TDEC Response to Comments on the State Revolving Fund Clean Water and Drinking Water Base and General Supplemental, Drinking Water Lead Service Line Replacement, and Clean Water and Drinking Water SA-HMW Intended Use Plans for State Fiscal Year 2027

General Statements/Policy

Comment: We request that the Erwin Utilities WWTP Replacement be added to the CW Emerging Contaminants list for additional funding for PFAS removal from the WWTP effluent. This facility receives all "wasted" water from the utilities' water treatment plants, including backwash water waste stream laden with PFAS, through the discharge into the collection system for treatment at the WWTP. This would allow for the concentrated backwash waste stream to be processed for PFAS removal.

Response: The PRL for Emerging Contaminants (EC) for Clean Water (CW) is closed at this time. Applicants must complete a DWR Clean Water Emerging Contaminants SRF Questionnaire during an open solicitation period to be ranked on the CW Emerging Contaminants PRL. TDEC received more requests than the state has in available funds. The SRF program is currently determining if any CW EC funds remain available for grants or loans. If so, the program will open applications for Clean Water EC projects during the next solicitation period in November 2026.

Comment: Clarify when ranked projects on the 2026-2027 SRF Priority Lists will be finalized and notified of funding and the appropriate schedule for the next steps through loan closure and project commencement.

Response: Thank you for your comment. TDEC's SRF program has been re-establishing the schedule for ranked projects moving through to the SRF loan closure process. Each phase of the loan process completes specific steps in SRF's technical, managerial, and financial review of an entity and the proposed projects. Phases I – IV span from submitting a Questionnaire to Loan Signature. Below are ideal program timelines.

- Phase I: Questionnaire

SRF opens Solicitation	Approximately 45 days
Applicants submit Questionnaires	
Questionnaires reviewed, scored and ranked	90 days
Draft IUPs & PRLs public noticed	30 days
Response to Comment and Final IUPs & PRLs published	45 days
SRF sends Ranked and Unranked letters to entities on the Final PRL (by state fiscal year)	30 days – End of Phase I

- Phase II: Financial Sufficiency Review & Initial Environmental Review

Applicant initiates GMS Phase II activity (Financial & Environmental Review)	30 days
SRF reviews for financial sufficiency	30 days
SRF initiates Interdisciplinary Environmental Review	45 days
SRF sends notification of financial sufficiency and next steps for Phase 3	Sent within 2 weeks of the IER crosscutter review completion – End of Phase II

- Phase III: Environmental Determination

Applicant provides facilities plan documents	60 days
SRF Review and Environmental Determination	90 days
SRF sends Encumbrance Letter	dispatched no less than 2 weeks after the issuance of a CE or FNSI – End of Phase III

- Phase IV: Loan Application

SRF drafts loan documents immediately after issuing an Encumbrance Letter	
Applicants initiate Phase IV when they provide public meeting information and Authorizing Resolution	60 days or as otherwise required by local policies.
Complete loan documents and prepare for TLDA board meeting. This step includes gathering all necessary signatures on the loan document from the loan applicant and TDEC. TLDA signatures will be provided at the board meeting or within 3 business days of said meeting, if the loan is approved.	60 days prior to upcoming board meeting.

Helene projects, also known as SA-HMW CW and Decentralized will be notified by July 31, 2026 of ranking and available funding. This category of emergency funding projects will be evaluated for financial sufficiency and immediately skip to an Encumbrance Letter at the end of Phase III. All technical and environmental evaluations for emergency funding projects will be completed after the loan closure, Phase IV.

Clean Water – State Match

Comment: I strongly encourage the TDEC to seek matching funds for the FFY26 CWSRF IIJA Supplemental funds. Tennessee could receive approximately $36.1 million in federal CWSRF funding, including roughly $17.7 million that must be distributed as principal forgiveness--thus effectively functioning as grant funding rather than loans. To access these federal funds, Tennessee would need to provide a 20% state match of approximately $7.23 million.

Tennesseans overwhelmingly support prioritizing investment in clean water and conservation. A 2026 poll found that 91% of Tennessee voters agree that "even when the state budget is tight, we should still find the money to invest in protecting our land, water, and wildlife". By not accepting these funds, Tennesseans would face real economic consequences. The $7.23 million match would yield a 245% return on investment in principal forgiveness grant funding alone.

Comment: This funding is especially important for disadvantaged communities and water systems with lower Ability to Pay Index scores, which often lack the resources to address aging infrastructure without outside support. Declining available federal funding could also weaken Tennessee's competitiveness for future funding opportunities by signaling a lack of demonstrated interest and need.

Comment: Clean water infrastructure is not optional; it is foundational to Tennessee's economy, public health, and future growth. Forfeiting the IIJA Supplemental funds is not in Tennessee's best interests, particularly given the evolving protections for our natural infrastructure. Recent legislative action removed state-level protections from an estimated 300,000 to 450,000 acres of Tennessee wetlands. Wetlands serve as natural infrastructure that absorbs floodwaters, filters pollution, and improves water quality at no cost to taxpayers. Timely investment in infrastructure is critical now more than ever to offset a foreseeable loss of Tennessee wetlands.

Comment: We urge TDEC and Tennessee leadership to prioritize securing matching funds for the FFY26 CWSRF IIJA Gen Supp Funds. Tennessee’s forfeiture of the FFY26 CWSRF IIJA Gen Supp Funds would result in the loss of substantial financial and economic benefits for the state. Securing federal funding is critical for Tennessee’s clean water infrastructure. Tennesseans strongly support state investment in clean water. Tennessee still has time to secure its FFY26 CWSRF IIJA Gen Supp Funds. Tennessee should explore other avenues of funding the required state match.

Comment: We strongly encourage TDEC to work vigorously to secure matching funds for the FFY26 CWSRF Supplemental funds. Based upon the most recent Project Priority List, over $56 million in project requests have been submitted. The 20% state matching funds are a common sense investment to secure this federal funding which is very favorable to the state, and will allow many important projects in disadvantaged communities to go forward.

Should the IIJA FFY 2026 CWSRF funds not be secured through the state match, the amount of money left unutilized is significant. By appropriating $7.157 million in state funds, Tennessee would receive $17.5 million in federal subsidy (loan forgiveness) and $18.46 million in loan funding.

Preliminary 2026 CWSRF General Supplemental allotment for Tennessee

- $35,787,000, 49% ($17,535,630) to be provided to project applicants as additional subsidies.
- State required match (20%): $ 7,157,400
- The IIJA Supplemental funds (not yet matched) for SFY2027 represent a 245% ROI for state appropriated match funds.

Response: TDEC received 50 independent comments expressing concern over the missing state match needed to receive the CW IIJA capitalization grant funds. The SRF program understands how the CWSRF IIJA funding is necessary for utility systems to help maintain and improve water infrastructure. TDEC agrees that accepting these funds is a critical issue. We will continue to coordinate with state leadership to work to secure the match needed to apply for the FY26 CWSRF IIJA funds.

Clean Water - Sponsorship

Comment: We encourage TDEC to continue building the sponsorship program in the coming year, with the goal of funding more sponsorship pairings in the next funding cycle (SFY2028). We encourage TDEC to establish program criteria in the upcoming year, with the goal of funding sponsorship pairings in the next funding cycle (SFY2028). Add criteria that allow for fully funding projects. Allow for projects that require full or nearly full subsidization in order to be implemented. Require all sponsorship projects that have access to other sources such as 319 nonpoint source projects should first utilize those funding sources. Make green stormwater infrastructure projects eligible for sponsorship funding and prioritize those that benefit communities that meet the CWSRF program's affordability criteria.

Response: Thank you for your comment. The SRF program is excited to advance sponsorship projects as part of our overarching goals. The support and enthusiasm that we've received from local non-profits has demonstrated the type of partnership that is needed for sponsored projects to succeed. We intend to continue the sponsorship program and will build out the criteria for the program as the pilot project continues. We will take these suggestions into consideration as we solidify the criteria.

Comment: Prioritize projects that are implemented through workforce development programs, youth-training programs, or other similar programs that aim to train and employ under- or unemployed people in the construction of these projects.

- Set an annual dollar amount for the sponsorship program.
- Allow nonprofit organizations to submit projects for sponsorship funding. Nonprofit organizations should engage local government entities in developing projects.
- Engage relevant state conservation and environmental organizations in identifying certain areas or watersheds in the state that may be deserving of prioritization under a sponsorship program.
- Engage interested nonprofit organizations in the scoping of future potential projects. In many cases, local nonprofit organizations may best know which types of projects have the greatest community support. Nonprofit organizations may focus on the identification of projects or may become involved in the implementation depending upon the project needs.
- Widely solicit projects that can be placed on a registry of potential projects to be sponsored. This would allow TDEC to choose the projects that best meet the prioritization criteria. Additionally, due to the timing aspect of matching a sponsored project with a sponsoring one, having a list of projects would assist in this matching.
- Conduct outreach to utilities submitting conventional projects for loans on the criteria of a sponsorship program and how the program would be financially neutral or beneficial to them.
- Explain how the sponsored projects can help contribute to meeting water quality standards in local waterways.

Response: Thank you for your enthusiasm about the Sponsorship Program! We intend to continue the sponsorship program and will build out the criteria for the program as the pilot project continues. Engagement with nonprofits, communities, and other organizations will expand once we can gather the lessons learned from launching this first sponsorship project. While the program is not actively soliciting sponsorship projects, we are still receptive to any project that helps communities meet water quality standards. If you are a community or a nonprofit that's interested in pursuing a sponsorship project, reach out to SRF's Special Projects Coordinator to start the discussion.

Drinking Water

Comment: We encourage TDEC to scrutinize the nature, timing, and standards for compliance of its readiness requirements and assess whether each requirement is necessary and appropriate for the types of projects seeking funds.

Response: Thank you for your comment. SRF has simplified the readiness-to-proceed requirements to the fullest extent practicable. Small and disadvantaged communities are eligible for loan forgiveness and lowered interest rates. They may also access technical assistance through SRF's contract with TAUD. If a community is not financially sufficient to receive a loan, we recommend that they work with SRF and TAUD to leverage the available resources.

Comment: We encourage the state to consider expanding affordability assistance for applicants who demonstrate the greatest need through reduced interest rates and increased Principal Forgiveness caps.

Response: Thank you for your comment. SRF maintains the lowest interest rates and highest principal forgiveness possible while still maintaining the health of the revolving fund. Applicants may pursue a rate study to better understand how their rates may impact the viability of the project they're pursuing and lead them to more affordable or practicable projects.

Comment: We encourage TDEC to allow projects from the state's Lead, EC, and SA-HMW programs to be considered for funding from the Base or IIJA General Supplemental grants.

Response: Thank you for your comment. Currently, SRF does allow entities who have applied for EC, LSLR, or SA-HMW to access SRF Base funding to complete a project. Projects must be listed on each PRL for which the entity is seeking funds. Any loan request can source any SRF funding stream as long as the project is eligible and ranking criteria are met. However, subsidy and interest rates are more favorable through LSLR, EC, and SA-HMW funds. Entities requesting to stack SRF Base with other, non-traditional SRF funds will have mixed additional subsidy and interest rates based on the structure of the project and the amount of money awarded from each fund

Drinking Water – Use of Set-Asides

Comment: Consider making more strategic use of set-asides to strengthen outcomes for small communities while also increasing the Lead and EC project pipeline to help reduce carryover funds. We encourage the state to increase its use of set-asides under the General Purpose program to support small systems and develop stronger pipelines for LSL and EC projects.

We encourage the state to increase use of set-asides to further support small communities to better apply for and ultimately access SRF funding. Set-aside allowances for Administration and TA (4%), Small System TA (2%), State Program Management (10%), and Local Assistance and Other State Programs (15%) can all be utilized in ways that would help to build a stronger pipeline of projects for small systems, and help these systems to meet readiness requirements.

Response: Thank you for your comment. The SRF program reserves the right to use a larger percentage of set-aside funds in the future. For now, ensuring that the maximum amount possible is going directly to projects is our priority. For information on how previous-year set-asides are being used, refer to the SRF Annual Reports which are posted online. We will consider your suggestions when tailoring our approach to small systems.

Comment: We encourage the state to utilize additional set-asides from the Base and General Supplemental fed cap grants to develop the state's Lead and EC project pipelines through sustained community outreach, such as through the development and dissemination of educational resources, informational workshops and webinars, and other proactive, direct engagement with potential project applicants. These outreach and engagement activities could be provided by TDEC staff or by individuals or nonprofit organizations contracted using set-aside funds.

Response: Thank you for your comment. TDEC is currently using set-asides from LSLR and EC to develop the pipeline of projects and conduct an education and outreach campaign. We will consider other ways to strengthen our LSL and EC programs through outreach and engagement.

Comment: Unranked projects may benefit from additional technical assistance to make it to the fundable list, and then to finalized agreements.

Response: Thank you for your comment. The unranked projects on the PRL did not meet the ranking criteria listed in the IUP. These communities should contact SRF to access technical assistance and better understand the ranking process.

Drinking Water – Priority Ranking List

Comment: Funding amounts: while Tennessee does include total project costs in its PRLs, Tennessee can also include expected or anticipated funding amounts so applicants and interested entities are aware of anticipated awards.

Response: Thank you for your comment. The SRF program will consider these additions in our efforts to increase transparency with our IUPs and PRLs.

Comment: Principal forgiveness: the Base/IIJA Gen Supp PRL includes "Estimated Amount for Green Project Subsidy," "Estimated Amount for Disadvantaged Communities Principal Forgiveness," and "Estimated Amount for Small Systems Principal Forgiveness," however these amounts are included in both the Ranked and Unranked Projects sections. We encourage the state to clarify whether these PF amounts are the amounts that applicants are eligible for, or the amounts that applicants can expect to receive. If the former, we encourage the state to include the expected PF amounts for projects in the Ranked Projects section for greater transparency of anticipated PF awards.

Response: Thank you for your comment. SRF will modify our PRLs to remove references to principal forgiveness for unranked projects. The amount of forgiveness listed for ranked projects is an estimated amount that the applicants are eligible for. SRF does not commit to an award amount for either the project funding or principal forgiveness before ensuring applicants meet all SRF qualifications.

Comment: Project IDs: on the Base/IIJA Gen Supp PRL and LSLR PRL, there are two projects with the same Application ID (2025-13624). While both projects serve Hamilton County, we encourage the state to provide extra clarification if these are two phases of the same project, or if these two projects should have separate Application IDs.

Response: Thank you for identifying an error. The Project ID for the Hamilton County LSL project has been corrected.

Comment: Clarify principal forgiveness policies: we encourage the state to clarify whether applicants are eligible to receive more than one type of PF (DAC, small systems, green projects) under the General Purpose program, and if so, whether the PF caps are inclusive of other types of PF.

Response: Funding recipients may only receive one type of principal forgiveness. Different types of principal forgiveness cannot be combined. We recommend that loan recipients seek out the type of principal forgiveness that will benefit them the most.

Drinking Water - Lead Service Line

Comment: We encourage TDEC to consider the following additional factors for prioritizing LSLR projects, in order to ensure that funds are prioritized for the most vulnerable communities.

- Percentage of lead service lines in the system
- Poverty Indicators
- Percentage of Population Under Age 5
- Whether all remaining LSLs can be removed by the submitted project.
- Whether the municipality served by the water system has adopted a mandatory replacement ordinance.

Response: Thank you for your comment. The SRF program has worked to target communities who are most vulnerable to lead. Poverty indicators (including unemployment rate, poverty level, and food stamp dependence) are incorporated into the Ability to Pay Index. SRF also used the results of the state-wide lead service line inventory to engage communities that demonstrated a higher percent of lead service lines in their systems. If a community has a mandatory replacement ordinance or can remove the remaining LSLs with an SRF-funded project, we encourage them to start a discussion with SRF about funding the project.

Comment: Consider making fuller use of set-asides to strengthen the LSLR project pipeline and help communities implement more timely and cost-efficient projects and improve the affordability of LSLR project awards. Use the set-aside allowance for State Program Management (10%) to support state staff to help water systems comply with the federal Lead and Copper Rule. Use the Administration and Technical Assistance (4%) and Small Systems Technical Assistance (2%) set-aside allowances to help water systems identify and plan LSLR projects, apply for LSLR project funds, and meet readiness requirements to finalize funding agreements. Use the Local Assistance allowance (10%) from the Local Assistance and Other State Programs set-aside allowance to provide additional technical assistance, and to help communities explore and collaborate on more cost-effective ways to replace lead service lines.

Response: Thank you for your comment. The SRF program reserves the right to use a larger percentage of set-aside funds in the future. SRF has remaining set-aside balances from previous LSLR cap grant years. The program is working to draw down those set asides completely before accessing set-aside reserves from FFY 2025 capitalization grant. These previous-year set-asides are being used to fund inventory and planning grants, update water systems on Lead and Copper Rule efforts, and share lead guidance and inventory information state-wide. The SRF program will continue to use set-asides to fortify the LSLR project pipeline and better prepare utilities for the SRF funding process.

Comment: In the first paragraph under the “Subsidies and Affordability Criteria” heading, the SFY26 LSLR IUP states “All systems with an ATPI of 100 or less, are eligible for 50% loan forgiveness with no cap on the amount of principal forgiveness.” In a subsequent section, the IUP states that, to be considered disadvantaged for LSL projects, the community must have an ATPI of 80 or less.

Response: Thank you for your comment. The ATPI discrepancy has been corrected in the Final LSLR IUP. To be considered disadvantaged for LSL projects, the community must have an ATPI of 80 or less. SRF is unable to provide greater than 50% principal forgiveness of LSLR funds to disadvantaged applicants. In TN, the federal requirements are implemented by establishing that every dollar issued as a loan through SRF for LSLR; 51% of the LSLR funds must be issued as unsubsidized loans and 49% of the LSLR funds must be provided as principal forgiveness. To maintain compliance with the federal requirements SRF cannot expand the percentage of funds provided as loan forgiveness.

Comment: Funding amounts: while Tennessee does include total project costs in its PRLs, Tennessee can also include expected or anticipated funding amounts so applicants and interested entities are aware of anticipated awards.

Response: Thank you for your comment. A longer response to this comment can be found above in the Drinking Water – Priority Ranking List section. We will consider this suggestion as we work to clarify the PRLs.

Comment: Principal forgiveness: the LSLR PRL includes “Estimated Amount of Principal Forgiveness.” We encourage the state to clarify whether these PF amounts are the amounts that applicants are eligible for, or if they are the amounts that applicants can expect to receive.

Response: Please see response above in the Drinking Water – Priority Ranking List section. Thank you for your comment.

Comment: Provide additional clarity regarding project prioritization: the LSLR PRL includes ranked projects from prior funding cycles, with projects from different solicitations having the same rank order (e.g., projects with Application IDs 2024-10701, 2024-11932, 2025-13208, and 2025-13717 all have a rank order of 1). We encourage the state to clarify whether projects from earlier solicitations will be prioritized for funding.

Response: Thank you for your comment. The 2024 LSLR PRL was revised to renumber the projects that were ranked during the second solicitation. The LSLR PRL is maintained as a rolling list. However, the list is still divided by the solicitation window during which the project application was received. Projects from older solicitations will be prioritized first for funding.

Comment: Ensuring consistency and accuracy across numbers and tables provided in the IUPs and project lists: While we believe the most recent draft LSLR IUP to be for the SFY27 funding cycle, the IUP refers to both SFY26 and SFY27 throughout.

Response: Thank you for your comment. The draft LSLR IUP was published later in the funding cycle than usual. The SRF Program first had to demonstrate demand for existing and future projects that could sufficiently use the funding. As a result, the document discusses projects that will not have been funded until SFY 2027.

Comment: In the draft LSLR PRL, the projects are organized by 2024 First and Second Solicitation Ranked Projects, 2025 Ranked Projects, and 2026 Ranked Projects. Based on prior naming conventions in previous funding cycle's PRLs, this should be 2023 First and Second Solicitation Ranked Projects (for the FFY23 LSLR fed cap grant), 2024 Ranked Projects (for the FFY24 fed cap grant), and 2025 Ranked Projects (for the FFY25 fed cap grant).

Response: Thank you for your comment. Priority Ranking Lists are companions to the Intended Use Plans. The fund must produce an IUP for each federal fiscal year. However, the PRL is denominated by the state fiscal year. The naming convention will remain as published.

SA-HMW Clean Water

Comment: Per our meeting on May 6th and the known allocations from EPA for the unmet need for Hurricane Helene being less than the totals on the Clean Water Supplemental Appropriations Priority List, we request Erwin Utilities WWTP be added and ranked not only on the Clean Water Supplemental Appropriation for Hurricanes Helene and Milton and Hawaii Wildfires, but also on the FFY26/SFY27 CWSRF Priority Ranking Lists to allow access to both funding pools due to insufficient funding in the Hurricane Helene Disaster Funding.
In addition, we request that the traditional limits of the CWSRF Program for principal forgiveness of $5M (maximum) be waived and consideration given to greater forgiveness amounts due to the documented unmet need for Clean Water funding for multiple communities and utilities due to Hurricane Helene.

Response: Thank you for your comment. Currently, SRF does allow entities who have applied for EC, LSLR, or SA-HMW to access SRF Base funding to complete a project. Projects must be listed on each PRL for which the entity is seeking funds. Any loan request can source any SRF funding stream as long as the project is eligible and ranking criteria are met. However, subsidy and interest rates are more favorable through LSLR, EC and SA-HMW funds. Entities requesting to stack SRF Base with other, non-traditional SRF funds will have mixed additional subsidy and interest rates based on the structure of the project and the amount of money awarded from each fund

Comment: We recommend that the State of Tennessee request additional allocation of funding for the unmet need from EPA and request further direction as to the resulting discrepancy between the funding needs resulting from Hurricane Helene and listed on the damage inventory provided to FEMA and the amount funded by the EPA in the Clean Water Supplemental Appropriation for Hurricanes Helene and Milton and Hawaii Wildfires. We request that the EPA provide additional Supplemental Appropriation, to meet the requested priority projects, for the November 2026 SRF Application cycle to complete funding for the restoration of all utilities, including Erwin Utilities, following Hurricane Helene.

Response: Thank you for your comment. All states that received SA-HMW funds have indicated no funds will be returned, therefore, there are no additional funds to request. If your community has applied for funding to implement a Helene-related project and the project cost estimates are no longer sufficient, please contact SRF's Technical Manager. If funding has not been applied for, there will be another opportunity to apply during SRF's Solicitation window in November 2026.

<u>SA-HMW Drinking Water</u>

Comment: Provide up to 100% principal forgiveness for state-defined DACs that would struggle to repay SRF loans: We encourage the state to consider implementing additional PF tiers, such as for ATPI tiers 0-10, 20-30, 40-50, and 60-100, to ensure that PF is going to applicants that demonstrate the greatest need. We encourage Tennessee to consider providing up to 100% principal forgiveness to communities with the lowest ATPI scores.

Response: Thank you for your comment. The SRF program will consider issuing 100% forgiveness to entities that demonstrate significant need and would be unable to repay the SRF loan.

Comment: To further improve transparency of the state's programs, we provide the following recommendations:

- Ensure consistency and accuracy across numbers and tables provided in the IUP and project list
    - Utilize DWSRF rather than CWSRF in the narrative and tables of the IUP. For example, the draft IUP refers to CWSRF in the Sources and Uses tables and on IUP p. 22 for the potential transfer of funds.
    - Consistently identify the applicable SFY, as IUP page 14 specifies that $42,491,520 is available for projects in SFY27, whereas the Sources and Uses table on IUP page 24 specifies this amount is available for projects in SFY26.
    - The SA-HMW PRL refers to "2026 Drinking Water State Revolving Fund" and "2026 RANKED PROJECTS." Based on the state's naming conventions in other DWSRF programs, the PRL should specify 2025, for the FFY25 SA-HMW fed cap grant, rather than 2026.

Response: Thank you for your comment. The errors mentioned in your comment have been corrected in the final IUP. The SRF program will consider these additions in our efforts to increase transparency with our IUPs and PRLs. The solicitation window for projects funded by SA-HMW closed in January 2026. The referenced PRL was compiled from that solicitation and will continue to be referred to as the 2025 Drinking Water SRF SA-HMW PRL.