



Intended Use Plan
Clean Water State Revolving Fund

State Fiscal Year (SFY) 2027
Federal Fiscal Year (FFY) 2026



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Introduction

In 1987 the Tennessee General Assembly passed the Wastewater Facilities Act and established the Tennessee Clean Water State Revolving Fund (CWSRF), implemented using TN Comp. R. & Regs. § 0400-46-01 and § 0400-46-06. The program was created through the 1987 Amendments to the Clean Water Act (CWA), which authorized the US Environmental Protection Agency (EPA) to establish a CWSRF loan program to further the protection of public health and the water quality objectives of the CWA. The Tennessee Department of Environment and Conservation (TDEC) manages the CWSRF through the Division of Water Resources (DWR) in the State Revolving Fund (SRF) program. The CWSRF loan program provides low-interest loans and technical assistance to cities, counties, utility districts, wastewater authorities, and energy authorities across the state for the planning, design, and construction of wastewater infrastructure projects. The CWSRF loan program supports TDEC's mission to protect and promote human health and safety and to protect and improve water quality across the state by helping communities afford safe, sustainable, and resilient water systems. The CWSRF loan program is a federal-state partnership which provides utilities, municipalities and private non-profits with an independent source of low-cost financing for a wide range of water quality infrastructure projects.

EPA annually awards Clean Water Capitalization Grants to states to finance stormwater and wastewater system projects. The State then obligates its federal allocation, secured through a 20% state match, to finance planning, planning and design, and construction projects. Projects funded by the Capitalization Grant and state match include (but are not limited to):

Elements of the Intended Use Plan:

- TDEC SRF long term and short-term goals
- The financial status of the Clean Water SRF loan program
- Description of the methods and criteria used to distribute funds
- Automated Standard Application for Payments (ASAP) Schedule
- Priority Ranking List (PRL) for 2026
- Description of non-point source (NPS) activities eligible for assistance under Section 319 of the CWA
- TDEC's new principal forgiveness methodology
- CWSRF Asset Management Plan (AMP) funding

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plant replacement and upgrade; collection system installation, repair, and upgrade; treatment; storage; water reuse; green infrastructure; energy optimization; stormwater management; and resilience. These funds are repaid over time, ensuring the long-term viability of the CWSRF loan program.

Section 606(c) of the CWA requires each state to annually prepare an Intended Use Plan (IUP) to outline the use of grant funds awarded to the State and to describe how those uses support the goal of protecting public health and the environment.

Capitalization Grants

This Intended Use Plan (IUP) for the Clean Water State Revolving Fund documents how the federal fiscal year (FFY) 2026 appropriations for the CWSRF Loan Program will be used. Stakeholders and interested parties can access this and other IUPs on the [TDEC SRF website](#).

Clean Water Base Capitalization Grant

The State of Tennessee's Base Capitalization Grant allotment for the FFY 2026 CWSRF loan program is estimated to be \$10,481,000. The State is required to provide a 20% match of federal funds or \$2,096,200 to receive the full allotment. EPA Base Capitalization Grant plus state match will provide an expected \$12,577,200 in funds available for CWSRF projects in SFY 2027. The funds needed for state match have been approved in the State of Tennessee in the general budget and will be appropriated when the grant has been received from EPA (40 CFR 35.3135 (b)).

IJA General Supplemental Capitalization Grant

In addition to the Base Capitalization Grant allotment for FFY 2026, Congress passed the Infrastructure Investment and Jobs Act of 2021 (IIJA). IIJA provides additional funding to strengthen the nation's drinking water, stormwater, and wastewater systems. More than \$50 billion will be invested in American water infrastructure over a five-year period. This funding provides general supplemental funding to clean water projects and additionally addresses emerging contaminants.

The CWSRF program was not provided with a state match for the IIJA general supplemental funds. Therefore, CWSRF does not intend to apply for this capitalization grant during this

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funding cycle.

Clean Water State Revolving Fund Program Goals

Congress grants states flexibility to shape their own CWSRF loan program, allowing Tennessee to establish its own program goals and framework to address the needs of the state, local communities, stormwater utilities, and publicly owned wastewater treatment works. 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 wastewater and stormwater systems across the state.

Tennessee's CWSRF loan program has formulated 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 CWSRF loan program are strategic, impactful, and effectively address the challenges faced in the state.

Long-Term CWSRF Loan Program Goals

1. Ensure a safe and adequate water supply in perpetuity for all Tennessee communities through the integrous and methodical technical, financial, and administrative management of the fund and the protection against waste, fraud, and abuse.
2. Preserve the probity and purpose of the fund through adherence to the [Generally Accepted Accounting Principles \(GAAP\)](#), programmatic compliance to the CWA, and promoting pathways through which all wastewater systems can fully comply with their applicable state and federal regulations.
3. Increase holistic collaboration with wastewater systems, stormwater systems, DWR staff, and other state and federal agencies to better serve the customers.

Short-Term CWSRF Loan Program Goals

1. Streamline the lending process through the review and removal of redundancies and obsolete requirements, and by updating guidance and procedures.

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2. Broaden the types of and routes for outreach to public and private water systems, with a focus on systems serving small communities, to increase their interest in the program and shape the program to better meet their needs.
3. Provide funding assistance for developing and implementing local water quality protection initiatives, non-traditional entities, non-point source projects, Sponsorship projects, and other innovative projects that expand the impact and effectiveness of the CWSRF program.
4. Provide education and outreach to small and disadvantaged utilities and all CWSRF customers on Asset Management Plan (AMP) guidance documents through our technical assistance providers.

The CWSRF program strives to be a good partner with EPA. Aligning the State's program goals with EPA's is one part of the good partnership agreement both agencies maintain. Tennessee has set the short- and long-term goals of this IUP to align with EPA's strategic goals and objectives, specifically Pillar 1: Clean Air, Land, and Water for Every American. EPA's Office of Water has identified specific measures that address the strategic goals and objectives outlined by EPA in its strategic plan. CWSRF outputs and outcomes ensure that commitments made by the State are properly correlated to the strategic goals and objectives of EPA.

CWSRF Outputs and Outcomes:

1. Output: Fund projects that focus on wastewater treatment upgrades, stormwater management, and watershed protection initiatives.
Outcome: Improves surface water quality conditions throughout various environments that support all receptors.
2. Output: Prioritize infrastructure investments for projects focused on repairing aging sewer systems, constructing new treatment plants, and implementing green infrastructure practices to manage stormwater runoff.
Outcome: Reduced impacts to water resources from overflows, stormwater runoff, improved protection of waterbodies and watersheds.
3. Output: Recommend to project stakeholders that proposed projects should

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incorporate innovative water treatment technologies, such as advanced filtration systems, nutrient removal technologies, and decentralized wastewater treatment solutions.

Outcome: Increased usage of innovative technologies will improve water quality and operational efficiency.

4. Output: Prioritize funding for projects that benefit underserved and disadvantaged communities, addressing environmental health disparities, and ensuring equitable access to clean water and sanitation services for all residents of Tennessee.

Outcome: Improved public health and safety in vulnerable communities.

By aligning the goals of the CWSRF program with those of EPA, the state leverages federal resources, expertise, and guidance to advance its priorities related to clean water infrastructure, water quality, and sustainability. Additionally, collaboration 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.

Clean Water Priority Ranking System

TDEC's CWSRF loan program uses a priority ranking system to develop the Priority Ranking List (PRL). The State's CWSRF Priority Ranking System rules, TN Comp. R. & Regs. § 0400-46-01, provide a clear, objective order of ranking wastewater infrastructure projects. The rationale for funding projects in an order other than that shown on the PRL shall be in accordance with the rules for the Priority Ranking System, Chapter 0400-46-01-.03.

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 Clean Water SRF Questionnaire detailing the project information such as project description, cost, timeline, location, loan amount, and loan term. The eligibility of projects for CWSRF funding is outlined in the [EPA Eligibility Handbook](#). Projects are prioritized based on their ability to reduce health risks or improve or maintain water quality. All proposed projects for planning or planning and design loans and for construction loans that are ready to proceed will be assigned Project Criteria Points based on the project criteria established in Rule 0400-46-01-.02(2). Project Criteria Points will be assigned to projects based on the

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following:

- Wastewater treatment plant (WWTP) discharges to a water-quality impaired stream segment will receive 100 Project Criteria Points in addition to any other applicable Project Criteria Points. WWTP projects with a compliance schedule in the NPDES permit requiring construction will receive 50 Project Criteria Points in addition to any other applicable Project Criteria Points;
- Wastewater collection system projects with a compliance schedule in the NPDES permit requiring construction will receive 50 Project Criteria Points in addition to any other applicable Project Criteria Points;
- Nonpoint Source (NPS) pollution projects affecting a water-quality impaired stream segment will receive 100 Project Criteria Points. Other NPS pollution projects will receive 25 Project Criteria Points. NPS pollution projects may be directed toward protecting or improving the quality of groundwater, surface water, or wetlands. NPS pollution projects must be consistent with Tennessee's approved Nonpoint Source Management Program requirements and be included in the State's current EPA-approved Nonpoint Source Management Plan;
- Effluent-trading projects will receive 50 Project Criteria Points in addition to any other applicable Project Criteria Points;
- Combined Sewer Overflow (CSO) projects will receive 25 Project Criteria Points;
- Infiltration/Inflow (I/I) correction and major sewer rehabilitation projects will receive 25 Project Criteria Points. Construction of projects that will transport and treat I/I at the WWTP will receive 10 Project Criteria Points;
- Stormwater management projects affecting a water-quality impaired stream segment will receive 100 Project Criteria Points. Stormwater management projects with a compliance schedule in the NPDES permit requiring construction will receive 50 Project Criteria Points. All other stormwater management projects will receive 25 Project Criteria Points;
- Collection lines to be constructed to address an existing public health problem

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caused by failed septic systems will receive a minimum of 40 Project Criteria Points up to a maximum of 100 Project Criteria Points;

- Any wastewater project proposed for development or growth potential, i.e., projects not planned to address a water quality problem or a public health problem, will receive 5 Project Criteria Points. WWTPs that are required to serve new collectors as part of the approved facilities plan will receive the same Project Criteria Points as the collectors;
- Interceptors and pump stations will receive varying Project Criteria Points. Interceptors or pump stations that eliminate a WWTP discharge point included in an approved facilities plan will receive the same Project Criteria Points as the WWTP. Interceptors or pump stations proposed as part of an I/I elimination project will receive the same Project Criteria Points as the I/I elimination project. Interceptors or pump stations submitted as part of a collection system project will receive the same Project Criteria Points as the collection system project;
- Planning/Design projects will receive Project Criteria Points based on the proposed project type;
- CWA Section 212 projects that are also associated with the construction of nonpoint source projects shall have an additional 20 Project Criteria Points;
- CWA Section 212 projects with zoning that demonstrates preservation of greenspace shall have an additional 15 Project Criteria Points;
- CWA Section 212 projects with zoning that demonstrates riparian buffer zones of at least 150 feet shall have an additional 10 Project Criteria Points;
- CWA Section 212 projects demonstrating an enforced buffer zone ordinance shall have an additional 5 Project Criteria Points;
- Refinancing projects will receive 1 Project Criteria Point; and
- In accordance with TN Code Ann. § 6-58-109(b), all SRF projects within counties with an approved growth plan will receive 5 Project Criteria Points in addition to any other

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applicable Project Criteria Points.

Once all projects have been evaluated and assigned their Project Criteria Points, they are placed on the PRL in descending order of Project Criteria Points. Projects with the same priority point value will be ranked in ascending order based on the community's Ability to Pay Index (ATPI) and population to assist smaller and less affluent communities. Unranked projects will be included below the ranking line on the bottom half of the PRL. Projects requesting funds for ineligible activities will not be assigned priority points or included on the PRL.

List of Projects

In accordance with CWA § 606(c)(1) and 40 CFR § 35.3150, CWSRF compiles a PRL to identify projects that may receive funding in the first year after the grant award. The PRL contains essential information about each community, including project description, total priority points, the ATPI, total project cost, funding source, associated wastewater facility information, potential FFY 2026 principal forgiveness, amount of GPR, anticipated construction start and end dates, and EPA's Needs Survey Category. The CWSRF PRL denotes CWSRF projects for which the total amount of assistance requested is at least equal to the amount of the FFY 2026 Base and General Supplemental allotments. In addition to the projects listed, the CWSRF loan program may consider additional loans for existing projects, projects carried forward from previous PRLs, emergencies, and other CWSRF-eligible projects. All projects awarded will follow the IUP and policies in effect from when the loan terms and conditions were established. The CWSRF project list may include NPS projects since the State's NPS Assessment and Management Program has been approved. Regardless of the year a project was listed on a PRL, CWSRF will use the most current policies outlined in the Intended Use Plan when applying principal forgiveness and other subsidies.

The PRL contains a list of all eligible projects that entities provided during the solicitation period. For projects to receive project priority points, it must meet the ranking criteria. The ranking criteria are defined as:

1. The community has submitted the last 3 fiscal years of audited financial statements to the comptroller's office; and

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2. A draft facilities plan or other planning document has been developed for this project.

All eligible projects that meet the ranking criteria were scored, ranked, and listed above the ranking line on the PRL. Projects that did not meet the ranking criteria are considered unranked and listed below the ranking line.

CWSRF may provide an additional opportunity for those projects listed below the ranking line to demonstrate that their project has met the criteria to be ranked. Once a project meets the ranking criteria, CWSRF may rank the project and move it above the ranking line. Any project moved above the ranking line will be ranked after projects previously listed above the ranking line. Ranked projects will be prioritized for loan assistance agreements based on an entity's readiness to proceed.

Readiness to Proceed

Once projects are ranked, applicants with a ranked project will receive a letter indicating their position on the priority ranking list. The ranking letter instructs applicants to demonstrate their readiness to proceed by logging into the [Grants Management System](#) (GMS) and completing the following information:

- Attest that the three most recent fiscal years of audited financials have been submitted to and are on file with the State of Tennessee Comptroller.
- Upload the audited financial statements.
- Provide the specific dollar amount needed from CWSRF to satisfy the project scope.
- Clearly identify the legal entity requesting the loan. This should be the entity legally authorized to take on debt. This could be the utility name, municipal system, utility district or jointly operated system.
- Verify the project description provided in the Questionnaire
- Upload an aerial and a topographic map for the project location.

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Funding of Projects

CWSRF projects are prioritized based on the number of priority points awarded to them on the PRL. The projects with the highest number of priority points that have demonstrated their readiness to proceed are given preference for funding. This prioritization emphasizes projects that are prepared to proceed with planning or construction, including those from small and disadvantaged communities, green and resilient infrastructure projects, and projects with subsidies.

The CWSRF loan program will finalize the IUP and PRL and post them to our website. Then funding letters will be issued to all communities whose projects are listed above the Ranking Line on the PRL. Project loans can be awarded on a monthly basis depending on the community's readiness to proceed and the scheduling of the Tennessee Local Development Authority board meeting. This systematic approach ensures the efficient allocation of resources to projects that are ready to move forward and supports the timely implementation of critical clean water infrastructure improvements across Tennessee.

Project By-Passing Procedures

Despite their ranking on the PRL, projects selected for loans may risk being bypassed if the project is not ready to proceed. Bypassing can occur when a loan applicant does not meet the communicated requirements. However, the CWSRF loan program is dedicated to helping these bypassed entities maintain their eligibility for funding in the following fiscal year. The CWSRF program now facilitates the entire application process online via the Grants Management System (GMS). After completing the Questionnaire (Phase 1), applicants must adhere to established timelines to advance their projects through the CWSRF process. Currently, the estimated time 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. An Interdisciplinary Environmental Review (IER) is initiated, including a 30-day comment period by federal and state agencies to receive feedback on the potential impact of the project.

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- Phase 3 (Environmental Determination): 180 days. During this phase, applicants submit the required planning documents, and the State determines whether the potential impacts from the proposed project should be considered as a Categorical Exclusion (CE) or Finding of No Significant Impact (FNSI). Finally, the state will review and approve 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. The CWSRF program will propose the loan for approval to the TN Local Development Authority (TLDA) during the monthly public board meeting. If approved by the TLDA, the agreement will receive final signatures and be considered executed and in force.
- Phase 5 (Design Review): 90 days. In this phase, applicants must provide evidence of permits and the plans and specifications for the project. The State reviews design and technical documents to ensure CWSRF requirements are met. Once these are met, the loan borrower may proceed with construction.

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 CWSRF 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 CWSRF's response to infrastructure emergencies can be found in this document's Additional Uses of Funds section.

Sources and Uses of Funds

The State of Tennessee's allotment of FFY 2026 CWSRF Base Capitalization Grant dollars is expected to be \$10,481,000. The State is required to provide a 20% match of federal funds or \$2,096,200. The Base Capitalization Grant plus state match will provide an expected \$12,577,200 in funds available for the CWSRF loan program in SFY 2027.

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Other sources of program funds include loan repayments of principal and interest, interest on CWSRF fund cash balances, and unobligated fund balances carried forward from SFY 2026 (Table 1).

Non-program funds include fees from non-disadvantaged borrowers. These funds are used for administrative services during the repayment period of the loan term. Based on established amortization CWSRF estimates fees collected for SFY 2027 will be \$689,469.

Financial Status of Funds for the CWSRF Loan Program		
Prior-Year (SFY 2026) Carry-forward Funds*		\$606,701,009
Less Executed Loans		(\$212,571,985)
Funds Transfer		\$0
Principal repayments **		\$51,980,179
Loan Interest Income **		\$10,002,803
Treasury Interest Income **		\$20,277,566
FFY 2026 Base Capitalization Grant		\$10,481,000
20% of FFY 2026 Base Capitalization Grant matched by State		\$2,096,200
FFY 2026 IJJA General Supplemental Capitalization Grant		\$0
20% of FFY 2026 IJJA General Supplemental Capitalization Grant matched by the		\$0
Set Aside Activities:		
<u>Base Capitalization Grant</u>	<u>IJJA Supplemental Grant</u>	\$0
SRF Administration: \$0	SRF Administration: \$0	
Small System Technical Assistance (SMS): \$0	Small System Technical Assistance (SMS): \$0	
TOTAL \$258,718	TOTAL \$1,675,839	
CWSRF Loan Program Project Funds		
* Estimated balance at March 31, 2026, available CAP grants and revolving balance		
** Principal, loan interest, and treasury interest est. for SFY 2026		

Table 1: Financial Status of Funds for the CWSRF Loan program

TDEC SRF is currently developing cash flow modeling. This forecasting tool incorporates all inflows and outflows of the fund to estimate a state’s capacity to make loans, ensuring the fullest possible utilization of available SRF infrastructure financing resources.

Uses of Funds

Congress allows each state flexibility to establish the allocation of funds from Capitalization Grants used for infrastructure loans, assistance to financially disadvantaged communities, and set-aside activities. The state, in turn, is responsible for directing the funds to address

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clean water infrastructure problems.

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

Transferred Funds

States can transfer up to 33% of its Drinking Water State Revolving Fund (DWSRF) base and supplemental Capitalization Grants, on a cumulative basis, into the Clean Water State Revolving Fund (CWSRF) or an equal dollar amount from the CWSRF into the DWSRF per 40 C.F.R. § 35.3555(c)(8). In addition to transferring grant funds, states can also transfer state match, investment earnings, or principal and interest repayments between SRF programs. Tennessee reserves the right to transfer between these funds.

The table in Appendix A entitled “Transfer of Funds Between SRF Loan Programs” itemizes the amount of base funds available for transfer and that have been transferred between the CWSRF and DWSRF programs to date based on the base SRF capitalization grants. This year TDEC does not plan to transfer any funds from the CWSRF fund into the DWSRF fund.

Set-Aside Activities

Congress allows each state to set aside funds from its federal capitalization grant to support administration of the program and technical assistance. Outcomes from these activities are reported to EPA in the CWSRF Annual Reports. Set-aside funds from previous capitalization grants will be drawn down in accordance with that year’s IUP.

Tennessee is electing to not set-aside funds from the FFY26 CWSRF Capitalization Grant.

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Category	Base Cap. Grant	% of Funding	IIJA Cap. Grant	% of Funding
SRF Administration	\$0	0.00%	\$0	0.00%
Small System Technical Assistance	\$0	0.00%	\$0	0.00%

Table 2: CWSRF Set-Asides

Criteria and Methods for Distributing Funds

The primary use of the CWSRF is to provide assistance to stormwater and wastewater utilities for capital improvements (infrastructure projects). This loan assistance can be any combination of planning, design, and/or construction. Throughout CWSRF history, the program has provided approximately \$2,454,516,868 in loans and provided \$94,654,728 in principal (loan) forgiveness.

TDEC has estimated that based on the projected total award dollars and the previous year’s carry-forward balance, the CWSRF loan program can provide up to \$488,966,772 in project loans. The CWSRF loan program will provide funding letters to all communities with projects above the ranking line on the FFY 2026 PRL after EPA provides CWSRF with a notice regarding the FFY 2026 CWSRF Capitalization Grant award. For the FFY 2026 capitalization grant, funding priority will be directed to ranked disadvantaged communities, small communities, and entities with green and resilient infrastructure projects. Project loans may be awarded each month depending upon a community’s readiness to proceed and the scheduling of the Tennessee Local Development Authority board meeting.

Subsidies and Affordability Criteria

The CWSRF loan program has developed multiple ways for communities and utility systems to benefit from CWSRF subsidies. Reduced interest rates (discussed in the ATPI Reduced Interest Rates section), principal forgiveness, and green project reserve subsidy are all financing options an applicant can explore to potentially reduce their overall financial burden

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for wastewater and stormwater infrastructure improvements. Communities and utility systems seeking financing from CWSRF must meet the eligibility requirements to access the program’s multiple subsidy strategies.

Total additional subsidy requirements for CWSRF may change annually based on federal legislation. The FFY 2026 CWSRF Base Capitalization Grant requires states to use a minimum of 20% of the capitalization grant amount to provide additional subsidy.

By targeting the following types of projects, Tennessee aims to strategically allocate this subsidy to eligible projects for small or disadvantaged communities and green initiatives.

- Disadvantaged communities for planning, design, and/or construction projects,
- Small communities with planning and design projects, or
- Proposed projects that meet the green project reserve criteria on the FFY 2026 PRL.

These efforts emphasize the State’s commitment to providing targeted assistance and support to those in need while advancing sustainable and environmentally conscious water infrastructure projects.

Principal Forgiveness Available for the CWSRF Loan Program	
Prior-Year (SFY 2026) Carry-forward Funds*	\$49,473,466
FFY 2026 Base Capitalization Grant	\$2,096,200
FFY 2026 IJJA General Supplemental Capitalization Grant	\$0
CWSRF Unobligated Principal Forgiveness Funds	\$51,569,666
* Estimated balance at March 31, 2026, unobligated principal forgiveness	

Table 3: CWSRF Available Principal Forgiveness

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Base Capitalization Grant		
Capitalization Grant	Disadvantaged Communities (10%)	Small Systems or Green Projects (10%)
\$10,481,000	\$1,048,100	\$1,048,100
IIJA General Supplemental		
Capitalization Grant	Disadvantaged Communities (49%)	Small Systems or Green Projects (0%)
\$0	\$0	\$0
TOTAL AVAILABLE CWSRF SUBSIDY	\$1,048,100	\$1,048,100
Eligible Categories	CWSRF Subsidy (%)	Dollar Amount
Principal Forgiveness for Disadvantaged Communities	30 - 50%	Up to \$5,000,000
Principal Forgiveness for Small Systems	50%	Up to \$250,000
Green Project Reserve (GPR) Principal Forgiveness	20%	Up to \$2,500,000

Table 4: SFY 2027 CWSRF Available Subsidy

All principal forgiveness is awarded on a “first-come-first-serve” basis for eligible entities that are ready to proceed until funds are fully obligated. CWSRF will work to maximize an entity’s principal forgiveness where possible.

Principal Forgiveness for Disadvantaged Communities

Eligibility of disadvantaged communities for CWSRF principal forgiveness will be determined based on the most current ATPI. To be considered disadvantaged, a community must have an ATPI of 50 or less. The affordability score in the ATPI will also be used to prioritize projects that have the same number of points on the PRL. To avoid multiple projects with the same score and ranking number on the PRL, communities with a lower ATPI and smaller population will receive a higher ranking.

The CWSRF loan program designed a tiered subsidy award methodology for disadvantaged communities corresponding to their ATPI with a maximum award of up to \$3 - 5 million to be determined each year based on the qualifying projects received. The ATPI tiers are as

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follows:

- Low-range (0-10) will be awarded 50% in principal forgiveness
- Mid-range (20-30) will be awarded 40% principal forgiveness
- High-range (40-50) will be awarded 30% principal forgiveness

Eligibility Requirements for Disadvantaged Community Principal Forgiveness:

1. Communities must have an ATPI of 50 or less
2. Projects must be on the current PRL
3. Projects shall be ready to proceed (based on the type of loan)
4. Entity must pass a financial sufficiency review by CWSRF
5. Projects must include construction (planning, design, and construction projects or construction solely).
6. Cannot be combined with other forms of principal forgiveness

Principal Forgiveness for Small Communities

Small communities can receive 50% loan forgiveness specifically for planning and design purposes. The total principal forgiveness per project should not exceed \$250,000.

Eligibility Requirements for Small Community Principal Forgiveness:

1. Communities must have a population served of 10,000 or fewer.
2. Projects must be on the current PRL.
3. Projects shall be ready to proceed.
4. Entity must pass a financial sufficiency review by CWSRF.

Principal Forgiveness for Green Projects

The SRF program provides flexible funding to support environmentally innovative activities such as green infrastructure, resilience, water or energy efficiency improvements. Each state has the discretion to determine which projects qualify for GPR funding. The FFY 2026 CWSRF

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capitalization grant requires that a portion of the funds be allocated to GPR projects which address green infrastructure, stormwater, resilience, water or energy efficiency improvements, or other environmentally innovative activities. Tennessee allocates a minimum of 10% of the Capitalization Grant support eligible green projects. Furthermore, the State aims to achieve a target allocation of 18% for green projects.

The State will have met the GPR requirement when the minimum percentage of the capitalization grant for FFY 2026 is in executed assistance agreements for qualifying green projects. If a green project is underbid and the State has not met the required percentage for GPR, the difference between the amount in the executed assistance agreement and the winning bid must be used by the State for another green project(s).

All communities, regardless of size and ATPI, are eligible for principal forgiveness if the projects proposed meet specific eligibility requirements. All eligible green projects must appear on the current PRL, be above the ranking line, meet the Green Project Reserve project definition, and include construction. The amount of principal forgiveness is set to 20% of the loan, not to exceed \$2,500,000 in principal forgiveness per project. Projects should fall within at least one of the following categories: Water and Energy Efficiency, Green Infrastructure, and Stormwater BMPs, or Resilient, Sustainable, and Environmentally Innovative. Examples of projects that qualify for green project subsidy could include one of the following criteria:

Eligibility Requirements for Green Project Principal Forgiveness:

1. Increase water efficiency
2. Increase energy efficiency
3. Reduce stormwater runoff
4. Recycle/reuse water
5. Production/use of clean energy
6. Establish or restore wetlands
7. Reduce, prevent, or remove non-point source pollution

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8. Build system resiliency from an identified hazard while addressing one or more criteria above

These projects must meet EPA criteria and eligibility requirements for [GPR projects](#). Additionally, green projects will be drawn separately from FFY 2026 project funds until the 10% allocation has been met. The CWSRF Base Capitalization Grant will be used to provide GPR principal forgiveness as funds are available. A detailed list of Green Project Reserve project eligibilities and examples of common practices can be found in [EPA's guidance](#) document.

Additional Requirements for Green Project Subsidy

1. Projects must be on the current PRL
2. Projects shall be ready to proceed (based on the type of loan)
3. Entity must pass a financial sufficiency review by CWSRF
4. Projects must include construction (planning, design, and construction projects or construction solely).
5. Cannot be combined with other forms of Principal Forgiveness

The specific eligibility criteria and subsidy amounts for CWSRF eligible projects can vary depending on the type of project, the program within the CWSRF, and other factors. Additionally, the dollar amounts can vary depending on the project's scope and an entity's financial need.

Additionally, TDEC has piloted a CWSRF sponsorship program. Sponsorship programs pair traditional CWSRF loan projects with a green infrastructure or nonpoint source project. Then flexible interest rates and loan forgiveness are used to cover the cost of the additional project over the course of the loan.

Ability to Pay Index: Reduced Interest Rates

The ATPI is a vital tool used by the State to allocate CWSRF 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). The ATPI relies on a

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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 community, including median household income, unemployment, food stamp dependence, families in poverty, community assets, revenues, 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.

Interest rates are set by the SRF program on a quarterly basis. Rates are based on 100 percent of the interest rate reported on the 20-year, 25-year, and 30-year Bond Buyer Index and the Municipal Market Data General Obligation Yields. Interest rate updates are published to the SRF website on the first Monday of the first month of the quarter.

A community's interest rate will be based partly on its ATPI. Interest rates can vary from 40 percent of the quarterly interest rate reported for communities with a low affordability score and low ATPI to 100 percent of the quarterly interest rate. The interest rates for projects that service more than one county will be evaluated and ranked using the ATPI of the benefiting service area. For these projects, the assigned ATPI will be based on the service area benefiting most from the project.

The State has developed a tiered interest rate reduction methodology corresponding to a community's ATPI. Low-range ATPIs (0-20) will be awarded a 0.40 multiplier. ATPI scores ranging from 30-40 will be awarded a 0.60 multiplier, 50-60 will be awarded a 0.80 multiplier, and ATPIs of 70 or greater will receive the standard reported interest rates. SRF interest rates are further stratified by the term of the loan. Once loan terms are established, the appropriate base interest rate is selected. The community's ATPI is verified, then the multiplier corresponding to the ATPI is multiplied by the base interest rate to establish the SRF awarded interest rate. (Figure 1)

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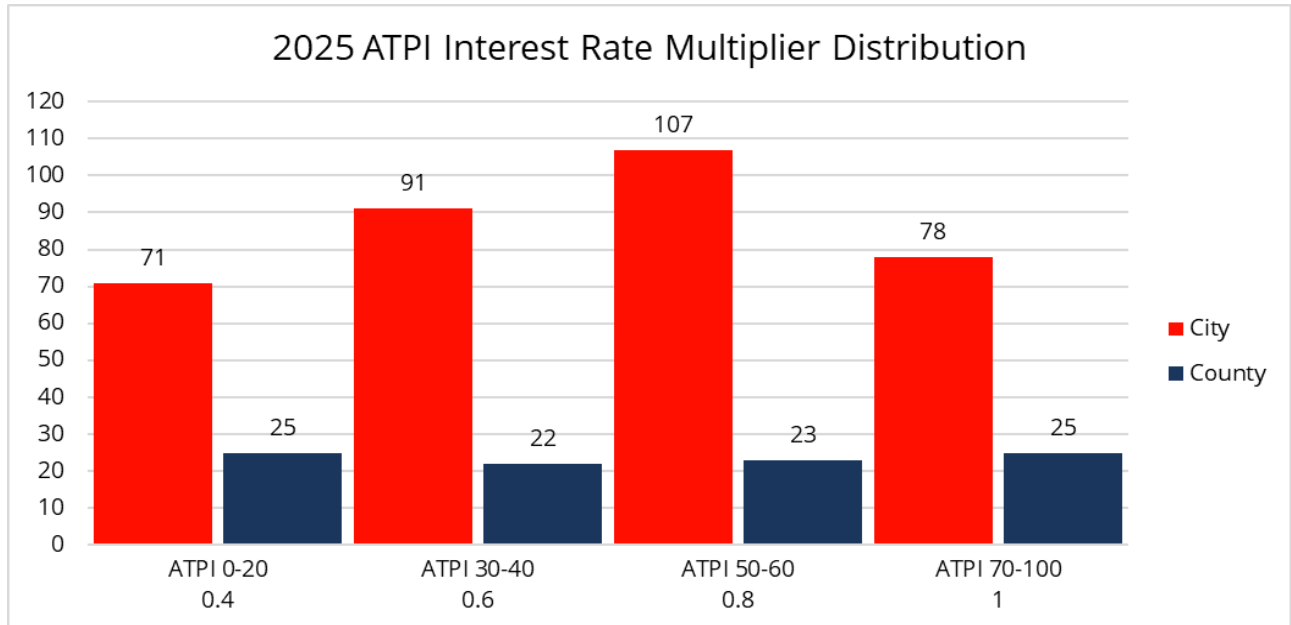


Figure 1: ATPI Interest Rate Multiplier Distribution

Loan Terms and Fees

The term for a CWSRF loan funded by the FFY 2026 CWSRF Capitalization Grant is limited to a maximum of 30 years or the project's useful life (whichever is shorter). Additionally, a loan fee of 8 basis points (0.08%) is charged by the Office of State Government Finance for all CWSRF loans awarded on or after October 1, 2009. These fees serve to cover the costs associated with personnel, operations, loan administration, payment disbursement requests, repayments, and fund management within the State Government Finance office.

Recipient Project Requirements

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

Davis-Bacon

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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 performing work on federal or District of Columbia contracts. The prevailing Davis-Bacon Act wage provisions apply to the Related Acts, under which federal agencies assist construction projects through grants, loans, loan guarantees, and insurance.

For prime contracts in excess of \$100,000, contractors and subcontractors must also, under the provisions of the Contract Work Hours and Safety Standards Act, as amended, pay laborers and mechanics, including guards and watchmen, at least one and one-half times their regular rate of pay for all hours worked over 40 in a workweek. The overtime provisions of the Fair Labor Standards Act may also apply to DBA-covered contracts.

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 assistance agreement and to require that sub-recipients, loan recipients, and prime contractors also comply. Records documenting compliance with the six good-faith efforts shall be retained:

1. Ensure DBEs are made aware of contracting opportunities to the fullest extent practicable through outreach and recruitment activities. For Indian Tribal-State and Local Government recipients, this will include placing DBEs on solicitation lists and soliciting them whenever they are potential sources.
2. Make information on forthcoming opportunities available to DBEs and arrange time frames for contracts and establish delivery schedules, where the requirements permit, in a way that encourages and facilitates participation by DBEs in the

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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 take the steps outlined by good-faith efforts one through five.

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

American Iron and Steel

The American Iron and Steel (AIS) provision requires CWSRF 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 public water system or treatment works and if the project is funded through an assistance agreement executed beginning January 17, 2014, and is a permanent requirement for all CWSRF projects.

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

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Steel products will still have to comply with AIS guidelines. For manufactured projects to meet BABA requirements, the cost of components that are 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.

Cost and Effectiveness Analysis

Under CWA § 602(b)(13), all assistance recipients meeting the definition of municipality or inter-municipal, interstate, or state agency must certify that they have conducted the studies and evaluations referred to as a cost and effectiveness analysis. The statute requires that a cost and effectiveness analysis involve, at a minimum: the study and evaluation of the cost and effectiveness of the processes, materials, techniques, and technologies for carrying out the proposed project or activity for which assistance is sought under this title; and the selection, to the maximum extent practicable, of a project or activity that maximizes the potential for efficient water use, reuse, recapture, and conservation and energy conservation, taking into account:

- The cost to construct the project or activity
- The cost to operate and maintain the project or activity over the life of the project or activity; and
- The cost to replace the project or activity

A cost and effectiveness analysis can be funded through the CWSRF loan as an eligible activity. CWSRF can provide assistance for planning or engineering activities that involve this analysis; however, the certification must be provided before loan approval. This provision applies to all types of assistance provided to the public entities described above for which the recipient applies on or after October 1, 2015.

Generally Accepted Accounting Principles (GAAP)

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The State requires assistance recipients to follow CWA section 602(b)(9) 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 to use 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

Fiscal Sustainability Planning (FSP), also known as the [Asset Management Plan \(AMP\)](#) in Tennessee, is a requirement under the WRRDA and CWA §603(d)(1)(E). Recipients of loans for projects involving the repair, replacement, or expansion of publicly owned treatment works are mandated to develop and implement an AMP or certify that they have done so. This requirement applies to loans with applications submitted on or after October 1, 2014.

The CWSRF program in TN requires all loan borrowers demonstrate they have an AMP or will develop an AMP that meets the minimum guidance requirements provided by SRF.

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

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The State has determined that certification of an AMP must be submitted to SRF before loan approval. The AMP must be completed and in place by the “Notice to Proceed” and made available for review by SRF 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.

To the extent possible, the State should identify all equivalency projects in its IUP. The State should also identify all equivalency projects in its Annual Report and specify whether those projects include any A/E services. Only the SRF-funded contracts for A/E services associated with equivalency projects must comply with this requirement.

The State intends to use one or a combination of applicants of Hamilton County Wastewater Treatment Authority, Cleveland Utilities Authority or the Town of Smyrna projects identified on the Clean Water Priority Ranking List (Attachment A) to satisfy its CWSRF equivalency project requirements.

Additional Use of Funds

The State intends to utilize up to one fifth of one percent of the current valuation of the CWSRF Revolving Fund for administration and technical assistance, pursuant to section 603(d)(7) of the CWA. The valuation calculation shall be based upon “Total Net Position” of the Fund as determined by the Comptroller of the Treasury state fiscal year end (June 30) and reported in the Annual Audit. The net position of the CWSRF fund balance for the SFY 2026 is yet to be available and therefore, Tennessee SRF estimates up to \$2,600,000 may be allocated for the administration, management, and operation of the CWSRF Loan program.

The administrative support includes salaries and benefits of employees; travel of staff relating to project management, conferences, seminars, and workshops; technical

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assistance contracts, training for state employees; general office supplies; laptop computers; equipment purchases (as needed), communication; printing; and office rental space.

Section 603(k) of the Clean Water Act allow states to set aside a portion of the IJA general supplemental capitalization grant for small systems technical assistance. The State of Tennessee reserves the right to use the additional set-aside funds at a later date.

Emergency Relief Funding

Emergency projects may be submitted at any time during the program year and included on the PRL based upon the applicant's successful demonstration of an emergency. Emergency projects may be added to the PRL at any time and, if all applicable requirements have been met, may be funded at any time.

The CWSRF program will allocate emergency relief funding to eligible entities in accordance with both federal and state requirements. This funding is intended to assist wastewater systems that have encountered emergency situations that threaten public health, safety, and environmental integrity.

Emergency relief funding from CWSRF will be provided for projects that respond to unexpected, critical needs such as natural disasters, system failures, or significant contamination events. All funding allocations and use of funds must comply with the Clean Water Act (CWA) and Tennessee Department of Environment and Conservation (TDEC) regulations.

Categories for Emergency Relief Funding

1. Natural Disasters
 - a. Includes earthquakes, floods, tornadoes, and other acts of nature that cause immediate system damage or failure.
 - b. Relief efforts are aimed at restoring services to pre-disaster conditions or mitigating further risks.
2. Infrastructure Failures
 - a. Sudden failures in critical water and wastewater system infrastructure, including pipe bursts, pump failures, or treatment plant malfunctions.

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- b. Funding can be used for repairs or emergency replacements to restore system operations.
- 3. Contamination Events
 - a. Incidents involving hazardous material spills, contamination of drinking water sources, or wastewater leaks that pose public health threats.
 - b. Funding will cover cleanup, system rehabilitation, and immediate response efforts.
- 4. Cybersecurity Breaches
 - a. Attacks that compromise water system operations, disrupt services, or pose risks to water quality.
 - b. Relief includes restoring system operations, securing digital infrastructure, and protecting sensitive data.

Eligibility Criteria for Emergency Relief Funding

- 1. Immediate Threat to Public Health or the Environment
 - a. The emergency must present an imminent risk that could lead to a significant adverse impact on human health or the environment.
- 2. Eligible Entities
 - a. Only publicly owned water or wastewater systems, municipal entities, and certain nonprofit organizations are eligible for funding.
- 3. Proof of Financial Need
 - a. Entities must demonstrate that their own reserves or local funding options are insufficient to address the emergency needs in a timely manner.
- 4. Compliance with Federal and State Regulations
 - a. Entities must ensure that proposed projects meet all applicable environmental, engineering, and regulatory standards, including those set forth by EPA and TDEC Division of Water Resources.
- 5. Ability to Complete Project on an Emergency Timeline
 - a. Entities must demonstrate the ability to execute the project on an expedited schedule to resolve the emergency as quickly as possible.
- 6. No Duplication of Federal Funding

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- a. The project must not be funded by other federal emergency response programs to avoid duplication of funding.
7. Commitment to Long-Term System Resiliency
 - a. Entities seeking emergency relief must demonstrate a plan for future system improvements that enhance resiliency and reduce future risks.

Program Assistance Contracts

Ability To Pay Index (ATPI)

EPA requires the SRF loan program to use an appropriate ATPI to administer SRF clean water and drinking water loans. In addition, the WRRDA requires that state SRF loan programs use relevant data associated with population trends, income, unemployment, and “other” metrics in the determination of priority ranking and project scoring, tiered interest rates, distribution of additional subsidy, and eligibility for planning and design loans or other benefits for disadvantaged communities. TDEC has contracted with the University of Tennessee Institute of Agriculture (UTIA) to update the ATPI annually for all TN counties, cities, and municipalities. The CWSRF will use \$100,000 in administrative funding from FFY 2026 for this purpose. The ATPI is a socioeconomic and financial data database that serves as the foundation for an affordability index used to help make decisions regarding determining interest rates, allocation of subsidy, and identification of options intended to benefit communities that need it the most. Through this contract, a consistent, transparent, and annually updated index is provided to improve decision-making in loan and grant administration by TDEC and the Tennessee Department of Economic & Community Development (ECD). The ATPI will also enhance coordination between TDEC, ECD, and Tennessee USDA-Rural Development regarding the potential use of resources to better serve disadvantaged communities.

Additionally, UTIA will develop recommendations to capture the actual cost of providing drinking water and wastewater services to communities and improve the efficiency of these systems. This information will be used to survey and gather information from public drinking water and wastewater systems. The data will be utilized to assist programs responsible for providing affordable funding for water infrastructure projects to improve services and the

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application process timeline for communities and utilities. CWSRF will use allowable administrative funding for this purpose.

Targeted Technical Assistance and Training for Small and Disadvantaged Communities

The SRF Loan program will continue to contract with the Tennessee Association of Utility Districts (TAUD) to provide targeted technical assistance to distressed or disadvantaged communities and will focus on technical, managerial, and financial capacity needs of wastewater systems; assist in reducing the occurrence of significant wastewater violations; optimize resources and support to small and disadvantaged communities and systems across the state. A new and emerging concern for systems in Tennessee is vulnerabilities to threats from natural disasters, bioterrorism, and cyber-attacks. TAUD will make this emerging issue a key component of their technical assistance for TN systems under the SRF contract. Technical assistance will be provided at no cost to eligible communities. CWSRF will use \$100,000 in administrative funding from FFY 2026 for this purpose.

Process Streamlining

The SRF Loan program contracts with Ernst & Young (EY) to assist with streamlining the loan process for both the program and the borrowers. This contract will help to decrease time from borrower's initial request to loan execution by clarifying regulatory sticking points and creating internal procedures for handling common challenges. CWSRF will use \$150,000 in administrative funding from FFY 2026 for this purpose.

Annual Report Requirements

Section 606(d) of the CWA requires that the State shall provide an Annual Report to EPA beginning the first fiscal year after receiving payments under the CWSRF. The Annual Report shall be submitted to EPA within 90 days after the end of the fiscal year covered by the IUP. The Annual Report shall provide an update on the deliverables and milestones accomplished by the program in the fiscal year. This report shall identify 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

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financial assistance provided by CWSRF, the population of the loan recipient, and additional information such as EPA may require.

Environmental Benefits

To conform to EPA's Policy for Environmental Results under EPA Assistance Agreements, EPA Order 5700.7, and the Consolidated Appropriations Act of 2017, P.L. 115-31, the CWSRF loan program agrees to comply with all requests for data by EPA related to the use of the funds under Subchapter VI of the CWA, and to report all uses of the funds within the Office of Water State Revolving Funds (OWSRF) System database no less than quarterly. This reporting will include but not be limited to data for compliance with the Green Project Reserve.

Assurances and Specific Proposals

The State shall provide the necessary assurances and certifications described in the operating agreement submitted as part of the capitalization grant application. This operating agreement is the official agreement between the State and EPA and is incorporated herein by reference. Pursuant to sections 606(c)(4) (5) of the CWA, the State certifies that:

- The State will enter into binding commitments equal to at least 120% of each quarterly grant payment within one year after receipt of the payment
- The State will expend all funds in the CWSRF in an expeditious and timely manner
- Funds will first be used to ensure maintenance of progress toward compliance with enforceable deadlines, goals, and requirements of the CWA
- The State agrees to commit or expend each quarterly capitalization grant payment in accordance with the State's own laws and procedures.

In addition, the State certifies that it will conduct environmental reviews on wastewater facility projects in satisfying the National Environmental Policy Act (NEPA)-like requirements. The State's NEPA-like procedures are contained in the approved Operating Agreement.

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Performance Evaluation Report (PER) Recommendations and Findings

The USEPA Region 4 SRF program conducted a Financial and Compliance Audit Report in May 2024. The audit resulted in two (2) findings. There were four (4) items identified by USEPA that require action to improve efficiencies in the CWSRF program. See Table 5 below for highlights of the recommendations by EPA and actions taken by CWSRF.

Recommendations from EPA Annual Review		
Item	Action Needed	Status
The EPA recommends that TDEC increase the number of executed loan agreements to accelerate the CWSRF program and reduce uncommitted balances.	To address this issue, TDEC should explore all available funding sources for binding commitments and strategically manage cash flows to optimize fund allocation for projects.	TDEC is streamlining its loan process and working to decrease time from borrower’s initial request to loan execution. TDEC is exploring options to stimulate faster paced and more consistent disbursement requests from their borrowers.
The EPA recommends that TDEC intensify efforts to timely and expeditiously expend all available SRF resources.	Improve the disbursement ratio and reduce the rate of undisbursed funds to three-year average.	TDEC plans to prioritize projects that are ready to proceed, verify timely receipt of cost-incurred invoices, and process disbursements to eligible borrowers in a timely and expeditious manner.
The EPA recommends that TDEC update its Operating Agreement	One of the assigned tasks of TDEC’s	Within 90 days of the end of the contract period, which TDEC

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<p>(OA) to document current practices.</p>	<p>contractor is to improve the state’s CWSRF program and OA.</p>	<p>anticipates being completed by October 2026, the EPA requests that TDEC provide the EPA with a draft of their updated OA.</p>
<p>The EPA recommends that TDEC include the full loan package for each project file to promote timely repayments within one-year post project-completion.</p>	<p>Include a loan letter, loan agreement, and amortization schedule.</p>	<p>TDEC has updated the loan package to include the amortization schedule (see attached example), which was previously provided separately by our office of State Government Finance.</p>
<p>EPA’s review of FY 2024 project files revealed the absence of prohibitions on specific telecommunications and video surveillance equipment in TDEC’s standard loan agreement conditions for equivalency projects. The EPA previously noted this issue in the FY 2023 CWSRF PER, which recommended mandating that assistance recipients refrain from utilizing certain prohibited services or equipment.</p>	<p>Mandate that assistance recipients refrain from utilizing certain prohibited services or equipment.</p>	<p>TDEC is updating the loan agreement to incorporate this federal requirement.</p>

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<p>During the FY 2024 annual review, TDEC disclosed to EPA staff that the Department had not implemented a streamlined crosscutter review, as per EPA's memo date November 5, 2013.</p> <p>File reviews identified inconsistencies with documenting compliance, exposing recipients to legal risks and federal noncompliance.</p>	<p>Implement a streamlined crosscutter review, as per EPA's memo date November 5, 2013. File reviews identified inconsistencies with documenting compliance, exposing recipients to legal risks and federal noncompliance.</p>	<p>TDEC has implemented a process for documenting compliance with cross-cutting authorities.</p>
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Table 5: Recommendations from EPA Annual Review, Suggested Actions, and Actions Taken by TDEC CWSRF.

Amending the Intended Use Plan

The CWSRF Loan program reserves the ability to amend the IUP as needed for an efficient and effective program. Changes to the IUP that impact the administration of the program will be made public on the SRF website and through appropriate communication channels.



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Appendix A

Sources and Uses Table

Sources and Uses Summary				
Clean Water State Revolving Fund (CWSRF) Sources and Uses				
Administered by Tennessee Department of Environment and Conservation - State Revolving Fund Loan Program				
State Fiscal Year July 1, 2026 - June 30, 2027				
Sources and Uses	Federal Contribution	State Contribution	CW SRF Fund	Total
<i>Funding Sources</i>				
Prior Year Project Carry Forward Funds*	\$124,776,718	\$24,955,344	\$456,968,947	\$606,701,009
Loan Repayments (P&I)**	\$0	\$0	\$61,982,982	\$61,982,982
Investment Income**	\$0	\$0	\$20,277,566	\$20,277,566
Banked Set Asides	\$0	\$0	\$0	\$0
FFY 2026 Base Capitalization Grant	\$10,481,000	\$2,096,200	\$0	\$12,577,200
FFY 2026 IJA General Supplemental Capitalization Grant	\$0	\$0	\$0	\$0
Totals for Funding Sources	\$135,257,718	\$27,051,544	\$539,229,495	\$701,538,757
<i>Funding Uses</i>				
Executed Loans	\$ 135,257,718	\$ 27,051,544	\$ 50,262,723	\$ 212,571,985
Anticipated Loan Commitments SFY26***	\$ -	\$ -	\$ 14,979,000	\$ 14,979,000
Anticipated Loan Commitments SFY27***	\$ -	\$ -	\$ 325,989,271	\$ 325,989,271
Anticipated Loan Commitments SFY28***	\$ -	\$ -	\$ 147,998,501	\$ 147,998,501
CW to DW Transfer of Funds	\$ -	\$ -	\$ -	\$ -
Set Asides Spending	\$ -	\$ -	\$ -	\$ -
Total for Funding Uses	\$ 135,257,718	\$ 27,051,544	\$ 539,229,495	\$ 701,538,757
* Estimated balance at March 31, 2026, includes awarded CAP grants				
** Principal, loan interest, and treasury interest based on SFY 2026 projections				
*** from PRL - maximum available for funding or all available projects (whichever is less)				

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Sources and Uses Detail		
Sources	%	Amount
FFY 2026 Base Capitalization Grant		\$10,481,000
20% State Match		\$2,096,200
Set-Aside	0.0%	\$0
Total Project Funds		\$12,577,200
FFY 2026 IIJA General Supplemental Capitalization Grant		\$0
20% State Match		\$0
Set-Aside	0.0%	\$0
Total Project Funds		\$0
FFY 2022 Base Capitalization Grant - project fund		\$5,618,517
FFY 2022 Capitalization Grant 20% State Match		\$1,123,703
FFY 2023 Base Capitalization Grant - project fund		\$10,897,000
FFY 2023 Capitalization Grant 20% State Match		\$2,179,400
FFY 2023 IIJA Capitalization Grant - project fund		\$22,817,196
FFY 2023 IIJA Capitalization Grant 20% State Match		\$4,563,439
FFY 2024 Base Capitalization Grant - project fund		\$11,592,567
FFY 2024 Capitalization Grant 20% State Match		\$2,318,513
FFY 2024 IIJA Capitalization Grant - project fund		\$15,396,427
FFY 2024 IIJA Capitalization Grant 20% State Match		\$3,079,285
FFY 2025 Base Capitalization Grant - project fund		\$22,668,011
FFY 2025 Capitalization Grant 20% State Match		\$4,533,602
FFY 2025 IIJA Capitalization Grant - project fund		\$35,787,000
FFY 2025 IIJA Capitalization Grant 20% State Match		\$7,157,400
Total Available Cap Grant Funds		\$149,732,062
Set Aside Funds		\$0
Revolving Funds		\$539,229,495
Total Sources of Funds		\$701,538,757

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Uses		
Executed Loans*		\$212,571,985
Anticipated Loan Commitments SFY26**		\$14,979,000
Anticipated Loan Commitments SFY27***		\$325,989,271
Anticipated Loan Commitments SFY28****		\$147,998,501
Total Anticipated Loan Commitments		\$701,538,757
CW to DW Fund Transfer		\$0
Set Asides		\$0
Total Uses of Funds		\$701,538,757
* Executed Loans		
** Loans expected to close by 6/30/2026		
*** through 2025 PRL		
**** 2026 PRL		

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Transfer of Funds Between the SRF Loan Programs							
Year	Transaction Description	CAP Grant Award Amount	Bank Transfer Ceiling*	Transferred from DWSRF to CWSRF	Transferred from CWSRF to DWSRF	DWSRF Funds Available for Transfer	CWSRF Funds Available for Transfer
1997	DW Grant Award	\$12,776,200	\$4,216,146	\$0	\$0	\$4,216,146	\$4,216,146
1998	DW Grant Award	\$9,557,400	\$7,370,088	\$0	\$0	\$7,370,088	\$7,370,088
1999	DW Grant Award	\$10,017,100	\$10,675,731	\$0	\$0	\$10,675,731	\$10,675,731
2000	DW Grant Award	\$10,410,700	\$14,111,262	\$0	\$0	\$14,111,262	\$14,111,262
2001	DW Grant Award	\$10,453,700	\$17,560,983	\$0	\$0	\$17,560,983	\$17,560,983
2002	DW Grant Award	\$8,145,000	\$20,248,833	\$0	\$0	\$20,248,833	\$20,248,833
2003	DW Grant Award	\$8,096,000	\$22,920,513	\$0	\$0	\$22,920,513	\$22,920,513
2004	DW Grant Award	\$8,398,400	\$25,691,985	\$0	\$0	\$25,691,985	\$25,691,985
2005	DW Grant Award	\$8,380,700	\$28,457,616	\$0	\$0	\$28,457,616	\$28,457,616
2006	DW Grant Award	\$8,540,700	\$31,276,047	\$0	\$0	\$31,276,047	\$31,276,047
2007	DW Grant Award	\$8,541,000	\$34,094,577	\$0	\$0	\$34,094,577	\$34,094,577
2008	DW Grant Award	\$8,454,000	\$36,884,397	\$0	\$0	\$36,884,397	\$36,884,397
2009	DW Grant Award	\$8,454,000	\$39,674,217	\$0	\$0	\$39,674,217	\$39,674,217
2009	DW ARRA Grant Award	\$20,238,000	\$46,352,757	\$0	\$0	\$46,352,757	\$46,352,757
2010	DW Grant Award	\$15,084,000	\$51,330,477	\$0	\$0	\$51,330,477	\$51,330,477
2011	DW Grant Award	\$10,467,000	\$54,784,587	\$0	\$0	\$54,784,587	\$54,784,587
2012	DW Grant Award	\$9,975,000	\$58,076,337	\$0	\$0	\$58,076,337	\$58,076,337
2013	DW Grant Award	\$9,359,000	\$61,164,807	\$0	\$0	\$61,164,807	\$61,164,807
2014	DW Grant Award	\$8,845,000	\$64,083,657	\$0	\$0	\$64,083,657	\$64,083,657
2015	DW Grant Award	\$8,787,000	\$66,983,367	\$0	\$0	\$66,983,367	\$66,983,367
2016	DW Grant Award	\$8,312,000	\$69,726,327	\$0	\$0	\$69,726,327	\$69,726,327
2017	DW Grant Award	\$8,241,000	\$72,445,857	\$0	\$0	\$72,445,857	\$72,445,857
2018	DW Grant Award	\$19,293,000	\$78,812,547	\$0	\$0	\$78,812,547	\$78,812,547
2019	DW Grant Award	\$19,113,000	\$85,119,837	\$0	\$0	\$85,119,837	\$85,119,837
2020	Transfer		\$85,119,837	\$42,809,917	\$0	\$42,309,920	\$127,929,754
2020	DW Grant Award	\$19,125,000	\$91,431,087	\$0	\$0	\$91,431,087	\$91,431,087
2021	DW Grant Award	\$19,284,000	\$97,794,807	\$0	\$0	\$97,794,807	\$97,794,807
2022	DW Grant Award	\$12,172,000	\$101,811,567	\$0	\$0	\$101,811,567	\$101,811,567
2022	DW IJJA Grant Award	\$31,253,000	\$112,125,057	\$0	\$0	\$112,125,057	\$112,125,057
2023	DW Grant Award	\$8,312,000	\$114,868,017	\$0	\$0	\$114,868,017	\$114,868,017
2023	DW IJJA Grant Award	\$35,443,000	\$126,564,207	\$0	\$0	\$126,564,207	\$126,564,207
2024	DW Grant Award	\$7,572,568	\$129,063,154	\$0	\$0	\$129,063,154	\$129,063,154
2024	DW IJJA Grant Award	\$38,692,000	\$141,831,514	\$0	\$0	\$141,831,514	\$141,831,514
2025	DW Grant Award	\$18,359,000	\$147,889,984	\$0	\$0	\$147,889,984	\$147,889,984
2025	DW IJJA Grant Award	\$41,912,000	\$161,720,944	\$0	\$0	\$161,720,944	\$161,720,944
2026	DW Grant Award est.	\$6,468,000	\$163,855,384	\$0	\$0	\$163,855,384	\$163,855,384
2026	DW IJJA Grant Award est.	\$41,896,000	\$177,681,064	\$0	\$0	\$177,681,064	\$177,681,064
TOTAL				\$42,809,917	\$0		

* 33% of CAP Grant Awards through FFY 2026

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Appendix B

CWSRF Priority Ranking List

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