



INTENDED USE PLAN
EMERGING CONTAMINANTS
DRINKING WATER
STATE REVOLVING FUND
STATE WATER INFRASTRUCTURE GRANTS

STATE FISCAL YEAR (SFY) 2023
FEDERAL FISCAL YEAR (FFY) 2022



Drinking Water Emerging Contaminants Intended Use Plan

September 19, 2023

Introduction

The Tennessee General Assembly passed the “Drinking Water Revolving Fund Act of 1997” to provide low-interest loans to local governments for water infrastructure improvement projects. This act led to the establishment of the Drinking Water State Revolving Fund (DWSRF) Program within the Tennessee Department of Environment and Conservation (TDEC) Division of Water Resources (DWR). The DWSRF is part of the TDEC State Revolving Fund (SRF), offers low-interest loans, grants and technical assistance to cities, counties, utility districts, and water authorities across Tennessee. Its main purpose is to support the planning, design, and construction of drinking water, stormwater, and wastewater infrastructure projects.

The DWSRF program has been a significant source of financial support, providing over 300 million dollars in assistance to communities across Tennessee. This program is a partnership between the federal and state governments to ensure that public water systems (PWS) can deliver safe and dependable drinking water. It was established due to changes made to the Safe Drinking Water Act (SDWA) by Congress in 1996. These changes empowered the U.S. Environmental Protection Agency (EPA) to create the DWSRF program and advance the goals of the SDWA.

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

The Infrastructure Investment and Jobs Act of 2021, also called the Bipartisan Infrastructure Law (BIL), provides supplemental funding to strengthen the nation’s water infrastructure, with significant benefits for the DWSRF program. Over the next five years, more than \$50 billion will be invested in American water infrastructure, supporting three key areas of focus,

Drinking Water Emerging Contaminants

Intended Use Plan

September 19, 2023

one of which addresses emerging contaminants. These emerging contaminants include perfluoroalkyl and polyfluoroalkyl substances (PFAS), persistent organic pollutants (POPs), biological contaminants and microorganisms, pharmaceuticals and personal care products (PPCPs), as well as other contaminants listed on the EPA's Contaminant Candidate Lists (CCLs).

State and local governments, water utilities, public water systems, and other responsible entities providing safe drinking water in Tennessee can receive project funding through the DWSRF Emerging Contaminants grant. The projects must have the purpose of addressing emerging contaminants in drinking water, with a focus on PFAS. Funding may also be provided for projects that address contaminants listed on any of the EPA's CCLs.

As per Section 1452(b) of the Safe Drinking Water Act (SDWA), each state is required to prepare an Intended Use Plan (IUP) annually. TDEC's IUP outlines how emerging contaminants funds for drinking water projects will be used and demonstrates how these uses align to safeguard public health and the environment.

BIL General Supplemental Capitalization Grant

Tennessee's allotment for the FFY 2022 DWSRF Emerging Contaminants grant is \$13,123,000. There is no state match required for this capitalization grant.

Drinking Water State Revolving Fund Program Goals

The U.S. Congress allows each state the flexibility to shape its own funding assistance program, allowing Tennessee to establish its own program goals and framework to address the needs of local communities and water systems. By having the authority to establish its own goals and framework, Tennessee can optimize the use of DWSRF funds, allocate resources efficiently, and implement targeted initiatives that prioritize improving drinking water infrastructure. This state-level autonomy enables Tennessee to proactively address water quality concerns, enhance system resilience, promote sustainable practices, and effectively support the development of safe and reliable drinking water systems across the state.

Drinking Water Emerging Contaminants

Intended Use Plan

September 19, 2023

Tennessee's DWSRF has developed a comprehensive framework of long and short-term goals. These goals guide decision-making within the program, ensuring that Tennessee's actions and investments in the DWSRF are strategic and impactful and address community and water system challenges.

The primary goal for emerging contaminants funding in Tennessee is to provide financial assistance to communities for identifying, assessing, and remediating emerging contaminants in their water systems. The focus is on ensuring safe and reliable drinking water for all residents.

DWSRF and State Water Infrastructure Grants (SWIG) program have been combined at TDEC to align department goals and distribute funds to qualifying candidates. This program development will help the SRF program adapt to current and future funding opportunities, program needs, public outreach, and technical assistance. Because EC funds will be distributed in the form of grants, the term grant will used when applicable for the remainder of this document.

Long-Term Goals

As part of its long-term goals, the SWIG program will allocate funds to support the following projects:

1. Remediation projects: Provide financial assistance to communities to implement remediation projects focused on removing or reducing emerging contaminants from water sources, treatment plants, and distribution systems.
2. Prevention and source control: Promote pollution prevention and source control measures to minimize introducing emerging contaminants into water supplies. Encourage sustainable water management practices and raise awareness about potential contamination sources.

Short-Term Goals

The SWIG program has six main short-term goals, listed below:

1. Grant process: Establish a granting process Use the established SWIG program to

Drinking Water Emerging Contaminants

Intended Use Plan

September 19, 2023

disburse Emerging Contaminants Drinking Water Capitalization Grants.

2. Identification and prioritization: Collaborate with regulatory agencies, scientific experts, universities, and stakeholders to identify and prioritize emerging contaminants based on their prevalence, potential risks, and impacts on water quality.
3. Assessment and monitoring: Allocate funds to support comprehensive assessments and monitoring programs to identify sources, concentrations, and pathways of emerging contaminants in water systems across Tennessee.
4. Education and outreach: Allocate resources to enhance public awareness campaigns, educational programs, and outreach efforts to educate communities about emerging contaminants, potential health risks, and ways to protect water resources.
5. Research and development: Support research initiatives that aim to develop innovative technologies, treatment methods, and best practices for the removal, treatment, or mitigation of emerging contaminants.
6. Create Emerging Contaminants Priority Ranking List: The SWIG program will partner with the DWSRF program to develop a priority ranking system specific to grants for ECs through the SWIG-DWSRF partnership.

The SWIG program strives to be a good partner with the EPA. Aligning the program goals is one part of the good partnership agreement both agencies maintain. Below is a table demonstrating the connection between the states program goals above and the goals outlined within the [EPA's strategic plan for FY 2022 –2026](#).

SWIG-SRF Long-Term Goals EPA Alignment				
EPA Strategic Goal, Activity Alignment			TN SWIG-SRF Results	
EPA Strategic Plan	Goals & Core Elements	Activity	Outputs	Outcomes
Protect and Restore Waterbodies and Watersheds	Goal 5 / Objective 5.2	Remediation projects	Provide financial assistance to communities to implement remediation projects focused on removing or reducing emerging	Water quality improvement by reducing emerging contaminants from water sources, treatment plants and distribution systems

Drinking Water Emerging Contaminants

Intended Use Plan

September 19, 2023

			contaminants from water sources, treatment plants, and distribution systems	
Protect and Restore Waterbodies and Watersheds / Enforce Environmental Laws and Ensure Compliance	Goal 5 / Objective 5.2 & Goal 3 / Objective 3.1-3.2	Prevention and source control	Promote pollution prevention and source control measures to minimize introducing emerging contaminants into water supplies. Encourage sustainable water management practices and raise awareness about potential contamination sources.	Improved water quality by reduction in possible contamination of drinking water sources
SWIG-SRF Short-Term Goals EPA Alignment				
EPA Strategic Goal, Activity Alignment			TN SWIG-SRF Results	
EPA Strategic Plan	Goals & Core Elements	Activity	Outputs	Outcomes
Protect and Restore Waterbodies and Watersheds	Goal 5 / Objective 5.2	Grant process	Establish a granting process using the established State Water Infrastructure Grants program to disburse Emerging Contaminants Clean Water Capitalization Grants.	Applicants can successfully apply for EC grant money
Protect and Restore Waterbodies and Watersheds	Goal 5 / Objective 5.2	Identification and prioritization	Collaborate with regulatory agencies, scientific experts, and stakeholders to identify and prioritize emerging contaminants based on their prevalence,	Funding aligns accurately with state and EPA goals

Drinking Water Emerging Contaminants

Intended Use Plan

September 19, 2023

			potential risks, and impacts on water quality.	
Protect and Restore Waterbodies and Watersheds	Goal 5 / Objective 5.2	Assessment and monitoring	Allocate funds to support comprehensive assessments and monitoring programs to identify sources, concentrations, and pathways of emerging contaminants in wastewater systems across Tennessee.	Ensure scientific integrity and science-based decision making
Protect and Restore Waterbodies and Watersheds	Goal 5 / Objective 5.2	Education and outreach	Allocate resources to enhance public awareness campaigns, educational programs, and outreach efforts to educate communities about emerging contaminants, potential health risks, and ways to protect water resources.	Improve community relations and awareness of EC related water quality issues and contributors
Protect and Restore Waterbodies and Watersheds	Goal 5 / Objective 5.2	Research and development	Support research initiatives that aim to develop innovative technologies, treatment methods, and best practices for the removal, treatment, or mitigation of emerging contaminants.	Ensure scientific integrity and science-based decision-making regarding EC project development
Protect and Restore Waterbodies and Watersheds	Goal 5 / Objective 5.2	Create Emerging Contaminants Priority Ranking List	The State Water Infrastructure Grants (SWIG)	Ensure scientific integrity and science-based

**Drinking Water Emerging Contaminants
Intended Use Plan**

September 19, 2023

			program will partner with the CWSRF program to develop a priority ranking system specific to grants for ECs through the SWIG-SRF partnership.	decision-making regarding EC project development
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Table 1: Strategic Goal Table

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Drinking Water Emerging Contaminants Intended Use Plan

September 19, 2023

Drinking Water Priority Ranking System

TDEC's SWIG program will use a priority ranking system to develop the Priority Ranking List (PRL). Applicants seeking funding must submit a questionnaire containing detailed project information such as project description, cost, construction timeline, grant amount, and term. The eligibility of projects for funding is outlined in the EPA Eligibility Handbook. Projects are prioritized based on their ability to reduce health risks or improve compliance with the SDWA, focusing on emerging contaminants (ECs).

TDEC will award EC dollars in the form of grants to eligible entities. Therefore, the SWIG program will partner with the DWSRF program to develop a priority ranking system specific to grants for ECs through the SWIG-DWSRF partnership in the near future.

Developing a priority ranking system for ECs requires careful consideration and a comprehensive approach. The goal is to ensure that the limited funds available are allocated efficiently to the most critical and impactful projects. Here is the current list of possible criteria for prioritizing funding:

1. Public Health Impact: Assess the potential risks to public health posed by ECs. Projects addressing contaminants with severe health implications should receive higher priority.
2. Environmental Impact: Evaluate the ecological consequences of the contaminants. Prioritize projects that mitigate or prevent significant environmental damage.
3. Magnitude of Contamination: Consider the scale and extent of the contamination. Projects dealing with larger areas or higher concentrations should be given priority.
4. Small and Disadvantaged Communities: Identify projects within or serving vulnerable communities, such as low-income or marginalized populations. Ensuring equitable distribution of funds can be an essential criterion.
 - **“Disadvantaged Community”** is determined by the state to be disadvantaged

Drinking Water Emerging Contaminants

Intended Use Plan

September 19, 2023

- under the affordability criteria established by the state under section 1452(d)(3) of the Safe Drinking Water Act or may become a disadvantaged community as a result of carrying out a project or activity under the grant program. This program uses the Ability To Pay Index (ATPI). Any community with an ATPI of 50 or less is considered disadvantaged.
- **“Small Community”** has a population of less than 25,000 individuals that the Administrator determines cannot incur debt sufficient to finance a project or activity under the grant program. This is a statutory definition.
5. Innovation: Encourage innovative approaches and technologies that efficiently address ECs. Projects incorporating novel solutions should be considered favorably.
 6. Feasibility and Implementation: Evaluate proposed projects' technical and financial feasibility. Consider the capability of the applicants to carry out the project successfully.
 7. Sustainability: Give preference to projects that demonstrate long-term sustainability in their design and operation.
 8. Collaboration: Projects involving multiple stakeholders, such as local governments, non-government organizations, and academic institutions, should be encouraged.
 9. Timing and Urgency: Consider the urgency of the issue and the need for immediate action. Time-sensitive projects may be prioritized to tackle imminent threats.
 10. Measurable Outcomes: Establish clear metrics and performance indicators to measure the success of funded projects. Projects with well-defined outcomes should be preferred.
 11. Leveraging Funds: Prioritize projects that leverage additional funding sources or demonstrate the ability to attract co-financing.

Drinking Water Emerging Contaminants

Intended Use Plan

September 19, 2023

12. Education and Outreach: Encourage projects that include public awareness and education components to empower communities and raise awareness about ECs.
13. Monitoring and Reporting: Projects with robust monitoring and reporting plans should be favored to ensure accountability and transparency in fund usage.
14. Resilience to Climate Change: Consider the resilience of the proposed projects in the face of potential climate change impacts.
15. Cross-Media Benefits: Projects that offer multiple benefits, such as improved water quality, energy efficiency, or green infrastructure, should be prioritized.

List of Projects

In accordance with Section 1452(b)(3)(B) of the SDWA, SWIG will develop a PRL to identify projects that will receive funding in the initial year following the grant award. Additionally, no eligible "EC" specific projects have been identified for SFY 2023; therefore, an ECs PRL has not been developed.

Funding of Projects

SWIG projects will be prioritized based on the number of priority points awarded to them on the 2023 EC DW PRL. The projects with the highest number of priority points are given preference for funding. This prioritization emphasizes projects that are prepared to proceed with construction, including those from small and disadvantaged communities, green and resilient infrastructure projects, and projects with subsidies. Once the EPA grant award date is determined, the SWIG program will issue funding letters to all communities whose projects are listed on the 2023 EC PRL. Grants can be awarded on a monthly basis depending on the community's readiness to proceed. This systematic approach ensures the efficient allocation of resources to projects that are ready to move forward and supports the timely implementation of critical water infrastructure improvements across Tennessee.

Project By-Passing Procedures

Regardless of their rank on the future PRL, projects may face the possibility of being bypassed if the communities are not prepared to proceed or fail to respond to the funding

Drinking Water Emerging Contaminants

Intended Use Plan

September 19, 2023

notification letter. However, SWIG is committed to working closely with these bypassed entities to ensure that their projects remain eligible for funding in the subsequent fiscal year to the greatest extent possible. The program recognizes that unforeseen circumstances can arise, and exceptions to the funding order may be allowed under special circumstances. These exceptional projects typically involve unanticipated failures that require immediate attention to safeguard public health and safety, as well as improve water quality. By offering flexibility and assistance, SWIG strives to address the needs of communities and ensure that critical water infrastructure projects receive the necessary support, even in challenging situations.

Subsidies and Affordability Criteria

The SWIG Program is currently exploring a range of grant opportunities through which communities and utility systems can harness EC funds. These options may include grants with low to no required match, EC grant funds coupled with traditional SRF loans, and investigation and planning partnership grants with local universities. By exploring these alternatives, applicants can endeavor to alleviate the financial strain associated with their drinking water infrastructure improvements.

Ability To Pay Index and Disadvantaged Communities

The Ability To Pay Index (ATPI) is a vital tool used by the State to allocate DWSRF subsidies and determine interest rates. Its creation and implementation are mandated by the Public Water System Supervision Program (PWSS), required under the SDWA Section 1443(a). The ATPI relies on a comprehensive socioeconomic and financial data database to aid in decision-making related to interest rates, subsidy allocation, and options designed to benefit communities with the greatest needs. This index is determined based on a standard distribution of affordability scores derived from nine factors specific to each community, including median household income, unemployment, food stamp dependence, families in poverty, community assets, revenues, debt, expenditures, and change in population. To ensure accuracy, the ATPI will be updated annually to reflect the current fiscal capacity, economic trends, and changes within communities across the state.

For EC projects, the ATPI threshold for disadvantaged communities (ATPI = 50) will be used

Drinking Water Emerging Contaminants Intended Use Plan

September 19, 2023

to lower or eliminate any required match. Additionally, 25% of EC funds must be provided to disadvantaged communities or public water systems serving fewer than 25,000 people.

Grant Terms and Conditions

Grant terms and conditions will follow state and federal guidelines for using SRF capitalization dollars. Grant contract terms will have a 24-36 month term for investigation, planning, and design projects and a contract term of 60 months for grants that include construction.

The grant contract will have strict performance measures to ensure that the schedule and information provided in the grant application will be executed in a timely manner. All grantees must fulfill the grant obligations to meet any terms, covenants, conditions, or provisions of the grant contract. SWIG will have no obligation to the grantee for fulfillment and reimbursement of funds outside the contract term.

Financial, Managerial, and Technical Capacity

Before granting funds, the SWIG program will evaluate a utility's financial, technical, and managerial capabilities. On March 10, 1998, state law was amended to grant TDEC the authority to require new community water systems and non-transient, non-community water systems commencing operations after October 1, 1999, to demonstrate compliance with national primacy drinking water regulations, Tennessee SDWA provisions, and related rules. Furthermore, TDEC was empowered to develop a strategy to support PWSS (Public Water Supply Systems) in acquiring and maintaining the necessary capacities. The Capacity Development Program regulations for new systems came into effect on August 29, 1999. The state adheres to SDWA Section 1420(c)(3), which mandates evaluating the effectiveness of its capacity development strategy for ensuring the technical, managerial, and financial capabilities of PWSS providers.

To evaluate the technical, financial, and managerial capacities of water systems eligible for grants, the state has developed an infrastructure assessment tool, TN Infrastructure Scorecard. Tennessee Board of Utility Regulation (TBOUR) also evaluates water systems. TBOUR handles cases concerning utility districts and water and wastewater authorities. The program assesses documents providing evidence of the applicant's managerial, technical,

Drinking Water Emerging Contaminants

Intended Use Plan

September 19, 2023

and financial capacity.

Grant Recipient Project Requirements

All SWIG projects must comply with all current DWSRF rules, regulations, policies, and procedures provided in this section. In addition, grants are subject to:

Procurement

Grant applicants are responsible for ensuring that any procurement using CWSRF EC funds or payments under procurement contracts using such funds are consistent with state procurement standards¹ and those set forth in the Uniform Guidance at 2 CFR Part 200 Subpart D, as applicable. Specifically, grantees must follow 2 CFR 200.317 through 2 CFR 200.327 and the monitoring requirements in 2 CFR 200.331 through 2 CFR 200.333. When the terms of a grant award allow disbursements for the cost of goods, materials, supplies, equipment, or contracted services, such procurement must be made on a competitive basis, including using competitive bidding procedures, if purchases exceed the simplified acquisition threshold. According to the State's Procurement Policy, acquisitions over \$50,000 must be formally procured. Local procurement policies and thresholds for simplified acquisitions may be lower. At a minimum, the lowest threshold (local, state, or federal) should be applied for any transaction. Grant applicants must maintain documentation for the basis of each procurement for which a disbursement is made under the grant award. In each instance where it is determined that using a competitive procurement method is not practical, supporting documentation must include a written justification for the decision and use of a non-competitive procurement process. Further, grant applicants are considered subrecipients and must comply with 2 C.F.R. §§ 200.318—200.327 when procuring property and services under a federal award.

Reimbursement

A request to be reimbursed for costs incurred on awarded grants shall include only requests for actual, reasonable, and necessary expenditures required in the delivery of service described in the grant contract and identified in the individual project budget.

¹ State public contracting laws under Tennessee Code Annotated Title 4, Chapter 56; Title 12, Chapter 3; and Title 12, Chapter 4.

Drinking Water Emerging Contaminants

Intended Use Plan

September 19, 2023

Reimbursement may not include any request for future expenditures. The grant contract term for a reimbursement request means the time the grant applicant may incur new obligations to carry out the work authorized in the grant contract. Grant contracts will have a 24-60 month term from the issuance of the contract. Grant applicants may elect to complete their final report early if all contract deliverables are complete and reports are submitted and approved.

Monitoring, Oversight, and Reporting Requirements

SWIG, state auditors, the Comptroller of the Treasury, and their duly appointed representatives will monitor and evaluate grantees. All grantees will be required through the Grants Management System (GMS) to submit annual and final progress reports. The grantee shall comply with all applicable state and federal laws and regulations in the performance of the grant contract. The grantee and any approved subcontractor shall maintain documentation for all items managed under the grant contract. Grant recipients and partners should appropriately maintain accounting records for compiling and reporting accurate, compliant financial data per appropriate accounting standards and principles. Records shall be maintained for a period less than five full years from the date of the final payment. Grant applicants may be subject to state and local audits.

Davis-Bacon

The Davis-Bacon Act, 46 Stat. 1494 (Pub. Law 71-800), and Related acts apply to contractors and subcontractors performing on federally funded or assisted contracts over \$2,000 for the construction, alteration, or repair (including painting and decorating) of public buildings or public works. The Davis-Bacon Act (DBA) and Related Acts require contractors and subcontractors to pay their laborers and mechanics employed under the contract no less than the locally prevailing wages and fringe benefits for corresponding work on similar projects in the area. The Davis-Bacon Act directs the Department of Labor to determine locally prevailing wage rates. The Davis-Bacon Act applies to contractors and subcontractors working on federal or District of Columbia contracts. The prevailing Davis-Bacon Act wage provisions apply to the "Related Acts," under which federal agencies assist construction projects through grants, loans, loan guarantees, and insurance.

For prime contracts over \$100,000, contractors and subcontractors must also, under the

Drinking Water Emerging Contaminants Intended Use Plan

September 19, 2023

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

Disadvantaged Business Enterprise (DBE) Goals

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

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

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

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

Drinking Water Emerging Contaminants Intended Use Plan

September 19, 2023

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 in paragraphs (1) through (5).

The recipient agrees 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. When required, the recipient agrees to complete and submit an "MBE/WBE Utilization Under Federal Grants and Cooperative Agreements" report (EPA Form 5700-52A) annually.

American Iron and Steel

The American Iron and Steel (AIS) provision requires the DWSRF assistance recipients to use iron and steel products produced in the United States. This requirement applies to projects for the construction, alteration, maintenance, or repair of a PWSS or treatment works and if the project is funded through an assistance agreement executed beginning January 17, 2014.

Drinking Water Emerging Contaminants

Intended Use Plan

September 19, 2023

AWIA extends the AIS provision for DWSRF projects through Fiscal Year 2023.

On October 23, 2018, the President signed AWIA, which includes several updates and revisions to the SDWA, including the DWSRF provisions. Section 2022 of AWIA amended Section 1452(a)(4)(A) of SDWA to extend the requirement for the use of American Iron and Steel (AIS) products in projects receiving financial assistance from the DWSRF during fiscal years 2019 through 2023.

Build America, Buy America (BABA) Act

The Bipartisan Infrastructure Law Title IX, Subtitle A, Part 1 requires all federal equivalency projects funded after May 14, 2022, to meet BABA requirements. BABA requires all the iron, steel, manufactured products, and construction materials used in the project to be produced in the United States. Iron and Steel products will still have to comply with AIS guidelines. For manufactured projects to meet BABA requirements, the cost of components mined, produced, or manufactured in the United States must be 55% or more of the total cost of all components and does not include labor costs. Common construction materials include non-ferrous metals, plastic, and polymer-based products (including polyvinylchloride, composite building materials, and polymers used in fiber optic cables, glass (including optic glass), lumber, and drywall.

Generally Accepted Accounting Principles (GAAP)

The State requires assistance recipients to follow 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 the GASB.

Sources and Uses of Funds

FFY 2022 Drinking Water State Revolving Funds: Addressing ECs	\$13,123,000
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Table 2: Financial Funds for the DWSRF EC Grant Program for addressing ECs.

Drinking Water Emerging Contaminants

Intended Use Plan

September 19, 2023

Uses of Funds

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

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

Set-Aside Activities

Sections 1452(g) and (k) of the Safe Drinking Water Act allow states to set aside up to 31% of the Capitalization Grant (ECs) for specific activities. The eligible DWSRF set-aside types include administration and technical assistance (4%), small systems technical assistance (2%), state program management (10%), and local assistance and other state programs (15%). TDEC SRF intends to use a portion of the \$4,068,130 total set-asides allowable under the law. Table 2 outlines the funding source, program, and amount of DWSRF EC Capitalization Grant (both in percent and funds). Funds not expended in these categories by the end of the fiscal year will carry forward. The State of Tennessee reserves the right to use these funds later.

31% Total Possible Set-Aside Allotment for DWSRF Emerging Contaminants	\$4,068,130
2% - Small System Technical Assistance (SMS) for DWSRF Emerging Contaminants	\$261,940
4.9% - State Program Management Operator Certification for DWSRF Emerging Contaminants	\$643,533.67
.83% - State Program Management Public Water Supply Supervision (PWSS) - for DWSRF Emerging Contaminants	\$108,396

Drinking Water Emerging Contaminants

Intended Use Plan

September 19, 2023

9.98% - Local Assistance - for DWSRF Emerging Contaminants	\$1,309,700
.92% - DWSRF Administration Allotment for DWSRF Emerging Contaminants	\$121,083
Total Set-Aside Amount Requested (18.63%)	\$2,444,652.67

Table 3: DWSRF BIL EC Capitalization Grant Set-aside Allotment

The SDWA allows each state to set aside these funds from its federal capitalization grant to support various drinking water programs, including administration, technical assistance, state program management, and special activities. Outcomes from these activities are reported to EPA in the DWSRF Annual Reports.

State Program Management (Set-Aside Allotment Plan)

Operator Certification Program

The Fleming Training Center (FTC) plans to set aside (4.9%) or \$643,533.67 of the funds available in the Operator Certification EC funding to provide training and materials on PFAS and emerging contaminants in FTC’s training program. FTC instructor goals are to provide training and technical assistance to water system operators. This assistance will also include purchasing laboratory equipment and consumables to diagnose emerging contaminant problems at public water systems. This will promote awareness of regulatory advances to comply with the SDWA and protect public health and the environment.

Public Water Supply Supervision

The Public Water Supply Supervision (PWSS) program plans to set aside (.83%) or \$108,396.00 of the funds available for EC funding to provide technical assistance, administer source water protection programs, and support drinking water program activities.

Small Systems Technical Assistance

The Fleming Training Center (FTC) plans to set aside (2%) or \$261,940.00 of the funds available in the Small Systems EC funding to provide training and on-site technical assistance to public water systems serving 10,000 or fewer persons.

Drinking Water Emerging Contaminants

Intended Use Plan

September 19, 2023

Local Assistance

The Local Assistance program plans to set aside (9.98%) or \$1,309,700.00 of the funds available for EC funding to assist in developing and implementing local drinking water initiatives and other state programs.

TDEC is aware of researchers at universities across Tennessee working on emerging contaminant related research and projects. To maximize use of allotted funding to address emerging contaminants, TDEC SRF with assistance from the Office of Sustainable Practices (OSP), will partner to engage universities to identify project proposal and develop a communication pathway to solicit future work.

TDEC OSP will partner with SWIG-SRF to establish a consortium of researchers working on emerging contaminant related issues, such as PFAS, microplastics, DBPs, etc. This consortium will regularly convene to share information on current research, assessment methodologies, magnitude of known EC issues, education and outreach efforts, as well as funding opportunities. SWIG-SRF intends to support this research collaboration effort across Tennessee, ensure research occurring in Tennessee related to emerging contaminants is informed by TDEC priorities, and provide a form for sharing latest Tennessee-based emerging contaminant research. The consortium, tentatively named the Tennessee Emerging Contaminants Research and Education Collaborative (TEC-REC), will meet on a periodic basis, with a frequency agreed upon by the members of the consortium, but likely to be at least quarterly.

Administration Allotment

The Administration Allotment plans to set aside (.92%) or \$121,083.00 of the funds available for costs associated with administering and implementing the state's DWSRF EC Program and providing technical assistance to systems of all sizes.

Environmental Benefits

The State agrees to complete the data entry for the EPA's database system on a real-time basis per the Procedures for Implementing Certain Provisions of the FFY 2022 Appropriation. The following information will be entered quarterly into the SRF Data System:

Drinking Water Emerging Contaminants Intended Use Plan

September 19, 2023

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

Copies of the PBR worksheets will be placed in the Annual Report.

Annual Report Requirements

Section 1452 of the SDWA requires the State to complete and submit an Annual Report within 90 days after the end of the fiscal year covered by the IUP. This report will contain detailed information on how the State has met the goals and objectives of the previous year as stated in the IUP and Capitalization Grant agreement. Additionally, the Annual Report identifies grant recipients (name and identification number), grant amounts and terms, green projects, projects receiving subsidization (principal forgiveness), amount of subsidy, similar details on other forms of financial assistance provided by DWSRF, the population of the grant recipient, and other such information as EPA may require.

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.

Pursuant to Section 1452 of the SDWA, the State certifies that:

- The State has the authority to establish a DWSRF grant program project grant fund and to operate the program in accordance with the SDWA
- The State will comply with its statutes and regulations
- The State has the technical capability to operate the program
- The State will accept Capitalization Grant funds in accordance with a payment schedule
- The State will deposit all Capitalization Grant funds in the DWSRF Grant Program project fund or set-aside account
- The State will use Generally Accepted Accounting Principles

Drinking Water Emerging Contaminants

Intended Use Plan

September 19, 2023

- The State will commit and expend funds as efficiently as possible and in an expeditious and timely manner
- The funds will be used in accordance with the IUP
- The State will provide EPA with an Annual Report
- The State will comply with all federal cross-cutting authorities
- In addition, the State certifies that it will conduct environmental reviews on water system projects to satisfy the National Environmental Policy Act-like requirements. The State's Environmental Review Process procedures are in the approved Operating Agreement.
- The State publishes the draft Intended Use Plan annually for public comment on the SRF and DWR websites. The State provides a 30-day public comment period followed by a public meeting where the details of the IUP are reviewed. Any public comments received during this period are responded to and posted as a public notice along with the updated IUP. Modifications are made to the IUP when needed and after appropriate public notice is given.
- The State opens the Solicitation for Drinking Water projects in the winter and the summer of every year.

States can transfer up to 33% of the DWSRF Capitalization Grant into the Clean Water State Revolving Fund (CWSRF) or an equal dollar amount from the CWSRF into the DWSRF. 40 C.F.R. § 35.3555(c)(8). Tennessee reserves the right to transfer between these funds provided they are used to address ECs.

Amending the Intended Use Plan

SWIG can amend the IUP to implement an efficient and effective program. Changes to the IUP that impact the program's administration will be made public on the SRF website and through appropriate communication channels.

**Drinking Water Emerging Contaminants
Intended Use Plan**
September 19, 2023

Appendix

Sources and Uses Table

Appendix Drinking Water State Revolving Funds: Addressing ECs State Fiscal Year July 1, 2022 - June 30, 2023				
Sources and Uses	Federal Contribution	State Contribution	DW SRF Fund	Total
<i>Funding Sources</i>				
Banked Set Asides	\$-			\$-
FFY 2022 Drinking Water EC Grant	\$13,123,000.00			\$13,123,000.00
Totals for Funding Sources	\$13,123,000.00			\$13,123,000.00
<i>Funding Uses</i>				
Project Disbursements	\$10,678,347.33			\$10,678,347.33
State Asides Spending	\$2,444,652.67			\$2,444,652.67
Total for Funding Uses	\$13,123,000.00			\$13,123,000.00