



Drinking Water State Revolving Fund &
State Water Infrastructure Grants
Emerging Contaminants
Intended Use Plan

State Fiscal Year (SFY) 2026
Federal Fiscal Year (FFY) 2025

Drinking Water State Revolving Fund

Emerging Contaminants

Intended Use Plan

November 4, 2025

Table of Contents

Introduction 4

 Background4

 IIJA General Supplemental Capitalization Grant5

Drinking Water Emerging Contaminants State Revolving Fund Program Goals and Objectives 5

 Long-Term Goals6

 Short-Term Goals6

 Tennessee DWSRF Outputs and Outcomes:7

The Loan Process 8

 Drinking Water Emerging Contaminants Priority Ranking System8

 List of Projects8

 Funding Projects.....8

 Project By-Passing Procedures for Loans9

 Loan Phases9

Subsidies and Affordability Criteria 10

Ability to Pay Index and Disadvantaged Communities 10

Contract Terms and Conditions 11

 Financial, Managerial, and Technical Capacity11

Funding Assistance Project Requirements 11

 Procurement12

 Reimbursement.....12

 Monitoring, Oversight, and Reporting Requirements12

Sources and Uses of Funds..... 17

Set-Aside Activities..... 18

 Local Assistance19

 Administration Allotment.....20

 Public Water Supply Supervision21

Drinking Water State Revolving Fund

Emerging Contaminants

Intended Use Plan

November 4, 2025

Annual Report Requirements..... 21

Environmental Benefits..... 21

Assurances and Specific Proposals 21

Amending the Intended Use Plan 24

Appendix 25

 Sources and Uses Table..... 25

 Drinking Water Emerging Contaminants Ranking Criteria 27

DRAFT

Drinking Water State Revolving Fund

Emerging Contaminants

Intended Use Plan

November 4, 2025

Introduction

Background

The Tennessee General Assembly passed the “Drinking Water Revolving Fund Act of 1997” to provide low-interest loans to local governments for water infrastructure improvement projects. This act established the Drinking Water State Revolving Fund (DWSRF) loan program within the Tennessee Department of Environment and Conservation (TDEC) Division of Water Resources (DWR). The DWSRF program was established in response to 1996 congressional amendments to the Safe Drinking Water Act (SDWA). These legislative modifications authorized the U.S. Environmental Protection Agency (EPA) to develop the DWSRF program, thereby enhancing SDWA's implementation and objectives.

The DWSRF program is a partnership between federal and state governments to ensure that public water systems (PWS) provide safe and reliable drinking water. The DWSRF program offers low-interest loans, grants, and technical assistance to cities, counties, utility districts, and water authorities. It has served as a significant source of financial support, providing over \$300 million in assistance to communities across Tennessee.

The primary goal of the DWSRF is to help public water systems improve or maintain compliance with SDWA by funding the planning, design, and construction of drinking water utilities. SDWA mandates that states use DWSRF funds to address health risks and compliance issues related to drinking water, focusing on supporting systems that face the greatest challenges.

The core mission of the DWSRF closely aligns with that of the Tennessee Department of Environment and Conservation (TDEC): to ensure water quality, protect human health, and enhance safety throughout the State. By making it financially feasible for communities to invest in resilient and sustainable water systems, the DWSRF plays a critical role in achieving these objectives. For more detailed information about the DWSRF, visit the [TDEC SRF website](#).

This Intended Use Plan (IUP) is required under SDWA § 1452(b) to inform EPA and Tennessee stakeholders how DWSRF intends to use the allotment of dollars. This IUP outlines how the

Drinking Water State Revolving Fund

Emerging Contaminants

Intended Use Plan

November 4, 2025

Emerging Contaminants (EC) drinking water funds will be used, demonstrates how these uses meet EPA requirements, and focuses on safeguarding public health and the environment.

IIJA General Supplemental Capitalization Grant

The Infrastructure Investment and Jobs Act of 2021 (IIJA) provides SRF programs with supplemental funding to strengthen the nation's water infrastructure. Funding through IIJA is made available to states during federal fiscal years 2022 through 2026. This infusion of funding supports key areas of focus, one of which addresses emerging contaminants (EC). ECs include perfluoroalkyl and polyfluoroalkyl substances (PFAS), persistent organic pollutants (POPs), biological contaminants and microorganisms, pharmaceuticals and personal care products (PPCPs), and other contaminants listed on EPA's Contaminant Candidate Lists (CCLs).

State and local governments, water utilities, public water systems, and other entities that are responsible for providing safe drinking water in Tennessee can receive project funding from DWSRF EC grants and loan programs. Qualifying projects must address EC in drinking water, focusing on PFAS. However, funding may also be provided for projects that address any contaminants listed on EPA's CCLs.

Tennessee's allotment for the FFY 2025 DWSRF EC grant is \$12,861,000. No State match is required for this capitalization grant.

Drinking Water Emerging Contaminants State Revolving Fund Program Goals and Objectives

The U.S. Congress allows each state the flexibility to establish its own program goals and framework to address the needs of local communities and water systems. By having the authority to establish its own goals and framework, Tennessee can optimize the use of DWSRF funds, allocate resources efficiently, and implement targeted initiatives that prioritize improving drinking water infrastructure. This state-level autonomy enables Tennessee to proactively address water quality concerns, enhance system resilience, promote sustainable practices, and effectively support the development of safe and reliable drinking water

Drinking Water State Revolving Fund

Emerging Contaminants

Intended Use Plan

November 4, 2025

systems across the state.

Tennessee's DWSRF program developed a comprehensive framework of long and short-term goals. These goals guide decision making within the program, ensuring that Tennessee's actions and investments in the DWSRF are strategic, impactful, and address community water system challenges. The primary goal of funding EC in Tennessee is to assist communities in identifying, assessing, and remediating EC from their water systems. The focus is on ensuring safe and reliable drinking water for all residents.

DWSRF and TDEC's State Water Infrastructure Grants (SWIG) program partner to provide customers with the best financial fit based on project design. EC funding must be used solely to address EC in drinking water. This eligibility restriction mandates TDEC to align department goals and distribute funds to qualifying candidates. This program development will help DWSRF adapt to current and future funding opportunities, program needs, public outreach, and technical assistance. EC funds will be distributed as grants or loans.

Long-Term Goals

1. Remediation projects: Provide financial assistance to communities to implement remediation projects focused on removing or reducing EC from water sources, treatment plants, and distribution systems.
2. Prevention and source control: Promote pollution prevention and source control measures to minimize the introduction of EC into water supplies. Encourage sustainable water management practices and raise awareness about potential contamination sources.

Short-Term Goals

1. Grant process: Establish a grant process that complements the DWSRF program. Use grants or loans to disburse EC Drinking Water Capitalization Grants.
2. Identification and prioritization: Collaborate with regulatory agencies, scientific experts, universities, and stakeholders to identify and prioritize EC based on their prevalence, potential risks, and impacts on water quality.
3. Assessment and monitoring: Allocate funds to support comprehensive assessments

Drinking Water State Revolving Fund

Emerging Contaminants

Intended Use Plan

November 4, 2025

and monitoring programs to identify sources, concentrations, and pathways of EC in water systems across Tennessee.

4. Education and outreach: Allocate resources to enhance public awareness campaigns, educational programs, and outreach efforts to educate communities about EC, potential health risks, and ways to protect water resources.
5. Research and development: Support research initiatives that aim to develop innovative technologies, treatment methods, and best practices for the removal, treatment, or mitigation of EC.
6. Prioritize Impactful EC Projects: Develop a priority ranking system to ensure that qualified drinking water projects receive funding.

Tennessee DWSRF Outputs and Outcomes:

1. Output: Fund projects that incorporate innovative water treatment technologies, such as advanced filtration systems, to address EC and other safe drinking water concerns.
Outcome: Improve the resilience of drinking water systems throughout Tennessee.
2. Output: Fund projects that address EC in underserved and disadvantaged communities.
Outcome: Improve public health and safety in vulnerable communities.
3. Output: Create a list which prioritizes projects that effectively and efficiently address EC in drinking water.
Outcome: Improve water quality and sustainable water supplies for current and future generations.

The DWSRF program strived to be a good partner with EPA. Tennessee has set its short- and long-term goals to align with EPA's strategic goals and objectives, specifically Pillar 1: Clean Air, Land, and Water for Every American. By aligning the goals of the Tennessee DWSRF program with those of EPA, the State can leverage federal resources, expertise, and guidance to advance its priorities related to drinking water infrastructure, quality, and sustainability, ultimately benefiting the health and well-being of its residents. Additionally, collaboration

Drinking Water State Revolving Fund

Emerging Contaminants

Intended Use Plan

November 4, 2025

between the State and federal agencies can facilitate the exchange of best practices, data, and innovative solutions to address common challenges and achieve shared objectives more effectively.

The Loan Process

Drinking Water Emerging Contaminants Priority Ranking System

The DWSRF and SWIG programs will use a priority ranking system to develop the Priority Ranking List (PRL). Applicants seeking funding must submit a questionnaire containing detailed project information, description, cost, and construction timeline. Projects are prioritized based on the presence of EC and the project's ability to reduce health risks or improve compliance with SDWA.

Developing a priority ranking system for EC requires careful consideration and a comprehensive approach. The goal is to ensure that the limited funds available are allocated efficiently to the most critical and impactful projects. The current list of expanded criteria for prioritizing funding can be found in the Appendix.

List of Projects

Following SDWA § 1452(b)(3)(B), DWSRF and SWIG will develop a PRL to identify projects that will receive funding in the initial year following the grant award. Eligible "EC" specific projects have been identified for SFY 2025.

Funding Projects

Projects will be prioritized based on the number of priority points awarded. The projects with the highest number of priority points are given preference for funding. This prioritization emphasizes projects prepared to proceed with construction, including projects for small and disadvantaged communities, resilient infrastructure projects, and projects with subsidies. Once EPA determines the grant award date, the State will notify all communities with ranked and unranked projects on the 2025 DWSRF EC PRL. Grants and loans can be awarded monthly, depending on the community's readiness to proceed. This systematic approach ensures the efficient allocation of resources to projects which are ready to move forward

Drinking Water State Revolving Fund Emerging Contaminants Intended Use Plan

November 4, 2025

and supports the timely implementation of critical water infrastructure improvements across Tennessee.

Project By-Passing Procedures for Loans

Despite their ranking on the PRL, loan projects may risk being bypassed if communities are unprepared to proceed. However, the DWSRF loan program is dedicated to collaborating with these bypassed entities to help maintain their project eligibility for funding in the following fiscal year, if possible.

Loan Phases

The DWSRF program now facilitates the entire loan application process online via the GMS platform. After completing the Questionnaire (Phase 1), applicants must adhere to established timelines to efficiently advance their projects through the DWSRF loan process. Currently, the estimated time for the State to complete each phase is as follows:

- Phase 2 (Financial and Environmental Review): 90 days; entities will provide initial financial and environmental information in this phase. The State will conduct a Financial Sufficiency Review to determine if the entity is financially fit to receive a loan.
- Phase 3 (Environmental Determination): 180 days. In this phase the State will determine if the proposed project should be issued as a CE or FNSI.
- Phase 4 (Loan Application): 120 days. In this phase the loan application will be sent to the entity, the loan package will be compiled, and signatures will be obtained.
- Phase 5 (Design Review): 90 days. In this phase the State will review the required technical and design documents

Grants for single and complete projects where the entire project is eligible under the Emerging Contaminants Capitalization Grant can be funded solely as a grant and will have a shorter approval process. Grant contracts will have scope of work with deliverables, like a Facilities Plan and Plans and Specifications, that will be due once a grant contract is executed. This is unlike a loan, where technical documents are due prior to an executed loan contract.

The program acknowledges unforeseen circumstances, and exceptions to the funding order

Drinking Water State Revolving Fund

Emerging Contaminants

Intended Use Plan

November 4, 2025

may be permitted in emergencies. Emergency projects typically involve unexpected failures that necessitate immediate action to protect public health and safety and enhance water quality. More information regarding the DWSRF's response to infrastructure emergencies can be found in this document's Sources and Uses of Funds section. By providing flexibility and support, the DWSRF grant and loan program aims to meet community needs and ensure that essential water infrastructure projects receive the necessary assistance, even in difficult circumstances.

Subsidies and Affordability Criteria

Congress authorized SRF programs to provide EC funding as 100% loan forgiveness or grants. Therefore, there is no need to use affordability criteria when determining loan terms. However, if an entity receives a grant, this criterion will determine the required grant match. The DWSRF and SWIG program is currently exploring a range of grant opportunities through which communities and utility systems can harness EC funds. These options may include grants with low match, EC 100% loan forgiveness funds coupled with traditional SRF loans, and investigation and planning partnership grants with local universities. By exploring these alternatives, applicants can endeavor to alleviate the financial strain associated with their drinking water infrastructure improvements.

Ability to Pay Index and Disadvantaged Communities

The Ability to Pay Index (ATPI) is a vital tool that the State uses to allocate DWSRF subsidies and determine interest rates. The Public Water System Supervision Program (PWSS) mandates its creation and implementation, required under SDWA § 1443(a). The ATPI relies on a comprehensive socioeconomic and financial database to aid in decision-making related to interest rates, subsidy allocation, and options designed to benefit communities with the greatest needs. This index is determined based on a standard distribution of affordability scores derived from nine factors specific to each community, including median household income, unemployment, food stamp dependence, families in poverty, community assets, revenues, debt, expenditures, and changes in population. To ensure accuracy, the ATPI will be updated annually to reflect the current fiscal capacity, economic trends, and changes within communities across the state.

Drinking Water State Revolving Fund

Emerging Contaminants

Intended Use Plan

November 4, 2025

For EC projects, the ATPI threshold for disadvantaged communities ($ATPI \leq 50$) will be used to lower or eliminate any required grant match. Additionally, 25% of EC funds must be provided to disadvantaged communities or public water systems serving fewer than 25,000 people.

Contract Terms and Conditions

Contract terms and conditions will follow the state and federal guidelines for using DWSRF capitalization dollars. Contracts terms will be 24–36 months for investigation, planning, and design projects and 60 months for contracts that include construction.

The contract will have strict performance measures to ensure that the schedule and information provided in the questionnaire will be executed in a timely manner. All awardees must fulfill the grant and loan obligations to meet any terms, covenants, conditions, or provisions of the contract. DWSRF and SWIG will have no obligation to the awardees for fulfillment and reimbursement of funds outside of the contract terms.

Financial, Managerial, and Technical Capacity

Before granting funds, the SWIG program will evaluate an applicant's financial, technical, and managerial capabilities. On March 10, 1998, state law was amended to grant TDEC the authority to require new community water systems and non-transient, non-community water systems commencing operations after October 1, 1999, to demonstrate compliance with national primacy drinking water regulations, Tennessee SDWA provisions, and related rules. Furthermore, TDEC was empowered to develop a strategy to support PWSS (Public Water Supply Systems) in acquiring and maintaining the necessary capacities. The Capacity Development Program regulations for new systems took effect on August 29, 1999. The State adheres to SDWA § 1420(c)(3), which mandates evaluating the effectiveness of its capacity development strategy for ensuring the technical, managerial, and financial capabilities of PWSS providers.

Funding Assistance Project Requirements

All awarded DWSRF and SWIG projects must comply with all current DWSRF rules, regulations, policies, and procedures provided in this section.

Drinking Water State Revolving Fund

Emerging Contaminants

Intended Use Plan

November 4, 2025

Procurement

Grant and loan applicants are responsible for ensuring that any procurement using DWSRF EC funds or payments under procurement contracts using such funds are consistent with State procurement standards and those set forth in the Uniform Guidance at 2 CFR Part 200 Subpart D, as applicable. Specifically, awardees must follow 2 CFR § 200.317 - 200.327 and the monitoring requirements in 2 CFR § 200.331 - 200.333. When the terms of an award allow disbursements for the cost of goods, materials, supplies, equipment, or contracted services, such procurement must be made on a competitive basis, including using competitive bidding procedures, if purchases exceed the simplified acquisition threshold. According to the State's Procurement Policy, acquisitions over \$100,000 must be formally procured. Local procurement policies and thresholds for simplified acquisitions may be lower. At a minimum, the lowest threshold (local, state, or federal) should be applied for any transaction. Grant applicants must maintain documentation for the basis of each procurement for which a disbursement is made under the award. In each instance where it is determined that using a competitive procurement method is not practical, supporting documentation must include a written justification for the decision and use of a non-competitive procurement process. Further, grant applicants are considered subrecipients and must comply with 2 C.F.R. § 200.318 - 200.327 when procuring property and services under a federal award.

Reimbursement

A request to be reimbursed for costs incurred on awards shall include only requests for actual, reasonable, and necessary expenditures required in the delivery of service described in the contract and identified in the individual project budget. Reimbursement may not include any request for future expenditures. The contract term for a reimbursement request means the time the grant applicant may incur new obligations to carry out the work authorized in the contract. Contracts will have a 24–60-month term from the issuance of the contract. Grant applicants may elect to complete their final report early if all contract deliverables are complete and reports are submitted and approved.

Monitoring, Oversight, and Reporting Requirements

DWSRF, SWIG, State auditors, the Comptroller of the Treasury, and their duly appointed

Drinking Water State Revolving Fund

Emerging Contaminants

Intended Use Plan

November 4, 2025

representatives will monitor and evaluate awardees. All awardees will be required to submit annual and final progress reports through the Grants Management System (GMS). The awardee shall comply with all applicable state and federal laws and regulations in the performance of the contract. The awardee and any approved subcontractor shall maintain documentation for all items managed under the contract. Grant recipients and partners should appropriately maintain accounting records for compiling and reporting accurate, compliant financial data per appropriate accounting standards and principles. Records shall be kept for no less than five full years from the final payment date. Grant applicants may be subject to State and local audits.

Davis-Bacon

The Davis-Bacon Act (DBA), 46 Stat. 1494 (Pub. Law 71-800), and Related Acts apply to contractors and subcontractors performing on federally funded or assisted contracts over \$2,000 for the construction, alteration, or repair (including painting and decorating) of public buildings or public works. The 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 DBA directs the Department of Labor to determine locally prevailing wage rates. The DBA applies to contractors and subcontractors working on federal or District of Columbia contracts. The prevailing DBA wage provisions apply to the "Related Acts," under which federal agencies assist construction projects through grants, loans, loan guarantees, and insurance.

For prime contracts over \$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.

Disadvantaged Business Enterprise (DBE) 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

Drinking Water State Revolving Fund

Emerging Contaminants

Intended Use Plan

November 4, 2025

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, arrange time frames for contracts, and establish delivery schedules where the requirements permit in a way that encourages and facilitates DBE participation 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 whether firms competing for large contracts could subcontract with DBEs in the contracting process. 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, the prime contractor must follow the steps outlined by good-faith efforts one through five.

The recipient agrees to comply with the contract administration provisions of 40 CFR § 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 develop and maintain a bidders list if the loan recipient is subject to competitive bidding requirements. See 40 CFR § 33.501 (b) and (c) for specific

Drinking Water State Revolving Fund

Emerging Contaminants

Intended Use Plan

November 4, 2025

requirements and exemptions.

A class exception to 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 not required to negotiate or apply fair share objectives in procurements under assistance agreements. The recipient agrees to complete and submit a “MBE/WBE Utilization Under Federal Grants and Cooperative Agreements” report (EPA Form 5700-52A) annually when needed.

American Iron and Steel

The American Iron and Steel (AIS) provision requires DWSRF assistance recipients to use iron and steel products 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 SDWA, including the DWSRF provisions. AWIA § 2022 amended SDWA § 1452(a)(4)(A) 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.

Build America, Buy America (BABA) Act

IIJA Title IX Subtitle A Part 1 requires all federal equivalency projects funded after May 14, 2022 to meet BABA requirements. BABA requires all the iron, steel, manufactured products, and construction materials used in the project to be produced in the United States. Iron and Steel products will still have to comply with AIS guidelines. For manufactured projects to meet BABA requirements, the cost of components mined, produced, or manufactured in the United States must be 55% or more of the total cost of all components and does not include labor costs. Common construction materials include non-ferrous metals, plastic, and polymer-based products (including polyvinylchloride, composite building materials, and polymers used in fiber optic cables, glass (including optic glass), lumber, and drywall.

Drinking Water State Revolving Fund

Emerging Contaminants

Intended Use Plan

November 4, 2025

Generally Accepted Accounting Principles (GAAP)

The State requires assistance recipients to follow SDWA § 300j(g)(3) and maintain project accounts according to Generally Accepted Accounting Principles (GAAP) as issued by the [Government Accounting Standards Board \(GASB\)](#). This provision requires assistance recipients in using standards relating to the reporting of infrastructure assets. The most recent applicable standard is GASB Statement No. 34 (GASB 34), issued in June 1999, which details governmental reporting requirements including standards for reporting infrastructure assets. Further details on the requirements and the full text of GASB 34 can be obtained through GASB.

Fiscal Sustainability Planning - [Tennessee's Asset Management Plan](#)

Asset Management Plans (AMP), required by SDWA, are a component of a drinking water system's Capacity Development Plan. In Tennessee, all drinking water systems seeking a DWSRF loan or SWIG grant are required to demonstrate compliance with the AMP. Systems may use the template provided by the State to meet the requirements. Recipients of DWSRF loans or SWIG grants for projects involving repairing, replacing, or expanding publicly owned treatment works must develop and implement an AMP or certify that they have done so.

AMPs should be treated as "living documents" that are regularly reviewed, revised, expanded, and implemented as an integral part of the operation and management of the system. At a minimum, the AMPs should include:

- An inventory of critical assets that are part of the treatment works;
- An evaluation of the condition and performance of inventoried assets or asset groupings;
- A certification that the assistance recipient has evaluated and will implement water and energy conservation efforts as part of the plant and
- A plan to maintain, repair, and, as necessary, replace the treatment works and a plan to fund such activities.

The State has determined that certification will be submitted to DWSRF before grant or loan

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

November 4, 2025

approval. The AMP must be completed and in place by the “Notice to Proceed” and made available for review by DWSRF staff upon the first interim construction inspection visit.

Architectural and Engineering Procurement

According to the Amendments to the Water Resources Reform and Development Act, for any capitalization grant awarded after October 1, 2014, the State must ensure that all architectural and engineering (A/E) contracts for projects identified as using funds “directly made available by” a capitalization grant (i.e., equivalency projects) comply with the elements of the procurement processes for A/E services as identified in 40 U.S.C. 1101 et seq., or an equivalent state requirement.

Sources and Uses of Funds

DWSRF EC Loan Program Project Funds	
Prior-Year (FFY2025) Carry-forward Funds*	\$0
Unliquidated EPA Grant Funds as of SFY 2025	\$11,996,807
Less Banked Set Asides	(\$1,318,460)
FFY2024 IIJA Emerging Contaminants Capitalization Grant	\$12,861,000
Less Banked Set Asides	(\$2,585,060)
FFY2025 IIJA Emerging Contaminants Capitalization Grant	\$12,861,000
Set Aside Activities:	
<u>IIJA Supplemental Grant</u>	
SRF Administration: \$514,440	(\$2,057,760)
State Program Management Public Water Supply Supervision (PWSS): \$257,220	
Local Assistance - University Contracts: \$1,286,100	
TOTAL \$2,057,760	
DWSRF EC Loan Program Project Funds**	\$31,757,527
*Balance at June 30, 2025, including year-end adjustments	
**Does not include anticipated commitments for SFY 2026	

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

November 4, 2025

Table 1: Financial Funds for the DWSRF EC Grant Program

SDWA allows each state flexibility to establish the allocation of Capitalization Grants for infrastructure grants, assistance to financially disadvantaged communities, and set-aside activities. The State of Tennessee, in turn, is responsible for directing the funds to address water infrastructure problems.

The primary use of the Capitalization Grant is to provide grants, loans, and other financial assistance to municipalities and rural water districts to construct public water supply projects. This assistance can be provided as one of the following grants: planning, planning and design, or construction. It is to be noted that not all drinking water compliance problems can be solved through capital financing of infrastructure improvements.

Set-Aside Activities

SDWA § 1452(g) and (k) allow states to set aside up to 31% of the Capitalization Grant (ECs) 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 State Revolving Fund (SRF) intends to use \$2,057,760 total set-asides allowable under the law. Table 2 outlines the funding source, program, and amount of the DWSRF EC Capitalization Grant (both in percent and funds). Funds not expended in these categories by the end of the fiscal year will carry forward. The State of Tennessee reserves the right to use these funds later.

Category	BIL Cap. Grant	% of Funding
Administration	\$514,440	4%
Local Assistance – University Contracts	\$1,286,100	10%
State Program Management - PWSS	\$257,220	2%
Total Set-Aside Amount Requested	\$2,057,760	16.0%

Table 2: DWSRF IJJA EC Capitalization Grant Set-Aside Activities

Drinking Water State Revolving Fund

Emerging Contaminants

Intended Use Plan

November 4, 2025

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. Outcomes from these activities are reported to EPA in the DWSRF Annual Reports.

Local Assistance

The Local Assistance program plans to set aside (10%) or \$1,286,100 of the funds available for EC funding to assist in developing and implementing local drinking water initiatives and other state programs. This for research conducted through local universities. Currently, TDEC has awarded three contracts to universities totaling \$1,087,637.43 for EC research.

TDEC actively engages researchers at universities across Tennessee who are conducting studies and projects related to EC. To ensure the effective utilization of allocated funding for addressing these contaminants, DWSRF and SWIG, in collaboration with the Office of Sustainable Practices (OSP), have established a partnership to coordinate with universities, identify project proposals, and maintain an ongoing communication framework to solicit and support future research initiatives.

TDEC OSP, with DWSRF and SWIG, will continue to grow the established consortium of researchers working on emerging contaminant-related issues, such as PFAS, microplastics, DBPs, etc. This consortium will regularly convene to share information on current research, assessment methodologies, the magnitude of known EC issues, education and outreach efforts, and funding opportunities. DWSRF and SWIG intend to support this research collaboration effort across Tennessee, ensure research occurring in Tennessee related to EC is informed by TDEC priorities, and provide a forum for sharing the latest Tennessee-based emerging contaminant research. The consortium, tentatively named the Tennessee EC Research and Education Collaborative (TEC-REC), will meet periodically, with a frequency agreed upon by the consortium members, but likely to be at least quarterly.

As part of its duties to protect the environment and safeguard human health, Tennessee Department of Environment and Conservation (TDEC) is working to analyze and understand the impacts of Per and Polyfluoroalkyl substances (PFAS) to environment including Tennessee's finishing drinking water and source water supplies. PFAS are a group of

Drinking Water State Revolving Fund

Emerging Contaminants

Intended Use Plan

November 4, 2025

thousands of man-made chemicals that have been manufactured for a variety of consumer and industrial uses in the United States since the 1940s. PFAS are also known as “Forever Chemicals” and pose a serious risk to human health and the environment. Finish drinking water tested through Environmental Protection Agency’s (EPA) Unregulated Contaminant Monitoring Rule 5 (UCMR 5) and TDEC’s PFAS Sampling Effort of source water indicates contamination PFAS of drinking water supplies for 75% of the state’s population.

As of June 2024, EPA’s UCMR 5 data indicate PFAS was detected in 29 of Tennessee public water system’s finished drinking water supplies impacting the finished drinking for 757,620 people in Tennessee. As of February 2025, TDEC’s PFAS Sampling Effort has verified the results of 200 samples tested. TDEC’s PFAS Sampling Effort to test and monitor for PFAS contamination in source water indicates at least 44 sampling locations above the minimum reporting level across the state for source water utilized for public drinking water supplies have detectable levels of PFAS. Impacting the source water used to supply 1,623,422 people in Tennessee with drinking water. Additionally, PFAS detections below the minimum reporting level are indicated at another 106 sampling locations. Impacting the source water used to supply 556,413 people in Tennessee with drinking water.

The ability to continue monitoring source water supplies is critical to protecting the environment and Tennesseans. Laboratory testing for PFAS represents an ongoing challenge for the State, as very few laboratories in the United States are certified and equipped to conduct EPA-approved analytical methodologies (Methods 533 and 537.1) for PFAS sampling in drinking and source water. There are no laboratories in the State of Tennessee to currently able to perform these PFAS sampling methods, and the State has experienced several difficulties in procuring lab services for PFAS testing.

Administration Allotment

The Administration Allotment plans to set aside (4%) or \$514,440 of the funds available for costs associated with administering and implementing the State’s DWSRF EC Program and providing technical assistance to systems of all sizes.

Drinking Water State Revolving Fund

Emerging Contaminants

Intended Use Plan

November 4, 2025

Public Water Supply Supervision

The Public Water Supply Supervision (PWSS) program plans to set aside (2%) or \$257,220 of the funds available for EC funding to provide technical assistance and support drinking water program activities.

Annual Report Requirements

SDWA § 1452 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 contains 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 grant recipients (name and identification number), grant amounts and terms, Green Projects, projects receiving subsidization (principal forgiveness), amount of subsidy, similar details on other forms of financial assistance provided by DWSRF or SWIG, the population of the grant recipient, and other such information as required by EPA.

Environmental Benefits

The State agrees to report the environmental benefits for each applicable loan using EPA's Office of Water State Revolving Funds (OWSRF) System per the Procedures for Implementing Certain Provisions of the FFY 2024 Appropriation. The following information will be entered into the OWSRF System no less than quarterly:

1. Amount of EC grant,
2. The amount of grant subsidy provided,
3. Population served by the project, and
4. Information on the Environmental Benefits of the grant Assistance Agreements.

Copies of the reported information will be included in the annual report.

Assurances and Specific Proposals

The State shall provide the assurances and certifications described in the Operating Agreement submitted with the Capitalization Grant Application. This Operating Agreement

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

November 4, 2025

is the official agreement between the State and EPA.

Pursuant to SDWA § 1452, the State certifies that:

- The State has the authority to establish a DW State Revolving Fund and operate the program per 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 by a payment schedule.
- The State will deposit all Capitalization Grant funds in the DWSRF Grant Program project fund or set-aside account.
- The State will use Generally Accepted Accounting Principles.
- The State will commit to expending funds as efficiently, expeditiously, and in a timely manner as possible.
- 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 cross-cutting authorities.

In addition, the State certifies that it will conduct environmental reviews on water system projects to satisfy the National Environmental Policy Act-like requirements. The State's Environmental Review Process procedures are in the approved Operating Agreement.

The State publishes the draft Intended Use Plan annually for public comment on the SRF and DWR websites. The State provides a 30-day public comment period and a public meeting where the details of the IUP are reviewed. Any public comments received during the public meeting or the formal public comment period for the IUPs 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 the winter and the summer of every year. Under 40 C.F.R. § 35.3555(c)(8), states are authorized to transfer up to 33% of the

Drinking Water State Revolving Fund
Emerging Contaminants
Intended Use Plan

November 4, 2025

most recent DWSRF Capitalization Grant to the Clean Water SRF (CWSRF) program or an equivalent amount from the CWSRF program to the DWSRF. This flexibility allows states to allocate resources where they are most needed to address water infrastructure challenges.

The transferred funds originate from federal Capitalization Grants awarded by EPA and are not required to come from loan repayments. However, based on financial strategies and program needs, states may choose to use loan repayments, interest earnings, or other program income to facilitate these transfers.

Tennessee reserves the right to transfer resources between the DWSRF and CWSRF programs, provided the funds are used specifically to address EC and align with state and federal priorities.

DRAFT

Drinking Water State Revolving Fund

Emerging Contaminants

Intended Use Plan

November 4, 2025

Amending the Intended Use Plan

DWSRF and SWIG can amend the IUP to implement an efficient and effective program. Changes to the IUP that impact the program's administration will be made public through appropriate communication channels and posted on the SRF website.

DRAFT

**Drinking Water State Revolving Fund
Emerging Contaminants
Intended Use Plan**
November 4, 2025

Appendix

Sources and Uses Table

Sources and Uses Summary Drinking Water Emerging Contaminants Sources and Uses Administered by Tennessee Department of Environment and Conservation - State Revolving Fund Loan Program State Fiscal Year July 1, 2025 - June 30, 2026				
Sources and Uses	Federal Contribution	State Contribution	DW SRF Fund	Total
<i>Funding Sources</i>				
Prior Year Project Carry Forward Funds	\$10,678,347.00	\$ -	\$ -	\$ 10,678,347.00
<i>less Unliquidated Obligations</i>	\$ -	\$ -	\$ -	\$ -
Loan Repayments (P&I)	\$ -	\$ -	\$ -	\$ -
Banked Set Asides	\$1,318,460.00	\$ -	\$ -	\$ 1,318,460.00
FFY2024 IIJA Emerging Contaminants Capitalization Grant	\$ 12,861,000.00	\$ -	\$ -	\$ 12,861,000.00
FFY2025 IIJA Emerging Contaminants Capitalization Grant	\$ 12,861,000.00	\$ -	\$ -	\$ 12,861,000.00
Totals for Funding Sources	\$37,718,807.00	\$ -	\$ -	\$ 37,718,807.00
<i>Funding Uses</i>				
Project Disbursements	\$31,757,527.00	\$ -	\$ -	\$ 31,757,527.00
Set Asides Spending	\$ 5,961,280.00	\$ -	\$ -	\$ 5,961,280.00
	\$ -	\$ -	\$ -	\$ -
Total for Funding Uses	\$ 37,718,807.00	\$ -	\$ -	\$ 37,718,807.00

Drinking Water State Revolving Fund
Emerging Contaminants
Intended Use Plan
 November 4, 2025

Sources and Uses Detail		
Sources	%	Amount
Projects		
FFY2024 IJJA Emerging Contaminants Capitalization Grant		\$12,861,000
Set-Aside	20.1%	-\$2,585,060
Total Project Fund		\$10,275,940
FFY2025 IJJA Emerging Contaminants Capitalization Grant		\$12,861,000
Set-Aside	16.0%	-\$2,057,760
Total Project Fund		\$10,803,240
FFY22 Emerging Contaminants Grant - project fund		\$10,678,347
FFY23 Emerging Contaminants Grant - project fund		\$0
Total Available Cap Grant Funds		\$10,678,347
Set Asides		
FFY22 Emerging Contaminants Grant - set asides	12.35%	\$1,318,460
FFY23 Emerging Contaminants Grant - set asides	0.00%	\$0
FFY24 Emerging Contaminants Grant - set asides	20.10%	\$2,585,060
FFY25 Emerging Contaminants Grant - set asides	16.00%	\$2,057,760
Total Available Set Aside Funds		\$5,961,280
Total Sources of Funds		\$37,718,807
Uses		
Projects		
Executed Loans		\$5,188,000
Anticipated Loan Commitments SFY26		\$21,268,282
Anticipated Loan Commitments SFY27		\$5,301,245
Total Anticipated Loan Commitments*		\$31,757,527
Set Asides		
Set Asides		\$5,961,280
		\$5,961,280
Total Uses of Funds		\$37,718,807

* from PRL - maximum available for funding or all available projects (whichever is less)

Drinking Water State Revolving Fund

Emerging Contaminants

Intended Use Plan

November 4, 2025

Drinking Water Emerging Contaminants Ranking Criteria

PRIORITY POINTS FOR DWSRF EMERGING CONTAMINANTS PROJECTS

1. Water Quality Problems

- 100 Points - Disease outbreak or acute health risk
- 80 Points - Chronic water quality problems
- 60 Points - Potential water quality problems
- 40 Points - Operational problems
- 20 Points - Other

2. Source or Plant Capacity

- 80 Points - Water shortage or rationing
- 60 Points - 80% capacity rule
- 40 Points - Exceeding capacity on peak days
- 20 Points - Projected need within 10 years

3. Water Storage

- 80 Points - Less than 50% daily demand
- 60 Points - 50% to 75% daily demand
- 40 Points - 75% to 100% daily demand
- 20 Points - 100% to 125% daily demand

4. Leakage Problems

- 80 Points - 50% or greater water loss
- 60 Points - 40 to 49% water loss
- 40 Points - 30 to 39% water loss
- 20 Points - 20 to 29% water loss

5. Pressure Problems

- 80 Points - Pressure consistently less than 20 psi
- 60 Points - Pressure periodically less than 20 psi
- 40 Points - Pressure occasionally less than 20 psi
- 20 Points - Pressure marginal (20 psi to 30 psi)

6. Replacement or Rehabilitation Projects

- 80 Points - Essential equipment failure
- 60 Points - Essential equipment deteriorated & near failure
- 40 Points - Non-essential equipment failure

Drinking Water State Revolving Fund

Emerging Contaminants

Intended Use Plan

November 4, 2025

- 20 Points - Non-essential equipment deteriorated
- 7. Water Line Extensions
 - 100 Points - Special acute health problems
 - 80 Points - Exceeding drinking water limits or without water
 - 60 Points - Nuisance or quantity problems
 - 40 Points - Extend public water to private well supplies
 - 20 Points - Water line relocations and upgrades

Additional priority points were given to communities that stated the:

- Project proposed addressed emerging contaminants (5 points)
- The Identified emerging contaminant can be found on the CCL 5 list (5 points)
- The proposed design concept is a proven solution (5 points)
- The project is a combination/companion loan proposal (5 points)

DRAFT