Department of Environment & Conservation

TN Department of Environment and Conservation
Clean Water and Decentralized
State Revolving Fund
Supplemental Appropriation for Hurricanes Helene and Milton and Hawai'i Wildfires (SA-HMW)
Annual Report
State Fiscal Year 2026

Table of Contents

Executive Summary 3
SA-HMW Clean Water and Decentralized Capitalization Grants 4
Goals and Accomplishments 4
Financial Summary 5
Source and Use of Funds 5
SA-HMW Clean Water Financial Overview 6
SA-HMW Decentralized Financial Overview 7
Types of Assistance 8
Financing Rates 8
Additional Use of Funds 8
Provisions of the Operating Agreement and Conditions of the Capitalization Grant 9
State Match 9
Additional Subsidization (Principal Forgiveness) 9
Binding Commitments 9
Project Assistance, Subsidy, and Loan Terms 10
Timely Expenditure of Funds 10
First Use of Funds for Enforceable Requirements 12
Assurances of Compliance 12
State Environmental Review Process 12
Additional Requirements 13
Ability to Pay Index (ATPI) 13
Disadvantaged Business Requirements 13
Davis Bacon Wage Rate 14
American Iron, Steel, and Manufactured Goods 14
Environmental Results 14
Appendix A 15

Executive Summary

The State of Tennessee, Department of Environment and Conservation (TDEC) developed this Annual Report for State Fiscal Year (SFY) 2026 (July 1, 2025 - June 30, 2026). This report defines how the State of Tennessee's Clean Water State Revolving Fund (CWSRF) Loan Program met the goals and objectives identified in the SFY 2026 Supplemental Appropriation for Hurricanes Helene and Milton and Hawai'i Wildfires (SA-HMW) Intended Use Plan (IUP) and assisted disaster-impacted communities. This report details the actual use of funds for the Clean Water and Decentralized SA-HMW capitalization grants. A full list of all SFY 2026 Clean Water and Decentralized SA-HMW loan recipients and the assistance amounts can be found in Appendix A.

SA-HMW Clean Water and Decentralized Capitalization Grants

Goals and Accomplishments

Congress gives state CWSRF programs flexibility to design a program tailored to meet the needs of the state, local communities, and public water systems. Tennessee's CWSRF program developed long and short-term goals as a framework for decisions Tennessee makes for the CWSRF SA-HMW allocations.

Table 1: Goals, Objectives, and Results

Long- and Short-Term Goals, Objectives, and Results Clean Water SA-HMW SRF Program for SFY 2026			
	Goals	**Objectives**	**Results**
Long Term Goals	Provide financial assistance to water systems to repair, replace, or fortify wastewater or stormwater systems damaged by Hurricane Helene.	Return Helene-impacted communities to full operation while reducing the financial burden put on them by the disaster.	Fiscal responsibilities are coordinated with TDEC, the Comptroller's Office and the Dept. of Finance and Administration to ensure appropriate internal controls and proper accounting procedures
			Revised operating budget, internal audit, and end of year fiscal reporting
			Ongoing, including the continued development of a database for tracking funds and project progress
	Provide funding to homeowners or other eligible entities for DWTS protections, improvements and consolidations.	Increase resilience of decentralized water treatment systems while reducing the financial burden put on them by the disaster.	Ongoing, including development of SOPs, financial sufficiency process, a database for tracking projects, documentation, and integration with other TDEC programs
			Ongoing, including updating the solicitation process, created a marketing and outreach campaign, instituting new allocation of principle forgiveness; increase in solicitation response by 60%; All projects reviewed for compliance with federal crosscutting authorities and an approved state environmental review process (SERP) prior to loan award.

Short Term Goals	Coordinate with current SRF loan recipients to determine the components of their ongoing projects which were damaged or destroyed by Hurricane Helene.	Assess the SRF pipeline for projects that are already in the system and ready-to-proceed to quickly designate funds for repairs and restore storm-impacted communities to full operation.	Complete, including targeted outreach and education sessions in the impacted region and follow-up discussions with communities.
	Restore disaster-damaged facilities to their pre-disaster design and function, including applicable codes and standards.	Ensure access to clean and safe water for all communities.	Developed new SOPs for technical and financial review processes, worked with contractors to remove vestigial requirements, and signed a contract to build out a new application and program management database.
	Provide public assistance funding for cost-effective hazard mitigation measures for disaster-damaged facilities.	Increase resilience to possible future impacts.	Ongoing.

Financial Summary

Source and Use of Funds

In late September 2024, Hurricane Helene devastated infrastructure in many communities in Northeast Tennessee. On December 21, 2024, the American Relief Act, 2025, P.L. 118-158, ("the Act") became law. Title VII of the Act included disaster relief supplemental funding for the State Revolving Fund (SRF) programs. This law includes appropriations for disaster relief funding due to Hurricane Helene via the Supplemental Appropriation for Hurricanes Helene and Milton and Hawai'i Wildfires (SA-HMW).

The Clean Water Act allows each state the flexibility to establish how much of the capitalization grant will be used for infrastructure loans, assistance to financially disadvantaged communities, green projects, and other technical assistance activities. The State, in turn, has the responsibility to best direct the funds to address wastewater infrastructure problems. The State obligated this supplemental appropriation to provide financing for planning, planning and design, and construction projects that include (but are not limited to): plant replacement and upgrade; collection system

installation, repair, and upgrade; treatment; storage; water reuse; green infrastructure; energy optimization; stormwater management; and resilience.

The State of Tennessee's allotment of SA-HMW CWSRF capitalization grant dollars was $8,167,000. The State of Tennessee's SA-HMW Decentralized Systems allotment was $3,524,000. The State is not required to provide a match of federal funds for either allocation.

An administrative loan fee, eight (8) basis points (.08%), is charged by the Tennessee Comptroller's Office to process loan documents and payments associated with CWSRF loans since October 1, 2009. No fees have been collected to date.

SA-HMW Clean Water Financial Overview

During SFY 2026 the SA-HMW CWSRF program did not award any loans or distribute any SA-HMW CWSRF funds. Annual highlights can be found in the table below. No state match was required.

CWSRF has an unliquidated EPA award balance of $8.1M. The state has not obligated any funds currently. The State expended $0 in administrative costs for associated programmatic activities. For details, see Table 3 below.

Table 2: Annual Highlights

Annual Highlights from Clean Water SRF - SA-HMW State Fiscal Year (SFY) 2026	
Zero (0) new loans awarded	$ -
Zero (1) project requested a decrease in assistance	$ -
Executed Assistance Commitments (net)	$ -
Loans Awarded Small/Disadvantaged Communities (0)	$ -
Principal Forgiveness (0) Entities	$ -
Zero (0) Project Starts	$ -
Zero (0) Projects Initiated Operations	$ -

Table 3: Financial Summary

Financial Summary for Clean Water SRF Fund Balance less Set Asides - SA-HMW State Fiscal Year (SFY) 2026 and Federal Fiscal Year (FFY) 2025	
Financial Summary	Amount
SRF Carryover from 2025	$ -
Unliquidated EPA Grant Funds as of SFY 2025	$ 8,167,000
Executed Assistance Commitments (net)	$ -
Loan Decrease	$ -
SFY 2026 Principal Repayments	$ -
SFY 2026 Loan Interest	$ -
SFY 2026 Treasury Income	$ -
Unobligated Balance as of June 30, 2026	$ 8,167,000

SA-HMW Decentralized Financial Overview

During SFY 2026 the SA-HMW CWSRF program awarded zero (0) loans. Annual highlights can be found in Table 4 below. No state match is required.

Table 4: Annual Highlights

Annual Highlights from Decentralized SRF - SA-HMW State Fiscal Year (SFY) 2026	
Zero (0) new loans awarded	$ -
Zero (0) project requested a decrease in assistance	$ -
Executed Assistance Commitments (net)	$ -
Loans Awarded Small/Disadvantaged Communities (0)	$ -
Principal Forgiveness (0) Entities	$ -
Zero (0) Project Starts	$ -
Zero (0) Projects Initiated Operations	$ -

The State's Clean Water unobligated fund balance for SFY 2026 was $3.5M. The state has not obligated any funds currently. The State expended $0 in administrative costs for associated programmatic activities. For details, see Table 5 below.

Table 5: Financial Summary

Financial Summary for Decentralized SRF Fund Balance less Set Asides - SA-HMW State Fiscal Year (SFY) 2026 and Federal Fiscal Year (FFY) 2025	
Financial Summary	Amount
SRF Carryover from 2025	$ -
Unliquidated EPA Grant Funds as of SFY 2024	$ 3,524,000
Executed Assistance Commitments (net)	$ -
Loan Decrease	$ -
Unobligated Balance as of June 30, 2026	$ 3,524,000

Types of Assistance

CWSRF has not provided any assistance in SFY 2026 from the SA-HWM capitalization grants.

Financing Rates

SRF interest rates are based on a community's ability to pay determined through the Tennessee Ability to Pay Index (ATPI). Base interest rates can vary from zero to 100% of the interest rate reported on the 20-year Bond Buyer Index and the Municipal Market Data General Obligation Yields published every Thursday. CWSRF uses an entity's ATPI to further reduce the CWSRF base rate. Entities with lower ATPIs may have an interest rate that is 40-60% lower than the CWSRF base rate. Interest rates are set by the CWSRF program on a quarterly basis. Rates are published on the first Monday of the quarter. The State may also recommend an additional reduction of the ATPI determined interest rate to incentivize green, sustainable, and resilient projects, but nothing below 0%. Disadvantaged communities, as defined by the ATPI, are eligible for lower interest rates, or principal forgiveness and an extended loan repayment period. The interest rates for utility districts and water authorities that have service areas in more than one county are evaluated and ranked by utilizing the lowest ATPI for the county or city that directly benefits from the project(s) associated with the loan. The loan can last for a maximum of 30 years or until the end of the project's useful life; whichever comes first.

Additional Use of Funds

CWSRF funds include reasonable costs for CWSRF administration, consistent with CWA section 603(d)(7). The maximum annual amount of CWSRF funds (not including any fees collected that are placed in the fund) that may be used to cover the reasonable costs of administering the fund (i.e., all IIJA, SA-HMW, and base appropriations) is the greatest of the following: an amount equal to 4% of all grant awards to the fund received by a state CWSRF (less any amounts that have been used in previous years to cover administrative expenses) for the fiscal year; $400,000; or 1/5 percent of the current valuation of the fund.

In addition, states may use up to an amount equal to 2% of the SA-HMW CWSRF capitalization grant for the purpose of small systems technical assistance with CWA section 603(k). The form of that assistance is flexible and could include, but is not limited to, community outreach, technical evaluation of wastewater solutions, preparation of applications, preliminary engineering reports, and financial documents necessary for receiving SRF assistance.

CWSRF utilized no set-asides from the SA-HMW allocations for the administration, management, and operation of the programs or for small systems technical assistance.

Provisions of the Operating Agreement and Conditions of the Capitalization Grant

State Match

No state match was required to receive the Clean Water and Decentralized SA-HMW funding.

Additional Subsidization (Principal Forgiveness)

Through the SA-HMW, Congress mandates a minimum 30% and a maximum of 100% of the funding be provided as grants or forgivable loans to communities. These additional subsidy funds were not restricted to rural communities or those meeting affordability criteria. CWSRF did not obligate any SA-HMW funding in SFY 2026.

Binding Commitments

Federal regulations require the State to make binding commitments in an amount equal to 100% of each quarterly capitalization grant payment within 1 year of receipt of the payment. CWSRF did not obligate any SA-HMW funding in SFY 2026.

The CWSRF Operating Agreement requires reporting of loan terms annually for new assistance projects. The tables below detail the loan terms established in the CWSRF binding commitments from SFY 2026.

Table 6: CW SA-HMW Executed Assistance Commitments by Quarter

Executed Assistance Commitments by Quarter - Clean Water SA-HMW State Fiscal Year (SFY) 2026			
First Quarter (July 1-September 30, 2025)	Second Quarter (October 1-December 30, 2025)	Third Quarter (January 1-March 31, 2026)	Fourth Quarter (April 1- June 30, 2026)
$ -	$ -	$ -	$ -

Executed Assistance Commitments by Quarter - Decentralized SA-HMW State Fiscal Year (SFY) 2026			
First Quarter (July 1-September 30, 2025)	Second Quarter (October 1-December 30, 2025)	Third Quarter (January 1-March 31, 2026)	Fourth Quarter (April 1- June 30, 2026)
$ -	$ -	$ -	$ -

Executed Assistance Commitments and Loan Terms - Clean Water SA-HMW State Fiscal Year (SFY) 2026							
Borrower Name	State Tracking Number	Current Agreement Date	Current Agreement Amount	Current Interest Rate	Current Repayment Period	Assigned Grant Subsidy	Assigned Grant GPR
				0.00%			$ -
							$ -
		TOTALS		0.00%		$ -	$ -

Executed Assistance Commitments and Loan Terms - Decentralized SA-HMW State Fiscal Year (SFY) 2026							
Borrower Name	State Tracking Number	Current Agreement Date	Current Agreement Amount	Current Interest Rate	Current Repayment Period	Assigned Grant Subsidy	Assigned Grant GPR
				0.00%			$ -
							$ -
		TOTALS		0.00%		$ -	$ -

Project Assistance, Subsidy, and Loan Terms

Timely Expenditure of Funds

The State of Tennessee's CWSRF program provides timely disbursements of funds for projects. This assists the State in reducing unliquidated obligations. When a loan is executed, the date for the first repayment is set based on the scheduled completion date for project construction. The fixed repayment date is rarely revised to accommodate project delays and serves as an incentive for the timely construction of the project.

TDEC SRF generally processes disbursement requests within the required timeline, which is thirty (30) calendar days of receipt. Per 2 CFR §200.305 *reimbursement is the preferred method when the requirements in paragraph (b) cannot be met, when the Federal awarding agency sets a specific condition per §200.207 Specific conditions, or when the non-Federal entity requests payment by reimbursement. This method may be used on any Federal award for construction, or if the major portion of the construction project is accomplished through private market financing or Federal loans, and the Federal award*

constitutes a minor portion of the project. When the reimbursement method is used, the Federal awarding agency or pass-through entity must make payment within 30 calendar days after receipt of the billing, unless the Federal awarding agency or pass-through entity reasonably believes the request to be improper.

SA-HMW CWSRF did not disburse any funds in SFY 2026. No State match was necessary. The tables below, Unliquidated Obligations, provide disbursement details for projects through SFY 2026.

Table 10: CW SA-HMW Unliquidated Obligations

Unliquidated Obligations - Clean Water SA-HMW State Fiscal Year (SFY) 2026						
Entity	Loan Number	Award Amount	Funds Drawn	Total Remaining Grant Funds	Remaining Set Asides Available	Remaining Loan Funds Available
FFY 2025 Grant	SL-05D53425	$ 8,167,000	$ -	$ 8,167,000	$ -	$ 8,167,000
Total EPA Grant Funding Available		$ 8,167,000	$ -	$ 8,167,000	$ -	$ 8,167,000

Unliquidated Obligations - Decentralized State Fiscal Year (SFY) 2026						
Entity	Loan Number	Award Amount	Funds Drawn	Total Remaining Grant Funds	Remaining Set Asides Available	Remaining Loan Funds Available
FFY 2025 Grant	SL-05D53525	$ 3,524,000	$ -	$ 3,524,000	$ -	$ 3,524,000
Total EPA Grant Funding Available		$ 3,524,000	$ -	$ 3,524,000	$ -	$ 3,524,000

As of June 30, 2026, the reported pace of CWSRF was 0%. The program continues to update its programmatic processes and modernize the program. The program has gone through significant changes due to staff turnover. This change required the program to re-evaluate its current processes. CWSRF expects the pace will improve over the next fiscal year.

Table 12: CW SA-HMW Disbursed Loan Payments

Disbursed Loan Payments - Clean Water SA-HMW State Fiscal Year (SFY) 2026				
Entity	Loan Number	Loan Funds	Forgiveness Funds	Total
				$ -
				$ -
				$ -
				$ -
Total		**$ -**	**$ -**	**$ -**

Entity	Loan Number	Loan Funds	Forgiveness Funds	Total
				$ -
				$ -
				$ -
				$ -
Total		**$ -**	**$ -**	**$ -**

First Use of Funds for Enforceable Requirements

Since FY 1992, the State of Tennessee certifies that the "first use" requirement of the Clean Water Act §602(b)(5) has been fulfilled.

Assurances of Compliance

CWSRF ensures all activities in the Clean Water program comply with all state and federal requirements. The State attests adherence to the rules of cash draws. The State attests to complying with state and federal requirements concerning grant payments and expenditures. CWSRF certifies state laws regarding commitments and expenditure of revenue are followed. Further, the State attests that it accepts grant payments in accordance with the negotiated payment schedule.

CWSRF ensures each financial assistance recipient provides assurances of compliance with all applicable federal and state requirements. These include all financial requirements, generally accepted accounting principles, government accounting standards, and the federal Single Audit Act. These assurances shall be incorporated into the loan or bid documents (where applicable) to assure compliance with all state and federal regulations.

State Environmental Review Process

During SFY26, the CWSRF program conducted environmental reviews on all §212 projects funded projects in accordance with the State Environmental Review Process. It was determined that no Environmental Impacts Statements (EIS) were necessary, instead a Categorical Exclusion (CE) or an Environmental Assessment (EA) coupled with a Finding of No Significant Impact (FNSI) was issued for each project.

Additional Requirements

Ability to Pay Index (ATPI)

TDEC SRF is required by EPA to develop and use affordability criteria for administering SRF clean water and drinking water loans. In addition, the Water Resources Reform and Development Act (WRRDA) of 2014 requires that all state SRF programs use population trends, incomes, unemployment rates, and other metrics to determine the priority ranking, project scoring, interest rates, distribution of additional subsidies, eligibility for planning and design loans, and other benefits for disadvantaged communities. The required metrics are weighed and combined to form Tennessee's Ability to Pay Index (ATPI); a single value crafted to represent a city or county's ability to afford a loan.

TDEC SRF contracts with the University of Tennessee Institute of Agriculture (UTIA) Department of Agriculture and Resource Economics Development to update the ATPI annually for all TN counties, cities, and municipalities. The ATPI is a database of socioeconomic and financial data which serves as the foundation for an index used to inform decisions to determine interest rates, allocate subsidies, and identify 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.

Disadvantaged Business Requirements

Pursuant to 40 CFR § 33.301, loan recipients agree 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 in the project files.

Loan recipients agree to comply with the contract administration provisions of 40 CFR, Section 33.302 (a)-(d) and (i). Recipients of a Continuing Environmental Program Grant or other annual reporting grant agree to create and maintain a bidders list. Recipients of an EPA financial assistance agreement to capitalize a revolving loan fund also agree to require entities receiving identified loans to create and maintain a bidders list if the loan recipient is subject to competitive bidding requirements. Please see 40 CFR, Section 33.501 (b) and (c) for specific requirements and exemptions.

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

Davis Bacon Wage Rate

The SA-HMW Capitalization Grants requires the Davis-Bacon Act wage rules to apply to all assistance agreements made in whole or in part with funds appropriated under SA-HMW. The SRF Loan Program, along with the Department of Labor, provides loan recipients with all pertinent information related to compliance with labor standards, including prevailing wage rates, and reporting requirements.

American Iron, Steel, and Manufactured Goods

SRF attests that the projects of loan recipients adhere to the requirements of the American Iron and Steel (AIS) provision. The AIS provision requires CWSRF assistance recipients to use iron and steel products that are produced in the United States. This requirement applies to projects for the construction, alteration, maintenance, or repair of a public water system if the project is funded through an assistance agreement executed on or after January 17, 2014.

The America's Water Infrastructure Act of 2018 extends the AIS provision for CWSRF projects through SA-HMW.

Environmental Results

Projects are entered into the Office of Water State Revolving Fund (OWSRF) Reporting System quarterly. This database is current for all projects funded in Tennessee during SFY 2026. Reports are electronically available to EPA for all Clean Water and Decentralized SRF loans.

Appendix A

Appendix A: 2026 SA-HMW CWSRF & Decentralized Types of Assistance

SFY 2026 Types of Assistance - Clean Water SA-HMW							
Category Description	Report Group	State	Borrower	Loan Number	Agreement Date	Number of Agreements	Project Type Amount
							$ -

SFY 2026 Types of Assistance - Decentralized							
Category Description	Report Group	State	Borrower	Loan Number	Agreement Date	Number of Agreements	Project Type Amount
							$ -