



Drinking Water State Revolving Fund &
State Water Infrastructure Grants
Lead Service Line
Intended Use Plan

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

Drinking Water Lead Service Line State Revolving Fund

Draft Intended Use Plan

April 30, 2026

Table of Contents

Introduction 4

 Background..... 4

 IIJA General Supplemental Capitalization Grant..... 5

Drinking Water State Revolving Fund Program Goals 6

 Long-Term Goals 6

 Short-Term Goals 6

Drinking Water Priority Ranking System..... 7

 List of Projects 7

 Project Eligibility 7

 Funding of Projects 8

 Project By-Passing Procedures..... 8

Subsidies and Affordability Criteria 9

 Ability To Pay Index and Disadvantaged Communities 10

Loan Terms, Fees and Conditions..... 11

 Technical, Managerial, and Financial Capacity..... 11

Loan Recipient Project Requirements 12

 Procurement..... 12

 Reimbursement..... 12

 Monitoring, Oversight, and Reporting Requirements..... 13

 Davis-Bacon 13

 Disadvantaged Business Enterprise (DBE) Goals 14

 American Iron and Steel 15

 Build America, Buy America (BABA) Act 16

 Generally Accepted Accounting Principles (GAAP) 16

Sources and Uses of Funds..... 16

 Set-Aside Activities 18



Drinking Water Lead Service Line State Revolving Fund

Draft Intended Use Plan

April 30, 2026

Integrated Components 19

Environmental Benefits..... 19

Annual Report Requirements..... 19

Assurances and Specific Proposals..... 20

Amending the Intended Use Plan 21

Appendix A..... 22

 Sources and Uses Tables 22

Appendix B..... 24

 Priority Points for Lead Service Line Replacement Projects..... 24

DRAFT



Drinking Water Lead Service Line State Revolving Fund Draft Intended Use Plan

April 30, 2026

Introduction

Background

The Drinking Water State Revolving Fund (DWSRF) program was established by Congress under the Safe Drinking Water Act (SDWA) Amendments of 1996 to help states finance drinking water system improvements. The DWSRF program was created in response to growing concerns about the nation's aging infrastructure and the need for sustainable funding to ensure safe drinking water. Congress annually appropriates funding to the DWSRF and instructs the Environmental Protection Agency (EPA) to provide this funding to states via federal capitalization grants. State DWSRF programs offer low-interest loans and other financial assistance to local communities for water system upgrades, treatment facilities, and infrastructure improvements. This program aims to enhance public health protection by ensuring compliance with drinking water standards while promoting long-term sustainability in water resource management.

The Tennessee General Assembly passed the "Drinking Water Revolving Fund Act of 1997" in response to the SDWA Amendments of 1996 to ensure Tennessee participated in the federal program and was able to provide low-interest loans to local governments for water infrastructure improvement projects. This act established the Tennessee DWSRF loan program within the Department of Environment and Conservation (TDEC) Division of Water Resources (DWR). The DWSRF offers low-interest loans, grants, and technical assistance to cities, counties, utility districts, and water authorities across Tennessee.

DWSRF funds are directed to tackle health risks and compliance issues related to drinking water, focusing on aiding Public Water Systems (PWS) which face the most significant challenges. The core purpose of DWSRF aligns closely with the TDEC mission to ensure water quality, protect human health, and enhance safety throughout the state. By making it possible for communities to afford resilient and sustainable water systems, DWSRF plays a pivotal role in accomplishing these objectives. For more comprehensive information about DWSRF, interested individuals can find detailed resources on the [TDEC SRF website](#).

Historically, the DWSRF program has been a significant source of financial support for utilities across the state, providing over 300 million dollars in assistance to communities in



Drinking Water Lead Service Line State Revolving Fund Draft Intended Use Plan

April 30, 2026

Tennessee. This program is a partnership between the federal and state governments to ensure that PWS can deliver safe and dependable drinking water.

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. IIJA funding is available to states from federal fiscal years 2022 to 2026. Through the Lead Service Line (LSL) SRF Capitalization Grant, IIJA funding supports removing and replacing LSL used to distribute drinking water. This includes lead and galvanized steel components used in lines that may promote leaching lead into our water supply. There is no safe level of lead exposure, as it is a toxic metal that poses serious health risks at low concentrations. Congress aims to eliminate lead in our water supply by providing IIJA funding to SRFs to identify and replace LSL across Tennessee.

This Intended Use Plan (IUP) is required under SDWA § 1452(b) to inform EPA and Tennessee stakeholders how the DWSRF program intends to use the allotment of dollars. This IUP outlines how LSL funds will be used for drinking water projects, demonstrates how these uses meet EPA requirements, and focuses on safeguarding public health and the environment.

A key priority of IIJA is to ensure disadvantaged communities benefit equitably from this investment in water infrastructure. Through IIJA, Congress mandates that 49% of the general supplemental funding be provided as grants or forgivable loans to communities that meet the State's affordability criteria. Communities not meeting these criteria are still eligible for funding but will be funded according to the State's Subsidies and Affordability Criteria.

Tennessee's allotment for the FFY 2025 DWSRF LSL Grant is \$48,423,000. There is also an opportunity to accept re-allotment funds from prior FFY 2023 in the amount of \$23,720,000 and FFY 2024 in the amount of \$23,720,000. This will add an additional \$95,863,000 to the Lead Service Line replacement fund in Tennessee. No state match is required for these capitalization grants.

Drinking Water Lead Service Line State Revolving Fund

Draft Intended Use Plan

April 30, 2026

Drinking Water State Revolving Fund Program Goals

Congress grants states flexibility to shape their funding assistance program, allowing Tennessee to establish its own program goals and framework to address the needs of local communities and water systems. This allows Tennessee to 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 systems across the state.

Tennessee's DWSRF loan program has 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 loan program are strategic, impactful, and effectively address community water system challenges.

The primary goal for LSL inventory and replacement funding in Tennessee is to provide financial assistance to communities to eliminate lead from our drinking water and support local compliance with the Lead and Copper Rule Revision. The focus is on ensuring safe and reliable drinking water for all residents.

Long-Term Goals

1. Full Replacement of all LSLs within Tennessee: Provide low-interest rate financial assistance to communities to implement LSL replacement projects.

Short-Term Goals

1. Marketing and Demand: Fulfill funding obligations for IIJA dollars through workshops, public meetings, notifications, and solicitation efforts.
2. Fund LSL Inventory and Replacement Plans Grants: Process and fulfill reimbursement requests for executed LSL inventory grants within 30 days of submission to support system inventories and replacement plan development.
3. Fund LSL Replacement Loans: Process and fulfill reimbursement requests for executed LSL replacement loans within 30 days of submission to support utility

Drinking Water Lead Service Line State Revolving Fund

Draft Intended Use Plan

April 30, 2026

replacement efforts.

Drinking Water Priority Ranking System

DWSRF uses a priority ranking system to develop the Priority Ranking List (PRL). Applicants seeking funding must login to the TDEC [Grants Management System \(GMS\)](#) and create an account. Once the GMS account has been created, applicants must complete and submit a "Drinking Water Lead Service Line Replacement and Emerging Contaminants Questionnaire" detailing project information such as the project description, cost, construction timeline, loan amount, and loan term. Projects are prioritized based on their ability to reduce health risks or improve compliance with the SDWA and the Lead and Copper Rule, focusing on full LSL replacement.

Developing a priority ranking system for LSL projects 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. Here is the current list of criteria for prioritizing funding:

1. Has the applicant completed the LSL Inventory? (5 points)
2. Has the community suffered from any health-related issues possibly caused by corroding lead service lines? (5 points)
3. Is the applicant a previous SWIG Customer and received a priority grant for Asset Management Plan (AMP) or LSL Inventory? (5 points)

List of Projects

In accordance with Section 1452(b)(3)(B) of the SDWA, DWSRF developed a PRL to identify projects that will receive funding in the initial year following the grant award. Eligible LSL specific projects have been identified through SFY 2027.

Project Eligibility

In accordance with EPA's Memo: [Implementation of the Clean Water and Drinking Water State Revolving Fund Provisions of the Bipartisan Infrastructure Law](#), LSL funds must be used for lead service line replacement projects and associated activities directly connected to the identification, planning, design, and replacement of lead service lines.

Drinking Water Lead Service Line State Revolving Fund Draft Intended Use Plan

April 30, 2026

For a project or activity to be eligible for funding, it must be otherwise DWSRF eligible and be a lead service line replacement (LSLR) project or associated activity directly connected to the identification, planning, design, and replacement of lead service lines. The eligibility of projects for DWSRF funding is outlined in the [EPA Eligibility Handbook](#). All construction projects must replace the entire lead service line, not just a portion, unless a portion has already been replaced or is concurrently being replaced with another funding source.

Funding of 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 those from small and disadvantaged communities with the largest identified quantity of LSL. Once ranked, the State will notify all communities with ranked and unranked projects on the rolling LSL PRL. Loans can be awarded on a monthly basis, depending on the community's readiness to proceed. This systematic approach ensures the efficient allocation of resources to projects ready to move forward and supports the timely implementation of critical water infrastructure improvements across Tennessee.

Project By-Passing Procedures

Despite their ranking on the PRL, 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 as much as possible. The SRF program now facilitates the entire application process online via the Grants Management System (GMS) platform. After completing the questionnaire, applicants must adhere to established timelines to efficiently advance their projects through the SRF process. Currently, the estimated time for the State to complete each phase is as follows:

- Phase 2 (Financial Sufficiency Review and Initial Environmental Review): 90 days. In this phase, entities provide initial financial and environmental information. The State conducts a Financial Sufficiency Review to determine if the entity is financially fit to receive a loan. This phase also includes the completion of a Capacity Development

Drinking Water Lead Service Line State Revolving Fund

Draft Intended Use Plan

April 30, 2026

Review (CDR).

- Phase 3 (Environmental Determination): 180 days. During this phase, the State determines whether the proposed project should be issued as a Categorical Exclusion (CE) or Finding of No Significant Impact (FNSI), then reviews and approves the planning document.
- Phase 4 (Loan Application): 120 days. In this phase, the loan application is sent to the entity, the loan package is compiled, and signatures are obtained.
- Phase 5 (Design Review): 90 days. In this phase, the State reviews design and technical documents to ensure SRF requirements are met.

The program acknowledges unforeseen circumstances can occur and exceptions to the funding order 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. By providing flexibility and support, the DWSRF loan program aims to meet community needs and ensure that essential water infrastructure projects receive the necessary assistance, even in difficult circumstances. More information regarding the DWSRF's response to infrastructure emergencies can be found in this document's Sources and Uses of Funds section.

Subsidies and Affordability Criteria

The DWSRF program explores various funding opportunities through which communities and utility systems can harness funds. All systems with an ATPI of 100 or less, are eligible for 50% loan forgiveness with no cap on the amount of principal forgiveness (Table 1). In addition, every utility is eligible for the extremely low interest rate of 0.5%. Furthermore, IJA imposes a requirement for states to allocate 49% of the grant funds provided as additional subsidies. By exploring these alternatives, applicants can alleviate the financial strain associated with replacing both the public and private side of the service lines with known lead or lead components.

Drinking Water Lead Service Line State Revolving Fund
Draft Intended Use Plan
 April 30, 2026

IJA LSL Funding		
Capitalization Grant Year	Grant Award	Subsidy Funds Available for Disadvantaged Communities (49%)
FFY22	\$49,243,000	\$24,129,070
FFY23	\$89,756,000	\$43,980,440
FFY23 reallocation	\$23,720,000	\$11,622,800
FFY24	\$84,997,000	\$41,648,530
FFY24 reallocation	\$23,720,000	\$11,622,800
FFY25	\$48,423,000	\$23,727,270
TOTAL	\$322,859,000	\$156,730,910
Eligible Categories	DWSRF Subsidy (%)	Dollar Amount
Principal Forgiveness	50%	

Table 1: SFY 2027 DWSRF LSL Available Subsidy

Ability To Pay Index and Disadvantaged Communities

The Ability to Pay Index (ATPI) is a vital tool the State uses to allocate DWSRF subsidies and determine interest rates. Its creation and implementation are mandated by the Water Resources Reform and Development Act (WRRDA) of 2014 (33 U.S.C.A. §§ 2201 to 2355) and SDWA § 1443(a). The ATPI relies on a comprehensive socioeconomic and financial data 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

Drinking Water Lead Service Line State Revolving Fund Draft Intended Use Plan

April 30, 2026

community, including median household income, unemployment, food stamp dependence, families in poverty, community assets, revenues, debt, expenditures, and change in population. The ATPI will be updated annually to reflect the current fiscal capacity, economic trends, and changes within communities across the state.

To be considered disadvantaged for LSL projects, the community must have an ATPI of 80 or less.

Loan Terms, Fees and Conditions

The term for an SRF loan funded by the FFY 2025 IIJA General Supplemental funding is limited to a maximum of 30 years or the project's useful life, whichever is shorter, and 40 years or a project's useful life for qualifying disadvantaged communities. Additionally, the Office of State Government Finance charges a loan fee of 8 basis points (0.08%) for all DWSRF loans awarded on or after October 1, 2009. These fees cover the costs associated with personnel, operations, loan administration, payment disbursement requests, repayments, and fund management within the State Government Finance Office.

Technical, Managerial, and Financial Capacity

Under SDWA § 1452(a)(3), the State must establish a process for evaluating water systems' technical, financial, and managerial capabilities before granting a loan. 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 Section 1420(c)(3), which mandates evaluating the effectiveness of its capacity development strategy for ensuring the technical, managerial, and financial (TMF) capabilities of PWSS providers.

The DWSRF loan program ensures a system has TMF by conducting a Capacity Development Review (CDR) to support an applicant's ability to adequately manage and operate a system

Drinking Water Lead Service Line State Revolving Fund Draft Intended Use Plan

April 30, 2026

and incur and repay new debt. Loan applicants found to be in significant noncompliance will be required to demonstrate to the DWSRF loan program how their proposed project will achieve compliance.

The program assesses all systems and requires evidence of the applicant's managerial, technical, and financial capacity. This evaluation enables TDEC to recommend loan approval to the Tennessee Local Development Authority Board.

Loan Recipient Project Requirements

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

Procurement

Loan applicants are responsible for ensuring that any procurement using DWSRF LSL 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, customers must follow 2 CFR 200.317 through 2 CFR 200.327 and the monitoring requirements in 2 CFR 200.331 through 2 CFR 200.333. When the terms of a loan award allow disbursements for the cost of goods, materials, supplies, equipment, or contracted services, such procurement must be made on a competitive basis, including 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. Loan applicants must maintain documentation for the basis of each procurement for which a disbursement is made under the loan contract. Further, loan 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 awarded loans shall include only requests for actual, reasonable, and necessary expenditures required in the delivery of service described in the loan contract and identified in the individual project budget.

Drinking Water Lead Service Line State Revolving Fund

Draft Intended Use Plan

April 30, 2026

Reimbursement may not include any request for future expenditures. The loan contract term for a reimbursement request means the time the loan applicant may incur new obligations to carry out the work authorized in the loan contract. Loan contracts will have a 24–60-month term from the issuance of the contract. Loan 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, state auditors, the Comptroller of the Treasury, and their duly appointed representatives will monitor and evaluate all applications. All customers must submit annual and final progress reports through the GMS. The customer shall comply with all applicable state and federal laws and regulations in the performance of the loan contract. The customer and any approved subcontractor shall maintain documentation for all items managed under the loan contract. Loan 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 maintained for a period no less than five full years from the date of the final payment. Loan applicants may be subject to state and local audits.

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 over \$2,000 for the construction, alteration, or repair (including painting and decorating) of public buildings or public works. The Davis-Bacon Act (DBA) and Related Acts require contractors and subcontractors to pay their laborers and mechanics employed under the contract no less than the locally prevailing wages and fringe benefits for corresponding work on similar projects in the area. The Davis-Bacon Act directs the Department of Labor to determine locally prevailing wage rates. The Davis-Bacon Act applies to contractors and subcontractors working 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.

Drinking Water Lead Service Line State Revolving Fund Draft Intended Use Plan

April 30, 2026

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

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

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

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

Drinking Water Lead Service Line State Revolving Fund

Draft Intended Use Plan

April 30, 2026

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.

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

A class exception to the entire Subpart D of 40 CFR Part 33 has been authorized pursuant to the authority in 2 CFR 1500.3(b). Notwithstanding Subpart D of 40 CFR Part 33, recipients are not required to negotiate or apply fair share objectives in procurements under assistance agreements. The recipient agrees to complete and submit an "MBE/WBE Utilization Under Federal Grants and Cooperative Agreements" report (EPA Form 5700-52A) annually when required.

American Iron and Steel

The American Iron and Steel (AIS) provision requires the 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

Drinking Water Lead Service Line State Revolving Fund Draft Intended Use Plan

April 30, 2026

works and if the project is funded through an assistance agreement executed beginning January 17, 2014. Additionally, IJA further amended SDWA § 1452(a)(4)(A) to extend the AIS requirement through fiscal year 2027.

Build America, Buy America (BABA) Act

IJA 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.

Generally Accepted Accounting Principles (GAAP)

The State requires assistance recipients to follow SDWA § 300j-12(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.

Sources and Uses of Funds

The State of Tennessee's allotment of FFY 2025 DWSRF LSL Capitalization Grant dollars is \$48,423,000. The State is not required to provide a match of federal funds. Tennessee is also receiving FFY 2023 LSL reallocation funds of \$23,720,000 and FFY 2024 LSL reallocation funds of \$23,720,000. The LSL Capitalization Grant, less set-asides (\$0), will provide an expected \$95,863,000 in funds for the DWSRF LSL loan program in SFY 2027. Based on the carry-forward project funds added to the available funds from the FFY 2025 DWSRF LSL

**Drinking Water Lead Service Line State Revolving Fund
Draft Intended Use Plan**

April 30, 2026

Capitalization Grants, the State can provide approximately \$298,364,082 for project loans (Table 2).

DWSRF LSL Loan Program Project Funds	
Prior-Year (FFY2025) Carry-forward Funds*	\$223,996,000
Less Unliquidated Obligations	\$0
Less Banked Set Asides	(\$21,494,918)
FFY 2023 IJA Lead Service Line Capitalization Reallotment**	\$23,720,000
FFY 2024 IJA Lead Service Line Capitalization Reallotment**	\$23,720,000
FFY 2025 IJA Lead Service Line Capitalization Grant**	\$48,423,000
Set Aside Activities:	
<u>IJA Supplemental Grant</u>	
SRF Administration: \$0	
State Program Management Public Water Supply Supervision (PWSS): \$0	\$0
Local Assistance: Lead Service Line Inventory Grants: \$0	
TOTAL \$0	
DWSRF LSL Loan Program Project Funds***	\$298,364,082
*Balance at March 31, 2026, pre-year-end adjustments	
**Estimated allotment	
***Does not include anticipated commitments for SFY 2026	

Table 2: Project Funds for the DWSRF LSL Loan Program.

This IUP addresses the sources of funds expected to be available to the DWSRF LSL program through the State Fiscal Year 2027. The Sources and Uses table can be found in the Appendix. The financing capability of this IUP is based upon the total IJA LSL Capitalization Grant, less the amounts designated for the set-aside programs, plus available Capitalization Grant Funds carried over from prior federal grants. Principal and interest repayments to the fund,

Drinking Water Lead Service Line State Revolving Fund

Draft Intended Use Plan

April 30, 2026

plus interest and equity earnings, will be returned to the State Revolving Fund and recycled. The use of “recycled funds” may be used for any project qualified for SRF loans.

Non-program funds include fees to borrowers. These funds are used for administrative services during the repayment period of the loan term.

Set-Aside Activities

Sections 1452(g) and (k) of the Safe Drinking Water Act allow states to set aside up to 31% of the Capitalization Grant (LSL) for specific activities. Eligible DWSRF set-aside types include administration and technical assistance, small systems technical assistance, state program management, and local assistance and other state programs. TDEC SRF does not intend to utilize set-asides from the LSL fund at this time. The State of Tennessee reserves the right to use the remainder of the set-aside funds later.

Category	BIL Cap. Grant	% of Funding
SRF Administration	\$0	0.00%
State Program Management Public Water Supply Supervision (PWSS):	\$0	0.00%
Local Assistance Lead Service Line Inventory Grants	\$0	0.00%

Table 3: LSL Capitalization Grant Set-aside Activities

Drinking Water Lead Service Line State Revolving Fund Draft Intended Use Plan

April 30, 2026

Integrated Components

Integrated components are only eligible for IIJA DWSRF LSLR funding if the project meets all three criteria listed below:

1. The state determines that integrated components are sufficiently financially integrated into the LSLR replacement project such that the project could not proceed without their replacement (in other words, replacement of the integrated components is directly connected to the community's ability to do LSLR);
2. Integrated components needing repair or replacement are directly connected to a lead service line; and
3. Integrated components are in a disadvantaged community as described in SDWA Section 1452(d)(3).

Tennessee intends to fund LSLR projects involving the replacement or installation of integrated components.

Environmental Benefits

The State agrees to enter data into EPA's database system on a real-time basis per the Procedures for Implementing Certain Provisions of the FFY 2025 Appropriation. The following information will be entered quarterly into the Office of Water State Revolving Fund (OWSRF) Data System:

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

Copies of the OWSRF worksheets will be included in the Annual Report.

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 will contain detailed

Drinking Water Lead Service Line State Revolving Fund Draft Intended Use Plan

April 30, 2026

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 by DWSRF, the population of the loan recipient, and other such information as EPA may require.

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 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 DWSRF LSL loan program project grant fund and to operate the 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 following 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 use Generally Accepted Accounting Principles.
- The State will commit and expend funds as efficiently as possible and in an expeditious and timely manner.
- The funds will be used following 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.

Drinking Water Lead Service Line State Revolving Fund Draft Intended Use Plan

April 30, 2026

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 followed by a public meeting where the details of the IUP are reviewed. Any public comments received during this period are responded to and posted as a public notice along with the updated IUP. Modifications are made to the IUP when needed and after appropriate public notice is given.
- The State opens the Solicitation for Drinking Water projects in the fall of every year.

Amending the Intended Use Plan

DWSRF 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 on the SRF website and through appropriate communication channels.



Drinking Water Lead Service Line State Revolving Fund
Draft Intended Use Plan
 April 30, 2026

Appendix A

Sources and Uses Tables

Sources and Uses Summary				
Drinking Water State Revolving Fund (DWSRF) Sources and Uses				
Administered by Tennessee Department of Environment and Conservation - State Revolving Fund Loan				
State Fiscal Year July 1, 2026 - June 30, 2027				
Sources and Uses	Federal Contribution	State Contribution	DW SRF Fund	Total
<i>Funding Sources</i>				
Prior Year Project Carry Forward Funds	\$ 202,501,082.00	\$ -	\$ -	\$ 202,501,082.00
<i>less Unliquidated Obligations</i>	\$ -	\$ -	\$ -	\$ -
Loan Repayments (P&I)	\$ -	\$ -	\$ -	\$ -
Banked Set Asides	\$21,494,918	\$ -	\$ -	\$ 21,494,918.00
FFY 2023 IIJA Reallotment	\$23,720,000			\$ 23,720,000.00
FFY 2024 IIJA Reallotment	\$23,720,000			\$ 23,720,000.00
FFY 2025 IIJA Capitalization Grant	\$ 48,423,000.00	\$ -	\$ -	\$ 48,423,000.00
Totals for Funding Sources	\$ 319,859,000.00	\$ -	\$ -	\$ 319,859,000.00
<i>Funding Uses</i>				
Project Disbursements	\$ 298,364,082.00	\$ -	\$ -	\$ 298,364,082.00
Set Asides Spending	\$ 21,494,918.00	\$ -	\$ -	\$ 21,494,918.00
	\$ -	\$ -	\$ -	\$ -
Total for Funding Uses	\$ 319,859,000.00	\$ -	\$ -	\$ 319,859,000.00



Drinking Water Lead Service Line State Revolving Fund
Draft Intended Use Plan
 April 30, 2026

Sources and Uses Detail		
Sources	%	Amount
Projects		
FFY23 Lead Service Line Replacement Reallotment		\$23,720,000
Set-Aside	0.0%	\$0
Total Project Fund		\$23,720,000
FFY24 Lead Service Line Replacement Reallotment		\$23,720,000
Set-Aside	0.0%	\$0
Total Project Fund		\$23,720,000
FFY25 Lead Service Line Replacement		\$48,423,000
Set-Aside	0.0%	\$0
Total Project Fund		\$48,423,000
FFY22 Lead Service Line Replacement Grant - project fund		\$41,385,881
FFY23 Lead Service Line Replacement Grant - project fund		\$76,712,067
FFY24 Lead Service Line Replacement Grant - project fund		\$84,403,134
Total Available Cap Grant Funds		\$202,501,082
Set Asides		
FFY22 Lead Service Line Replacement Grant - set asides	15.96%	\$7,857,119
FFY23 Lead Service Line Replacement Grant - set asides	14.53%	\$13,043,933
FFY24 Lead Service Line Replacement Grant - set asides	0.70%	\$593,866
FFY25 Lead Service Line Replacement Grant - set asides	0.00%	\$0
Total Available Set Aside Funds		\$21,494,918
Total Sources of Funds		\$319,859,000
Uses		
Projects		
Executed Loans		\$0
Anticipated Loan Commitments SFY26		\$29,500,000
Anticipated Loan Commitments SFY27		\$268,864,082
Total Anticipated Loan Commitments*		\$298,364,082
Set Asides		
Executed Grant Contracts		\$7,935,151
Anticipated Grant Commitments SFY26		\$7,643,106
Anticipated Grant Commitments SFY27		\$776,369
Set Asides		\$5,140,292
		\$21,494,918
Total Uses of Funds		\$319,859,000
* from PRL - maximum available for funding or all available projects (whichever is less)		

Drinking Water Lead Service Line State Revolving Fund Draft Intended Use Plan

April 30, 2026

Appendix B

Priority Points for Lead Service Line Replacement Projects

STATE OF TENNESSEE
DRINKING WATER STATE REVOLVING FUND LOAN PROGRAM
PRIORITY POINTS FOR LEAD SERVICE LINE REPLACEMENT 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
 - 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 have completed their Lead Service Line Inventory, identified a lead-based health concern, and communities that receive an LSL inventory grant.

- 5 points for being previous SWIG customer in receiving LSL inventory grant
- 5 points for completed lead service line inventory
- 5 points for identifying lead-based health concern