sustainable & resilient projects, but not below zero percent. 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 ATP for the county or city that

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directly benefit from the project(s) associated with the loan. The term of the loan is either a maximum of 20 years or 30 years for State-identified economically disadvantaged communities or the useful life of the project whichever is shorter.

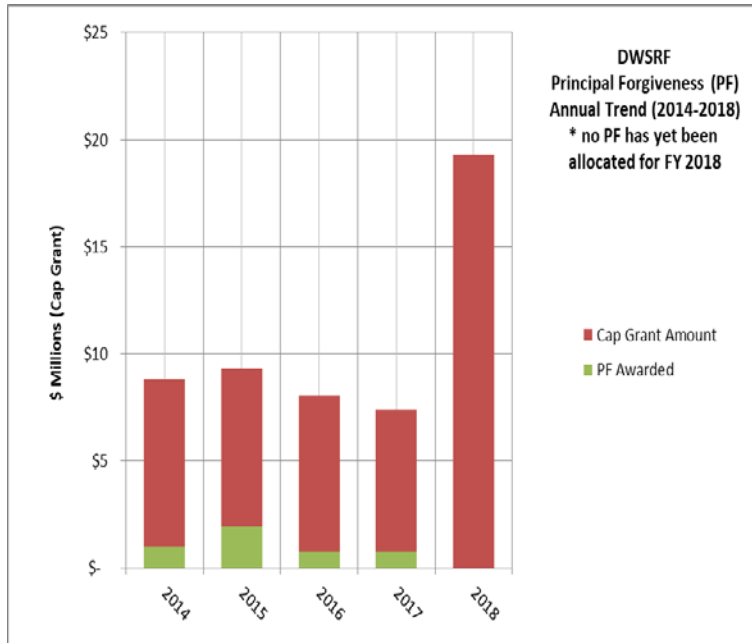


Figure 1: Annual Trend in DWSRF PF Allocation

TDEC SRF will allocate proportional amounts of principal forgiveness on an annual basis, and will not significantly exceed historic trends (Figure 1). To ensure the long-term stability of SRF funds, the SRF program will also develop a cash flow model to analyze the DWSRF funding base, and forecast impacts to the overall SRF revolving fund. This information will assist the State in program evaluation and make future programmatic decisions regarding fund management for green reserve projects and small and disadvantaged communities.

Ability to Pay Index (ATPI)

Allocation of DWSRF subsidies will be determined based, in part, on the ATPI developed by the University for Tennessee Institute of Agriculture (UTIA) in 2019. The ATPI is a database of socioeconomic and financial data, including the Appalachian Regional Commission ranking, used to help make decisions regarding the determination of interest rates, allocation of subsidy, and identification of options intended to benefit communities that need it the most. The allocation formula uses a broad definition of fiscal capacity that considers income, unemployment data, and population trends. The intent is to measure fiscal capacity in terms of the available resources to pay for services. The new ATPI will be updated with current data every year by the University of Tennessee.

The ATPI is required for administration of SRF loans by the Water Resources Reform and Development Act (WRRDA) of 2014, 33 U.S.C.A. §§ 2201 to 2355.

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Small and Disadvantaged Communities

In 2019, the SRF Loan Program responded to requests from Governor Lee regarding rural community assistance by prioritizing allocation of subsidy for water and wastewater infrastructure (in the form of principal forgiveness and lower interest rates) to communities identified as both small and economically disadvantaged. Eligibility of DWSRF loan 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 60 or less on the index. 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 loan forgiveness for eligible communities will be provided at 20% of the loan value (not to exceed \$2,500,000 in total principal discounted for a single loan or project within a year, and within total SRF allotted loan forgiveness for a given fiscal year).

As part of TDEC's effort to assist small, disadvantaged, and rural communities, SRF will initiate a small number of pilot projects with communities to address high priority water infrastructure challenges. In return for in-kind effort to assist in the development of new methods, guidelines, tools, and innovative approaches to solving water infrastructure challenges, communities may be eligible to receive additional loan forgiveness. 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 pilots, SRF will develop formal guidelines and eligibility criteria for future projects and submit these for public comment as part of the next IUP.

Green Projects

The FFY 2019 Capitalization Grant allows DWSRF funding of Green 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 2019 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 for [EPA SRF Green Projects](#). The green component cost of the project cannot be less than 20% of the total project cost to be considered for this category

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of funding. Selection and ranking of projects meeting Green Project Reserve (GPR) criteria will follow the same process as all other SRF projects.

Financial Status of the DWSRF Loan Program

The DWSRF carried forward, from the prior year, \$50,985,424 in funds. Based on the carry forward funds added to the available funds from the FFY 2019 Capitalization Grant the State can provide up to \$70,403,844 for project loans (Table 3). 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 FY 2019		
Prior-Year (FY 2019) Carry-forward Funds*		\$50,895,424
FFY 2019 Capitalization Grant		19,113,000
20% of FY 2019 Capitalization Grant matched by State		3,822,600
Less: Set-asides		
4% Administration	\$ (764,520)	
9% Public Water Supply Supervision (PWSS)	(1,718,140)	
2% Small System Technical Assistance (SMS)	(382,260)	
3% Local Assistance and Other State Programs (PFAS)	(562,260)	
Total Set-asides		(3,427,180)
DWSRF Loan Program Project Funds		\$70,403,844
*The carry-forward funds include the transfer of \$42,809,917 from the Drinking Water Fund to the Clean Water Fund as of March 12, 2019 pursuant to 40 CFR 35 Subpart (k).		

Table 3: Financial status and fund distribution of the DWSRF

Criteria and Method used for Distribution of Funds

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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, along with 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 funds and potential use of set-asides, the DWSRF will have \$19,508,420 in project loan funds available from the FFY 2019 Capitalization Grant and state match (Table 4). The state is required, by section 1452(a)(2)(F) of the SDWA, to use fifteen percent (15%) of the FFY 2019 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. In addition, 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 Ability to Pay of 60% or less.

Table 4: Funds Available for Projects

Funds Available for Projects		
FFY 2019 Capitalization Grant		\$ 19,113,000
State Match (20%)		3,822,600
Total Set-Asides	\$ (3,427,180)	
Totals Funds Available FFY 2019		\$ 19,508,420

In addition, SRF will apply for new non-competitive EPA grants as authorized by the [Water Infrastructure Improvements for the Nation Act \(WIIN\) Grants](#). The first of the EPA grants is the [Assistance for Small and Disadvantaged Communities Drinking Water Grant](#). The intent of this grant is to provide assistance to communities with a population less than

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10,000 that do not have the capacity to incur debt sufficient to finance projects to comply with SDWA. Grant funds received will be administered by SRF in the form of sub-recipient contracts. In order to receive the grant, EPA requires a mandatory state match of forty-five (45%) funds before the sub-recipient contracts are administered. The total project dollars for this grant is \$1,338,181 and includes the state match of \$602,181. If other non-competitive grant opportunities become available, DWSRF will provide information to the public.

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 PWSS.

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

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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 5 outlines the DWR program, amount of Capitalization Grant (both in percent and funds), and activities 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.

Table 5: DWSRF Set-aside Activities

Division and Program	Set Aside %	Activities	Funds
DWR / SRF	4% Administration	DWSRF Loan Program administration, support for needs surveys	\$764,520
DWR/ Drinking Water Unit, TN H2O, FTC	9% State Program Public Water System Supervision (PWSS)	Sanitary surveys, investigation, publications, laboratory support, operation certification	\$1,718,140
DWR/SRF/FTC	2% Small System Technical Assistance (SMS)	Regulatory compliance, technical assistance to small communities	\$382,260
DWR/SRF/FTC	3% Local Assistance and Other State Programs	PFAS sampling	\$562,260
TOTALS			\$3,427,180

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 \$3,427,180 in federal funding for eligible DWSRF activities. Outcomes from these activities are reported to EPA in the DWSRF Annual Reports.

Public Water Supply Supervision (PWSS)

The State of Tennessee intends to set aside 9 percent (9%) or \$1,718,140 of the Capitalization Grant for FFY 2019 will be utilized for the following critical purposes:

- PWSS program activities under Section 1443(a)
- Develop and implement a Capacity Development Strategy under Section 1420
- Implement a Laboratory Certification Program

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The PWSS program goals, objectives, and deliverables for this year include 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 PWSS. 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 PWSS include addressing challenges associated with the managerial, technical, and financial capacity of PWSS. 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 FFY/FY 2019-20 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

In addition, the PWSS set-aside will also be utilized for salaries and benefits for approximately sixteen (16) full or part-time positions in DWR for team members who conduct drinking water-related work activities along with their time and travel. During FY 2020, DWR will use the majority of the set-aside funds to continue the existing level of activities related to Tennessee's PWSS program. Table 6 highlights projected outputs from team members conducting drinking-water related activities. TDEC DWR work efforts include incorporating capacity development activities into the technical assistance provided to Tennessee's PWSS.

The following positions will perform the aforementioned activities:

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

Table 6: Projected activities scheduled for completion using PWSS set-aside funds

Projected Activity	Projected Outputs
Technical Assistance Visits (Environmental Field Offices)	350 visits
Drinking Water Laboratory Certifications	75 certifications
Drinking Water Laboratory Audits	50 audits
Engineering Plans reviewed	1500 Engineering plans reviewed within 30 days of receipt
Enforcement / Compliance	200 Compliance Status correspondence; 40 Directors Orders
Data Management	Reports entered into SDWIS database within 60 days of receipt

The State is in compliance with the SDWA, which requires the State to adopt and implement a plan for certifying operators of PWSS.

Drinking Water Operator Certification Program

The Fleming Training Center (FTC) administers the Operator Certification Program for the State of Tennessee. The FTC Certification staff members manage over 3,600 licenses in water treatment and distribution while offering certification exams to over 500 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. Over the next year, the certification program will complete an updated database and job analysis study. Tennessee has contracted with a vendor to design and develop a new operator database.

This integrated database application and will allow operator training and certification data

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to be transferred over the internet. The new database will allow for more water treatment operators to access and review their certification status and determine their Continuing Education Unit (CEU) status to determine how many CEUs are needed to maintain their certification. Some key features of this database will allow for the differentiation of continuing education (management, technical and operational) CEUs and allow entities approved by TDEC to input training records. This is the first step toward digitalization of the operator certification files. The anticipated completion date is December 31, 2019.

The Operator Certification Program will also conduct a job task analysis study to ensure that the operator certification exam material reflects the skills and training needed by today's operator. This study will provide the information necessary to update our *Need to Know Guidance* and training for operator certification and training. FTC will recruit subject matter experts to develop the Need to Know data. Operator Certification questions will be evaluated by a psychometrician to help ensure that all questions are technically sound and unbiased. The study will be the foundation of the operator certification examination and help determine the direction of future evaluation methodology.

Small Systems Technical Assistance

TDEC will set aside two percent (2%) of the funds available in the FFY 2019 Capitalization Grant of \$382,260 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. FTC plans to increase the training center staff by one full-time position to meet the training needs of operators. 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.

A listing of the FY 2019 [classes](#) is available for the PWSS Program available at FTC.

The FTC instructor goals are to provide training and technical assistance to small water

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system operators to assist them to calibrate equipment, provide health and safety training needed for persons working at water and wastewater treatment facilities, promote compliance with the SDWA, and help protect public health and the environment. New to FY 2020, FTC created a 3-day course designed specifically for operators of small water systems. FTC also offers multiple mathematics classes, a one-week basic laboratory class, a two-week intermediate laboratory class, pumps and motors class available for all plant personnel, and operator certification classes throughout the year to meet the needs of the operators.

The Tennessee Water and Wastewater Operator Certification Board are using ABC generated examination for Small Water Systems (SWS) operators. In 2019, an updated job task analysis study will be initiated to ensure the content areas and coinciding need-to-know reflect that of current operators. In addition, FTC staff will monitor examinee performance and modify training classes to help SWS operators be better prepared for the examinations.

FTC receives feedback from operators and regulators and has identified the need for additional training in laboratory testing and regulatory compliance resulting in expanded course offerings for SWS operators in these areas. FTC plans to address the laboratory training needs of the operators by purchasing additional laboratory equipment and designing training classes incorporating the new equipment. Training and continuing education will be provided to water and wastewater operators using a wide variety of classes and seminars.

FTC will also coordinate with TDEC staff and staff from other departments and agencies to provide classes and seminars across the state for more efficient and less costly operator training. Additionally, FTC staff has developed partnerships with institutions of higher learning in the region to expand training opportunities for current SWS operators and persons interested in becoming certified water and wastewater treatment plant operators. With the average age of the certified Tennessee Small Water System Operator being 58, these partnerships are necessary to address needs associated with an aging workforce and succession planning in the water utilities.

The three instructors and certification staff at FTC will provide technical assistance and consultation to small systems through on-site visits to the water systems, Facebook, and other social media, technical bulletins, e-mail, or by telephone. FTC will provide Lab QA/QC training, general operational training, continuing education for operators, regulatory compliance, operator certification assistance, and cross-connection control training. FTC

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will continue offering training and technical assistance to small systems serving 3,300 customers or less.

FTC will assess work accomplished each quarter. This includes training, continuing education classes, operator certification, and annual operator recertification. FTC asks class attendees to complete training evaluations at the end of each class. FTC uses this information to help evaluate trainers, class content and class setting. This information is used to improve classes and seminars. After staff members provide on-site technical assistance and follow-up visits, trip reports are completed. The information is used to evaluate how well training classes prepare operators for their daily responsibilities.

In FY 2020, FTC will continue to develop the new TDEC Operator training and certification database. Operators be able to see all of FTC's offerings and register for classes through the online portal. Operators will also be able to track their continuing education, see certifications and expiration dates, access training transcripts, and renew their certifications online. TDEC anticipates the database project will be complete in FY 2020.

Local Assistance and Other State Programs

In addition to continuing existing activities, DWR proposes to use set-aside funds, in the amount of \$562,260, 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 PWSS begin monitoring for Per- and Polyfluoroalkyl Substances (PFAS) in anticipation of revisions to the SDWA. The benefit of PFAS monitoring is to establish a baseline of understanding for this contaminant of concern and considered special (non-routine) monitoring. PFAS monitoring is included in the Capacity Development portion of the 2017 DWSRF Eligibility Handbook.

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 2019) will focus on issues with public water and wastewater systems; managerial, financial, and technical 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

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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

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requirements. The State's Environmental Review Process procedures are contained in the approved Operating Agreement.

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. Last year TDEC transferred \$42,809,917 from the DWSRF fund into the CWSRF fund. This transfer allowed TDEC SRF to implement the USEPA recommendation to allow additional funding to meet the clean water Loan Program needs.

FFY 2019 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.

In 2019, the SRF Loan Program responded to requests from Governor Lee regarding rural community assistance by prioritizing allocation of subsidy for water and wastewater 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 60 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 (not to exceed \$2,500,000 in total principal discounted for a single loan or project within a year, and within total SRF allotted principal forgiveness for a given fiscal year).

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

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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 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.

Utilization of Small, Minority, and Women's Business Enterprises Goals

Minority and Women Based Enterprise (MBE/WBE) reporting is required in annual reports. Reporting is required for assistance agreements where there are funds budgeted for procuring construction, equipment, services, and supplies, including funds budgeted for direct procurement by the recipient or procurement under sub-awards or loans in the "Other" category that exceed the threshold amount of \$150,000, including amendments or modifications.

The State of Tennessee has negotiated the following, applicable MBE/WBE fair share

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objectives/goals with EPA as follows:

MBE: CONSTRUCTION 2.6%; SUPPLIES 5.2%; SERVICES 5.2%; EQUIPMENT 5.2%

WBE: CONSTRUCTION 2.6%; SUPPLIES 5.2%; SERVICES 5.2%; EQUIPMENT 5.2%

In accordance with 40 C.F.R., 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 C.F.R. Part 33, Subpart D when renegotiating the fair share objectives/goals.

Pursuant to 40 C.F.R. § 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 shall be retained:

1. Ensure DBEs are made aware of contracting opportunities to the fullest extent practicable through outreach and recruitment activities. For Indian Tribal, State and local 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 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

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steps in paragraphs (1) through (5).

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 2019 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.



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Appendix

[DW Priority Ranking List](#)