Sewer Overflow and Stormwater Reuse Municipal Grant (OSG) Program Workplan

Division of Water Resources
Tennessee Department of Environment and Conservation
FFY 2026 Allotment

Purpose

The America's Water Infrastructure Act of 2018 and the Infrastructure Investment and Jobs Act amended Section 221 of the Clean Water Act (CWA) to reauthorize the Sewer Overflow and Stormwater Reuse Municipal Grants Program (OSG). The OSG program is intended to address local governments' infrastructure needs for combined sewer overflows (CSO), sanitary sewer overflows (SSO), and stormwater management.

The Tennessee Department of Environment and Conservation (TDEC), Division of Water Resources (DWR), will administer these funds by providing subawards to eligible municipal entities for the planning, design, and construction of eligible projects consistent with CWA Section 221. Funded activities will focus on measures to manage, reduce, treat, or recapture stormwater and to mitigate the impacts of CSOs and SSOs.

TDEC DWR will prioritize investments that improve stormwater management and expand the use of green infrastructure. At least 50 percent of the total subaward funding will be directed toward projects that incorporate green infrastructure or enhanced stormwater management practices, exceeding the minimum federal requirement.

All OSG funding and subawards will be administered through the State Water Infrastructure Grants (SWIG) program, utilizing established processes for project solicitation, evaluation, award, and oversight to ensure consistency, efficiency, and compliance with applicable federal and state requirements.

Statutory Authority

Section 221 of the Clean Water Act (33 U.S.C. § 1301 et seq.), as amended by:

- America's Water Infrastructure Act of 2018, Public Law 115-270, Section 4106; and
- Infrastructure Investment and Jobs Act of 2021, Public Law 117-58, Section 50204.

EPA Strategic Plan

This workplan and grant application support EPA's Strategic Plan under Goal 1 to ensure a cleaner, healthier environment and Objective 1.2 to provide for clean and safe water by ensuring waters are clean through improved water infrastructure and, in partnership with states and tribes, sustainably manage programs to support drinking water, aquatic ecosystems, and recreational, economic, and subsistence activities.

CFDA#: 66.447

OSG Grant Amount

The State of Tennessee has been awarded $459,000 under the Sewer Overflow and Stormwater Reuse Municipal Grants (OSG) Program. This amount reflects the finalized EPA award for the current funding cycle and will support eligible stormwater and overflow reduction projects.

Cost Share

EPA's *Sewer Overflow and Stormwater Reuse Municipal Grants Program Implementation Document* (March 2021) requires a non-federal cost share of 20 percent for OSG-funded activities, unless adjustments are applicable based on funding directed to rural or financially distressed communities, as further described in EPA guidance (November 2022).

The federal share is established at 80 percent of total eligible project costs, with the remaining 20 percent to be provided from non-federal sources. The non-federal cost share requirement may be reduced proportionally based on the percentage of funds awarded to rural communities (population ≤ 10,000) and/or financially distressed communities, as defined by the State.

Non-federal cost share requirements will not be passed down to subrecipients that qualify as rural or financially distressed communities. TDEC DWR plans to meet the required non-federal cost share through State appropriations, as follows:

- $91,800 in State funds

If a portion of the total subawards is provided to rural or financially distressed communities, the required State match will be reduced proportionally in accordance with EPA guidance.

Administrative Costs:

The State will retain **$18,232 (approx. 4%)** of the total federal award for administrative costs associated with the management and oversight of the OSG program. These costs are consistent with the allowance under Section 221(h) of the Clean Water Act, which permits states to retain up to 4 percent of grant funds for administrative expenses.

Project and Budget Period 10/1/2025 – 9/30/2031

TDEC DWR will implement the OSG program over a four-year project and budget period consistent with EPA requirements. The State is currently evaluating projects to be funded under this program and will identify and provide project-specific details to EPA within 90 days of grant award, consistent with program expectations. TDEC acknowledges that the grant award may be conditional upon meeting this requirement.

During this period, TDEC will administer subawards to eligible municipal entities for projects focused primarily on stormwater management, including green infrastructure and other eligible activities. Funded projects are expected to improve water quality and reduce the impacts of stormwater runoff within the affected service areas and watersheds.

Eligible Activities and Subaward Implementation

TDEC DWR will use OSG funding to provide subawards to eligible municipal entities for the planning, design, and construction of projects consistent with Section 221 of the Clean Water Act. Funded activities will focus on stormwater management and may include projects addressing combined sewer overflows (CSO), sanitary sewer overflows (SSO), and stormwater runoff through both green and gray infrastructure.

Eligible project types may include, but are not limited to:

- Green infrastructure practices such as bioretention, permeable pavement, green roofs, and stormwater harvesting systems
- Stormwater management and treatment systems
- Infrastructure improvements to reduce or prevent CSOs and SSOs
- Planning, design, and associated pre-construction activities for eligible capital projects

TDEC will identify and finalize specific subrecipient projects within 90 days of the grant award, consistent with EPA expectations. Subawards will be administered through the State Water Infrastructure Grants (SWIG) program using established procedures for project solicitation, evaluation, award, and oversight.

Subrecipient	Project Type	Description	Eligibility Basis	Start Date	End Date
To Be Determined	Stormwater / Green Infrastructure	Projects focused on stormwater management and water quality improvements	CWA Section 221(a)(1) and 603(c)	TBD	TBD

All funded projects will be evaluated to ensure consistency with statutory eligibility requirements and alignment with program priorities.

Prioritization for Project Selections

TDEC DWR will prioritize projects for OSG subawards in accordance with Section 221(b) of the Clean Water Act and applicable EPA guidance. Priority will be given to projects submitted by municipal entities that meet one or more of the following criteria:

- **Financially Distressed Communities:** Municipalities that meet the State of Tennessee's affordability criteria, including designation as financially distressed through the Clean Water State Revolving Fund (CWSRF) program using the State's Ability To Pay Index (ATPI).
- **Rural (small) Communities:** Rural (small) counties and municipalities serving a population of 10,000 or less.
- **CWSRF Alignment:** Projects that are included on, or consistent with, the State's CWSRF Intended Use Plan (IUP).
- **Green Infrastructure Projects:** Projects that incorporate green infrastructure or qualify as Green Project Reserve (GPR) eligible, as defined by EPA.

TDEC will evaluate and select projects based on these criteria to ensure alignment with statutory requirements, maximize environmental benefits, and prioritize funding to communities with the greatest need. TDEC may further refine prioritization criteria during project solicitation to ensure compliance with minimum allocation requirements and program objectives.

Minimum Allocation Requirements for Project Selection

In accordance with Section 221(f)(2) of the Clean Water Act, TDEC DWR will ensure that OSG funds are allocated to meet all applicable minimum requirements. At least 20 percent of the State's federal grant will be used for projects that incorporate green infrastructure, water or energy efficiency improvements, or other environmentally innovative activities, consistent with Section 221(f)(2)(A).

Additionally, at least 25 percent of the State's federal grant will be used to fund projects in rural communities (population ≤ 10,000) or financially distressed communities, as defined by the State, in accordance with Section 221(f)(2)(B). Of this amount, at least 60 percent (equivalent to 15 percent of the total federal grant) will be allocated specifically to rural communities.

If sufficient eligible projects are not available to meet these requirements, TDEC will document the results of its project solicitation process and provide justification to EPA, as required.

To ensure compliance and support program priorities, TDEC DWR will allocate funding as follows:

- **Green Infrastructure Projects:** A minimum of 50 percent of the federal grant will be directed toward projects that meet EPA Green Project Reserve (GPR) eligibility criteria, including categorical green infrastructure practices identified in applicable EPA guidance.
- **Rural Communities:** A minimum of 25 percent of the federal grant will be directed toward projects serving rural communities.
- **Financially Distressed Communities:** A minimum of 25 percent of the federal grant will be directed toward projects serving financially distressed communities.

These allocations exceed federal minimum requirements and reflect the State's commitment to prioritizing green infrastructure and supporting communities with the greatest financial need.

Environmental Outputs and Outcomes - Subgrants

State Tracking Number: OSG#5

Subgrant Amount: $459,000

Subgrantee(s)	Federal Award Amount	Cost Share; Source	Total Project Costs
Stormwater-Focused Projects (to be identified within 90 days of award)	$459,000	$91,800; State of Tennessee	$550,800

Environmental Outputs

TDEC DWR will provide subawards to eligible municipal entities to implement stormwater management and green infrastructure projects. For this OSG funding opportunity, the State will:

- Award subgrants to approximately 1-3 municipal entities
- Fund projects focused on green stormwater management practices
- Support implementation of best management practices (BMPs) to manage, reduce, treat, or reuse stormwater
- Direct at least 50 percent of funding toward green infrastructure projects
- Prioritize funding for rural counties and communities (population ≤ 10,000) and financially distressed communities

These outputs represent measurable activities and deliverables associated with the implementation of OSG-funded projects.

Environmental Outcomes

Projects funded under the OSG program are expected to achieve measurable environmental outcomes related to stormwater management and water quality improvement. Anticipated outcomes include:

- Reduction in stormwater runoff entering surface waters
- Improved water quality within affected watersheds
- Increased infiltration, evapotranspiration, and reuse of stormwater through implementation of green infrastructure practices
- Restoration of natural hydrologic processes by increasing pervious surfaces and reducing impervious runoff
- Reduction in pollutant loading to streams and receiving waters

These outcomes support EPA’s Strategic Plan Goal 1, Objective 1.2: Clean and Safe Water.

Environmental Outputs and Outcomes – Cost Share Projects with CWSRF Loans

At this time, TDEC DWR does not anticipate utilizing Clean Water State Revolving Fund (CWSRF) loans as a source of cost share for OSG-funded projects. Should CWSRF funding be used to meet cost-share requirements, TDEC will ensure that all applicable outputs and outcomes are consistent with those identified for OSG subgrant projects and will amend this workplan as necessary to reflect project-specific details.

Environmental Outputs and Outcomes – Cost Share Projects with Other Funding

TDEC DWR does not anticipate requiring additional non-federal funding sources beyond State appropriations to meet cost-share requirements for this funding cycle. If additional funding sources are incorporated, outputs and outcomes will align with those established for OSG-funded projects, and this workplan will be updated accordingly.

EPA Reporting

TDEC DWR will comply with all applicable EPA reporting requirements in accordance with 2 CFR §200.329. The State will submit an annual performance report to EPA within 90 days after the end of each state fiscal year.

TDEC will also submit a final performance report within 120 days after the end of the project period, summarizing overall accomplishments, outputs and outcomes achieved, expenditures, and lessons learned.

In addition, TDEC will submit all required Federal Financial Reports (FFRs) in accordance with EPA grant requirements to document the financial status of the award.