



INTENDED USE PLAN  
DRINKING WATER STATE REVOLVING FUND

STATE FISCAL YEAR (SFY) 2025  
FEDERAL FISCAL YEAR (FFY) 2024





# Drinking Water State Revolving Fund Intended Use Plan

June 10, 2024

---

## Contents

Introduction .....	4
Capitalization Grants .....	5
Drinking Water State Revolving Fund Program Goals.....	7
Long-Term DWSRF Loan Program Goals .....	7
Short-Term DWSRF Loan Program Goals .....	8
Drinking Water Priority Ranking System .....	11
List of Projects .....	12
Funding of Projects .....	13
Project By-Passing Procedures.....	13
Subsidies and Affordability Criteria .....	14
Principal Forgiveness for Small and Disadvantaged Communities.....	15
ATPI Reduced Interest Rates.....	17
Loan Terms and Fees.....	19
Sources and Uses of Funds.....	20
Set-Aside Activities .....	22
State Program Management (PWSS) .....	23
Small Systems Technical Assistance .....	29
Local Assistance and Other State Programs .....	29
Davis-Bacon .....	34
Disadvantaged Business Enterprise (DBE) Goals.....	34
American Iron and Steel.....	36
Build America, Buy America (BABA) Act .....	36
Environmental Benefits .....	37
Assurances and Specific Proposals.....	37
Annual Report Requirements .....	38
Amending the Intended Use Plan .....	39
Appendix .....	40
DW Priority Ranking List.....	40
Sources and Uses Table .....	40



**Drinking Water State Revolving Fund  
Intended Use Plan**

June 10, 2024

---

DRAFT

## Drinking Water State Revolving Fund Intended Use Plan

June 10, 2024

---

### 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, leading to the establishment of the Drinking Water State Revolving Fund (DWSRF) loan program within the Tennessee Department of Environment and Conservation (TDEC) Division of Water Resources (DWR). The DWSRF loan program, part of the TDEC State Revolving Fund (SRF), offers low-interest loans 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. Since its inception, this program has provided Tennessee communities with over 300 million dollars in assistance. As a federal-state partnership program, the DWSRF aims to help public water systems (PWS) achieve safe and reliable drinking water. The federal program was established through Congress' 1996 amendments to the Safe Drinking Water Act (SDWA), granting the U.S. Environmental Protection Agency (EPA) authority to create the DWSRF loan program and advance the objectives of the SDWA. The SDWA directs states to use DWSRF funds to address health risks and drinking water compliance issues, particularly assisting PWS with the greatest needs. The primary objective of the DWSRF loan program aligns with TDEC's mission to safeguard and enhance water quality and protect and promote human health and safety throughout Tennessee. By enabling communities to afford safe, sustainable, and resilient water systems, the SRF loan program plays a crucial role in achieving these goals. For more detailed information about the DWSRF loan program, individuals can refer to the TDEC [SRF website](#).

#### Elements of the Drinking Water State Revolving Fund Intended Use Plan:

TDEC SRF long-term and short-term goals

The financial status of the Drinking Water SRF Loan Program

Description of the methods and criteria used to distribute funds

Description of the amount of set aside funds and details on how the state intends to use those monies.

Priority Ranking List (PRL) for 2024

TDEC's New Principal Forgiveness methodology for Small and Disadvantaged Community's

TDEC's Ability To Pay Index

The EPA awards annual Drinking Water Capitalization

## **Drinking Water State Revolving Fund Intended Use Plan**

June 10, 2024

---

Grant funds to the State, which are used to finance various water system projects and support critical programs. Under the Drinking Water Capitalization Grant program, the EPA allocates funds to the State. In return, the State commits federal funds and a 20% state match to offer financial assistance to public and private water systems. These funds are used for a range of projects, including but not limited to plant replacement and upgrades, distribution system installation and repair, water loss management, treatment enhancements, storage improvements, water reuse initiatives, green infrastructure implementation, energy optimization measures, and resilience enhancement.

To ensure the sustainability of the DWSRF loan program, these funds are repaid over time by the water systems, thus maintaining the program's long-term viability. Furthermore, a portion of the Capitalization Grant, up to 31%, can be designated as a "set aside" to directly support critical state staff, DWSRF administration, water system capacity development, operator certification, source water protection, small systems technical assistance, and the Public Water System Supervision (PWSS) program. Each state determines the allocation between water infrastructure projects and these set-asides based on its unique circumstances and needs.

As per Section 1452(b) of the Safe Drinking Water Act (SDWA), each state is required to prepare an Intended Use Plan (IUP) annually. The IUP outlines how the grant funds awarded to the state will be used and demonstrates how these uses align to safeguard public health and the environment. This comprehensive funding framework, supported by the EPA's Drinking Water Capitalization Grant program and the State's commitment, enables the financing of vital water system projects and the implementation of essential programs, ultimately promoting public health and environmental protection.

### ***Capitalization Grants***

#### **Drinking Water Base Capitalization Grant**

TDEC's [Drinking Water IUP](#) is the planning document detailing how the federal fiscal year (FFY) 2024 appropriations for the DWSRF loan program will be used. The State of Tennessee's capitalization grant allotment for the FFY 2024 DWSRF loan program's base dollars is \$7,846,000. The State is required to provide a 20% match of federal funds or \$1,569,200 to receive the full capitalization grant allotment. The EPA Base capitalization grant plus State match will provide an expected \$9,415,200 in funds available for DWSRF

## Drinking Water State Revolving Fund Intended Use Plan

June 10, 2024

---

projects in SFY 2025.

### BIL General Supplemental Capitalization Grant

In addition to the base allotment provided in FFY 2024, Congress passed the Infrastructure Investment and Jobs Act of 2021, also known as the Bipartisan Infrastructure Law (BIL). The BIL 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 is structured to finance three distinct drinking water areas:

- Provide general supplemental funding
- Address emerging contaminants
- Replacement of private service lead lines

Specifically for Tennessee, the FFY 2024 Drinking Water BIL General Supplemental allotment amounts to \$38,692,000. To access the full general supplemental allotment, the State must provide a 20% match of federal funds, which equals \$7,738,400. Once these requirements are met, the BIL General Supplemental will contribute an additional \$46,430,400 in funds to support set-aside initiatives and the DWSRF loan program for SFY 2025.

A key priority of BIL is to ensure disadvantaged communities benefit equitably from this investment in water infrastructure. Through BIL, Congress mandates that 49% of the general supplemental funding be provided as grants or forgivable loans to communities that meet the State's affordability criteria. Communities not meeting these criteria are still eligible for funding but will be funded according to the State's [Subsidies and Affordability Criteria](#).

The necessary funds for the state match have already been approved in the State of Tennessee's general budget and will be appropriated once the grant is received from the EPA. This infusion of funds through the Bipartisan Infrastructure Law presents a significant opportunity to strengthen Tennessee's water infrastructure and ensure its communities benefit from improved access to safe and reliable drinking water systems.

These funds will play a crucial role in supporting water infrastructure improvement projects and promoting the objectives of the DWSRF program in Tennessee. The Drinking Water IUP

## **Drinking Water State Revolving Fund Intended Use Plan**

June 10, 2024

---

serves as a critical roadmap for allocating and effectively utilizing these funds, ensuring that they are directed towards initiatives that protect public health, enhance water quality, and address the evolving needs of the state's water systems.

### **Drinking Water State Revolving Fund Program Goals**

The U.S. Congress grants states the flexibility to shape their own DWSRF loan 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.

Tennessee's DWSRF loan program has formulated a comprehensive framework of long and short-term goals. These goals serve as a guiding foundation for decision-making within the program, ensuring that Tennessee's actions and investments in the DWSRF loan program are strategic *and* impactful and effectively address the challenges faced by communities and water systems in the state.

#### ***Long-Term DWSRF Loan Program Goals***

The DWSRF loan program will:

1. Ensure a safe and adequate water supply for small communities by actively involving them in program participation.
2. Assist with projects that promote compliance with national primary drinking water regulations outlined in section 1412 of the SDWA or contribute significantly to the Act's health protection objectives (section 1452(a)(2)).
3. Safeguard and improve water quality in Tennessee by ensuring the technical integrity of funded projects.
4. Preserve its long-term financial integrity by prudently managing its assets, realizing an appropriate rate of return, and safeguarding against fraud, waste, and abuse.
5. Ensure adherence to [Generally Accepted Accounting Principles \(GAAP\)](#) issued by the

## Drinking Water State Revolving Fund

### Intended Use Plan

June 10, 2024

---

Government Accounting Standards Board (GASB) through implementing accounting, audit, and fiscal procedures.

6. Expedite fund obligations and offer technical and administrative assistance to promote efficient project management.
7. Strategically use set-aside funds in coordination with program loans to maximize the impact of the DWSRF loan account in achieving affordable compliance and protecting public health.
8. Actively collaborate with systems and drinking water regulatory staff to effectively allocate program resources toward addressing the most significant public health and compliance challenges.
9. Promote advancing technical, managerial, and financial capabilities for all PWS to achieve and sustain compliance with state drinking water and federal SDWA requirements.
10. Actively promote the consolidation or regionalization of PWS that face challenges in operating and maintaining systems cost-effectively, enabling them to benefit from the economies of scale associated with larger water systems.
11. Ensure the provision of drinking water assistance in a methodical and environmentally responsible manner.
12. Ensure that all newly funded water systems demonstrate the necessary technical, managerial, and financial capabilities to comply with every applicable national primary drinking water regulation.

#### **Short-Term DWSRF Loan Program Goals**

The DWSRF loan program will:

1. Coordinate the completion of set-aside work plans for each set-aside activity annually.
2. Provide support for the continuation of source water protection programs.
3. Coordinate the implementation of the capacity development strategy with PWSS staff.
4. Update administrative policies and guidance, including standard operating procedures, for the DWSRF loan program.
5. Provide supervision and direct technical assistance to Public Water Systems (PWS).
6. Assist in the development and implementation of local drinking water protection



## Drinking Water State Revolving Fund Intended Use Plan

June 10, 2024

---

initiatives.

7. Expand green project funding to include more projects and encourage innovative use of SRF funds, following the EPA's guidance. The TDEC SRF has set a goal of allocating up to 18% of grant funds for innovative, green, or resilient projects.
8. Expand and broaden outreach activities to ensure that public and private water systems are well-informed about DWSRF assistance options and the loan application process. This includes presenting at regional roundtables and an annual statewide workshop in collaboration with the Tennessee Department of Economic & Community Development and USDA-Rural Development to promote the DWSRF loan program.
9. Develop a comprehensive database for managing drinking water project data and program management data.
10. Ensure that all grant award funds are expended promptly and in a timely manner.
11. Review the current DWSRF statute for potential updates, including improved clarity or language regarding source water protection eligibilities, extended loan terms, use of SRF funds for asset management plans, land conservation, and inclusive language for green infrastructure elements that enhance hydrology, drinking water quantity, and drinking water quality.
12. Review and develop recommendations for updates to the DWSRF priority ranking system.
13. Conduct research on SRF loan programs in other states and perform a cost-benefit analysis to recommend the implementation of a sustainable funding source, reducing the SRF loan program's reliance on state appropriations for match funding.

The DWSRF 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](#).

Establishing a correlation between the goals of the Tennessee State Revolving Fund (SRF) for drinking water and those of the Environmental Protection Agency (EPA) provides a framework for alignment and collaboration in achieving shared objectives. Here's how the goals of the Tennessee SRF program can correlate with the goals of the EPA:

### **Tennessee SRF Goals:**

## Drinking Water State Revolving Fund Intended Use Plan

June 10, 2024

---

1. **Infrastructure Modernization and Resilience:** Tennessee aims to modernize and enhance the resilience of its drinking water infrastructure to ensure reliable and safe water delivery to its residents.
2. **Safe Drinking Water Access:** The state is committed to providing universal access to safe, clean drinking water, particularly in underserved communities, to protect public health and well-being.
3. **Water Quality Protection:** Tennessee seeks to protect and preserve the quality of its drinking water sources through effective pollution prevention measures and watershed management strategies.
4. **Sustainability and Conservation:** The state promotes sustainable water use practices and conservation measures to optimize water resources utilization and mitigate the impacts of drought and climate change.

### Correlation with EPA Goals:

1. **Safe Drinking Water Access (EPA Goal):** The EPA shares the goal of ensuring access to safe drinking water for all Americans through the implementation and enforcement of drinking water regulations, standards, and programs like the Safe Drinking Water Act (SDWA).
2. **Water Quality Protection (EPA Goal):** The EPA works to protect and improve water quality nationwide by setting and enforcing water quality standards, conducting monitoring and assessment activities, and supporting watershed protection and restoration efforts.
3. **Sustainability and Conservation (EPA Goal):** EPA promotes sustainable water management practices, including water conservation, reuse, and efficiency, to ensure the long-term availability and quality of water resources for current and future generations.
4. **Infrastructure Modernization and Resilience (EPA Goal):** EPA supports efforts to modernize and improve the resilience of drinking water infrastructure nationwide through funding programs like the Drinking Water State Revolving Fund (DWSRF) and technical assistance initiatives aimed at enhancing infrastructure planning, design, and management.

## Drinking Water State Revolving Fund Intended Use Plan

June 10, 2024

By aligning the goals of the Tennessee SRF program with those of the EPA, the state can leverage federal resources, expertise, and guidance to advance its priorities related to drinking water infrastructure, quality, and sustainability, ultimately benefiting the health and well-being of its residents. 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.

### Drinking Water Priority Ranking System

TDEC's DWSRF loan program uses 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, loan amount, and term. The eligibility of projects for DWSRF 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. Tennessee has implemented a priority ranking system aligned with the SDWA, employing a 100-point scale. Priority points are assigned based on the project type and severity of the problem being addressed. Projects targeting acute health risks receive a maximum of 100 points, while others are assigned 20, 40, 60, or 80 points depending on problem severity and compliance status. Projects involving ineligible activities

#### Eligible Drinking Water Project Categories

- Water Quality Issues
- Source or Capacity Challenges
- Water Storage
- Leakage Problems
- Pressure Issues
- Replacement or Rehabilitation Needs
- Water Line Extensions
- Regional Drinking Water Consolidation
- Emerging Containments
- New Drinking Water Systems

#### Projects and activities *not* eligible for funding and primarily intended for the following:

- Future growth
- Economic development
- Fire protection
- Dams
- Reservoirs
- Water rights
- Laboratory fees for monitoring
- Operation and maintenance expenses

like fire protection or future growth do not receive priority points. The highest priority points are given to projects with the most significant health risks, followed by compliance-related projects, and then projects addressing other needs. In case of a tie in priority points, ranking considerations include the Ability To Pay Index (ATPI) and the population served to support small and disadvantaged communities.

Section 1452(3)(A)(i) and (ii) of the SDWA specifies that

## **Drinking Water State Revolving Fund Intended Use Plan**

June 10, 2024

---

the DWSRF loan program cannot provide assistance to systems in significant non-compliance or with variances unless the State conducts a review. The review must determine that the project enables the system to return to compliance and maintain an adequate level of technical, managerial, and financial capability for continued compliance. This provision ensures that the DWSRF loan program focuses its support on systems with demonstrated commitment and capability to meet national drinking water regulations, encouraging sustained compliance and protecting public health.

### ***List of Projects***

In accordance with Section 1452(b)(3)(B) of the SDWA, TDEC SRF has developed a PRL to identify projects that may receive funding in the initial year following the grant award. The PRL contains essential information about each community, including project description, total priority points, Ability To Pay Index (ATPI), total project cost, funding source, associated water system identification number, anticipated FFY 2024 Base Capitalization Grant principal forgiveness, anticipated FFY 2024 BIL General Supplemental principal forgiveness, amount of Green Project Reserve (GPR), expected construction start and end dates, and the projected terms of financial assistance.

The PRL contains a list of all eligible projects entities provided during the solicitation period. All projects that meet the definition of ready to proceed were scored, ranked, and listed above the Ranking Line on the PRL. Those projects not ready to proceed are listed below the Ranking Line. Once a project meets the definition of ready to proceed SRF may rank it and move it above the line at the end of the ranked list. SRF will focus efforts on entities with projects ready to proceed.

Readiness to proceed includes the following requirements:

- 3 years audited financials must have been submitted to Comptroller's office
- Projects that include construction must have a drafted Facilities Plan or Preliminary Engineering Report

The Appendix contains the DWSRF PRL, which exclusively includes eligible projects where the requested assistance's total cost is at least equal to the amount of the FFY 2024 Base Allotment and BIL General Supplemental Capitalization Grants. This ensures that the PRL

## **Drinking Water State Revolving Fund Intended Use Plan**

June 10, 2024

---

focuses on projects that align with the available funding and prioritizes those with the greatest need and potential impact.

### ***Funding of Projects***

DWSRF loan program projects are prioritized based on the number of priority points awarded to them on the 2024 DWSRF PRL. The projects with the highest number of priority points and that are ready to proceed are given preference for funding, particularly the FFY 2024 Base Allotment and BIL General Supplemental Capitalization Grant 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. Once the EPA loan award date is determined, the SRF loan program will issue funding letters to all communities whose projects are listed on above the Ranking Line on the 2024 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 water infrastructure improvements across Tennessee.

### ***Project By-Passing Procedures***

Regardless of their rank on the 2024 PRL, projects may face the possibility of being bypassed if the communities are not prepared to proceed or fail to respond to the funding notification letter. However, the DWSRF loan program 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, the DWSRF loan program strives to address the needs of communities and ensure that critical water infrastructure projects receive the necessary support, even in challenging situations.

## Drinking Water State Revolving Fund Intended Use Plan

June 10, 2024

---

### Subsidies and Affordability Criteria

The DWSRF loan program has established a range of opportunities through which communities and utility systems can harness SRF subsidies to their advantage. These options include reduced interest rates, which are detailed in the [ATPI Reduced Interest Rates](#) section, as well as principal forgiveness and the green project reserve subsidy. By exploring these alternatives, applicants can endeavor to alleviate the financial strain associated with their drinking water infrastructure improvements. When seeking funding for infrastructure projects, communities, and utility systems can leverage the program's multiple subsidy strategies to their benefit.

Total additional subsidy requirements for SRF may change annually based on federal legislation. Recent amendments to the SDWA have established additional subsidy requirements for states. The State is obligated to allocate a minimum of 12% of the capitalization grant amount as an additional subsidy. Additionally, Congress has stipulated at least 14% of the capitalization grant amount must be designated as an additional subsidy specifically targeted at disadvantaged communities.

Furthermore, the Bipartisan Infrastructure Law imposes a requirement for states to allocate 49% of the grant funds provided as additional subsidies. In line with this obligation, the state of Tennessee has developed multiple assistance options to support eligible entities with projects that fulfill the criteria for small, disadvantaged communities or align with the green project reserve.

By adhering to these regulations, Tennessee aims to ensure that funding is strategically allocated to projects on the 2024 [Priority Ranking List](#) (PRL) that fulfill the eligibility requirements for small, disadvantaged communities or green initiatives. 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.

1. Disadvantaged communities for planning, design, and/or construction projects,
2. Small communities with planning and design projects, or
3. Utilities proposing projects that meet DWSRF green project reserve criteria on the SFY 2025 PRL.

**Drinking Water State Revolving Fund  
Intended Use Plan**

June 10, 2024

Base SRF		
Capitalization Grant	Disadvantaged Communities (12%)	Small Systems or Green Projects (14%)
\$7,846,000	\$941,520	\$1,098,440
BIL General Supplemental		
Capitalization Grant	Disadvantaged Communities (49%)	Small Systems or Green Projects (0%)
\$38,692,000	\$18,959,080	\$-
<b>TOTAL AVAILABLE DWSRF SUBSIDY</b>	<b>\$19,900,600</b>	<b>\$1,098,440</b>
Eligible Categories	DWSRF Subsidy (%)	Dollar Amount
Principal Forgiveness for Disadvantaged Communities	20 - 50%	Up to \$5,000,000 per project
Principal Forgiveness for Small Systems	50%	Up to \$250,000
Green Project Reserve (GPR) Principal Forgiveness	20%	Up to \$2,500,000 per project

Table 1: SFY 2025 DWSRF Available Subsidy

All principal forgiveness options are awarded on a “first-come-first-serve” basis for eligible entities ready to proceed until funds are no longer available. DWSRF will work to maximize an entity’s principal forgiveness where possible.

***Principal Forgiveness for Small and Disadvantaged Communities***

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

## **Drinking Water State Revolving Fund Intended Use Plan**

June 10, 2024

---

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

- 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

### **Principal Forgiveness Eligibility Requirements:**

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 SRF
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 Systems***

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

### **Eligibility Requirements:**

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 (based on the type of loan)
4. Entity must pass a financial sufficiency review by SRF

### ***Principal Forgiveness for Green Projects***

The FFY 2024 Capitalization Grant provides flexibility for DWSRF 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. In the case of Tennessee, a minimum of 10% of the FFY 2024 project funds has been allocated to support eligible green projects. Furthermore, the state aims to achieve a target allocation of 18% for green projects.

To be considered a "green project," a project must meet the eligibility requirements outlined in the [EPA Eligibilities Handbook](#). These projects may receive a 20% principal forgiveness of



## **Drinking Water State Revolving Fund Intended Use Plan**

June 10, 2024

---

the loan amount, with a maximum limit of \$2,500,000 in principal forgiveness per project. The selection and ranking process for green projects will follow the same procedure as all other SRF projects.

### **Eligibility Requirements for Principal Forgiveness for Green Projects**

Communities of all sizes, irrespective of their ATPI, have the opportunity to qualify for principal forgiveness as long as their proposed projects meet the specified eligibility criteria. To be considered eligible for principal forgiveness, green projects must be included in the current Priority Ranking List (PRL), meet the defined criteria for a green project, and involve construction. These projects should align with one or more of the following categories: Water and Energy Efficiency, Green Infrastructure and Source Water Protection, or Resilient, Sustainable, and Environmentally Innovative initiatives.

These projects must meet EPA criteria and eligibility requirements for [GPR projects](#). Additionally, green projects will be drawn separately from FFY 2024 project funds until the 10% allocation has been met. The SRF Base Capitalization Grant or the BIL General Supplemental 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 the [EPA guidance](#) document.

### **Entity Eligibility Requirements:**

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 DWSRF
4. Projects must include construction (planning, design, and construction projects or construction solely).
5. Cannot be combined with other forms of Principal Forgiveness

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

### ***ATPI Reduced Interest Rates***

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 Water

## **Drinking Water State Revolving Fund Intended Use Plan**

June 10, 2024

---

Resources Reform and Development Act (WRRDA) of 2014 (33 U.S.C.A. §§ 2201 to 2355). 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.

Starting July 1, 2024, interest rates will be set by the SRF program on a quarterly basis. Rates will be published on the first Monday of the first month of the quarter and 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 quarterly updates will be published to the SRF website.

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 utility districts and water authorities that have service areas in more than one county will be 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 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 ATPI is verified, then the multiplier corresponding to the ATPI is multiplied by the base interest rate to establish the SRF awarded

**Drinking Water State Revolving Fund  
Intended Use Plan**

June 10, 2024

interest rate. (Figure 1)

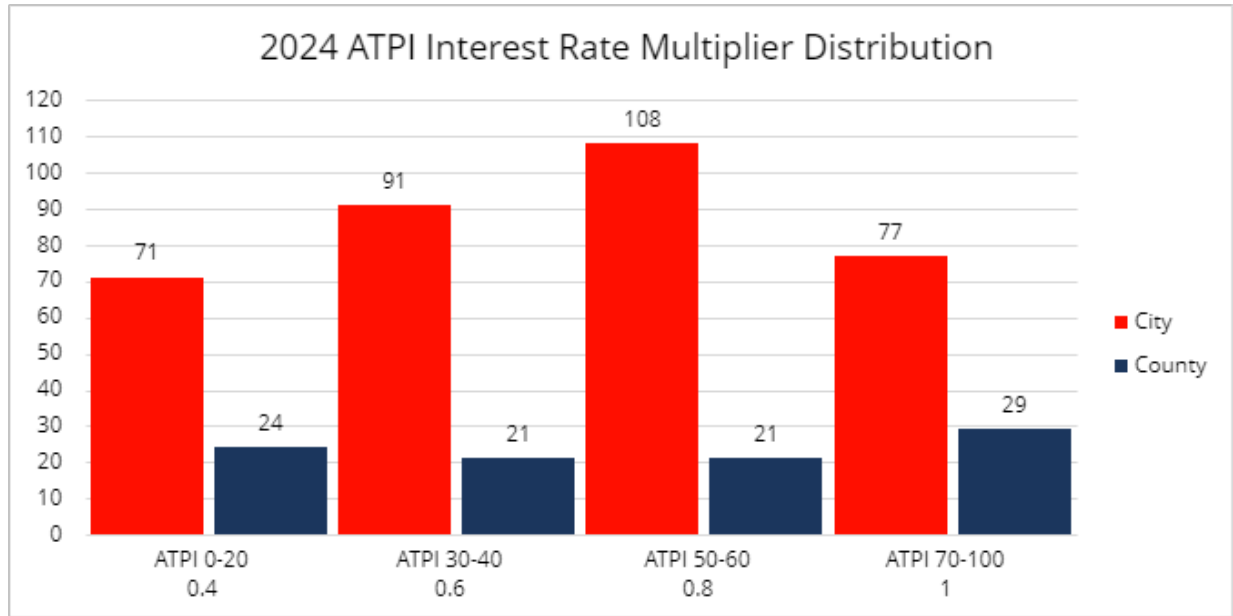


Figure 1: ATPI Interest Rate Multiplier Distribution

**Loan Terms and Fees**

The term for an SRF loan funded by the FFY 2024 Base allocation or BIL General Supplemental funding is limited to a maximum of 30 years or the project's useful life, whichever is shorter and 40 or a projects useful life for qualifying disadvantaged communities. Additionally, a loan fee of 8 basis points (0.08%) is charged by the Office of State Government Finance for all DWSRF 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.

Financial, Managerial, and Technical Capacity

Under Section 1452(a)(3) of the SDWA, the State is mandated to establish a process for evaluating the technical, financial, and managerial capabilities of water systems before granting a loan. 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

## Drinking Water State Revolving Fund Intended Use Plan

June 10, 2024

---

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 (TMF) capabilities of PWSS providers.

The DWSRF loan program ensures a system has TMF by conducting a Capacity Development Review (CDR) supporting an applicants ability to adequately manage and operate a system as well as incur and repay a new debt, .SRF loan applicants found to be in significant noncompliance will be required to demonstrate to the DWSRF loan program how their proposed project will achieve compliance.

The program assesses all systems and requires evidence of the applicant's managerial, technical, and financial capacity. This evaluation enables TDEC to recommend loan approval to the Tennessee Local Development Authority Board.

### Sources and Uses of Funds

The State of Tennessee's allotment of FFY 2024 DWSRF Base Capitalization Grant dollars is \$7,846,000. The State is required to provide a 20% match of federal funds or \$1,569,200. The Base Capitalization Grant plus State match, less set-asides (\$1,726,120) will provide an expected \$7,689,080 in funds available for the DWSRF loan program in SFY 2025. The State of Tennessee's BIL General Supplemental allotment for FFY 2024 is \$38,692,000. The State must provide a 20% match of federal funds, or \$7,738,400, to receive the full general supplemental allotment. The BIL General Supplemental plus State match, less set-asides (\$10,694,320) will provide an additional \$35,736,080 in funds available to the DWSRF loan program in SFY 2025. Based on the carry forward funds, principal repayments, loan interest income, and treasury interest income added to the available funds from the FFY 2024 DWSRF Base and BIL General Supplemental Capitalization Grants, the state can provide approximately **\$148,596,159** for project loans (Table 2).

## Drinking Water State Revolving Fund Intended Use Plan

June 10, 2024

Financial Status of Funds for the DWSRF Loan Program		
Prior-Year (SFY2024) Carry-forward Funds*		\$120,340,378
Less Unliquidated Obligations		(\$28,215,122)
Principal repayments **		\$7,663,629
Loan Interest Income**		\$1,256,106
Treasury Interest Income**		\$4,126,007
FFY 2024 Base Capitalization Grant		\$7,846,000
20% of FFY 2024 Base Capitalization Grant matched by State		\$1,569,200
FFY 2024 BIL General Supplemental Capitalization Grant		\$38,692,000
20% FFY 2024 BIL General Supplemental Capitalization Grant - State Match Funds		\$7,738,400
Set Aside Activities:		
<u>Base Capitalization Grant</u>	<u>BIL Supplemental Grant</u>	
SRF Administration: \$0 State Program Management Public Water Supply Supervision (PWSS): \$663,829 State Program Management – Operator Certification (FTC): \$120,771 Small System Technical Assistance (SMS): \$156,920	SRF Administration: \$1,542,975 State Program Management Public Water Supply Supervision (PWSS): \$3,273,627 State Program Management – Operator Certification (FTC): \$595,573 Small System Technical Assistance (SMS): \$773,840	(\$12,420,439)
Local Assistance:		
<u>Base Capitalization Grant</u>	<u>BIL Supplemental Grant</u>	
SRF Wellhead Local Assistance: \$0 SRF Source Water Protection: \$0 AMP Supplemental Grants: \$784,600	SRF Wellhead Local Assistance: \$196,194 SRF Source Water Protection: \$442,911 AMP Supplemental Grants: \$3,869,200	
<b>TOTAL \$1,726,120</b>	<b>TOTAL \$10,694,320</b>	
<b>DWSRF Loan Program Project Funds***</b>		<b>\$148,596,159</b>
*Estimated balance at June 30, 2023, pre-year-end adjustments		
** Estimated principal, interest, and treasury interest for SFY 2024		

Table 2: Financial Status of Funds for the DWSRF Loan Program

Tennessee SRF is currently using cash flow modeling. This forecasting tool incorporates all inflows and outflows of the funds to estimate a state’s capacity to make loans, ensuring the fullest use of available SRF infrastructure financing resources.

## **Drinking Water State Revolving Fund**

### **Intended Use Plan**

June 10, 2024

---

#### Uses of Funds

The SDWA allows each state the 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 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 water supply 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 drinking water compliance problems can be solved through capital financing of infrastructure improvements.

#### Administrative and Technical Assistance

The DWR intends to use \$1,542,975 of the FFY2024 BIL General Supplemental Capitalization Grant for administrative support, including database development, salaries, and benefits of employees; travel of staff relating to project management, conferences, seminars, and workshops; technical assistance contracts, training for state employees; general office supplies; equipment purchases (as needed), communication and printing, and rent of office space.

### **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 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 \$1,726,120 in Base and \$10,694,320 in BIL for the total set-asides DWSRF will use for SFY 2025. Table 3 outlines the DWR funding source, program, amount of Base Capitalization Grant and BIL General Supplemental Capitalization Grant (both in percent and funds), and activities TDEC intends to fund through the set-aside allotment. 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.

**Drinking Water State Revolving Fund  
Intended Use Plan**

June 10, 2024

Category	Base Cap. Grant	% of Funding	BIL Cap. Grant	% of Funding	Total
SRF Administration	\$0	0.0%	\$1,542,975	4.0%	\$1,542,975
State Program Management Public Water Supply Supervision (PWSS):	\$663,829	8.5%	\$3,273,627	8.5%	\$3,937,456
State Program Management Operator Certification:	\$120,771	1.5%	\$595,573	1.5%	\$716,344
Small System Technical Assistance	\$156,920	2.0%	\$773,840	2.0%	\$930,760
Source Water Protection	\$0	0.0%	\$442,911	1.1%	\$442,911
Wellhead Protection	\$0	0.0%	\$196,194	0.5%	\$196,194
Local Assistance AMP Supplemental Grants	\$784,600	10.0%	\$3,869,200	10%	\$4,653,800

Table 3: DWSRF Base and BIL General Supplemental Capitalization Grant Set-aside Activities

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 (PWSS)**

The State of Tennessee intends to set aside of 10% or \$784,600 for the FFY 2024 DW Base Capitalization grant and 10% or \$3,869,200 of the FFY 2024 DW BIL General Supplemental Capitalization Grant for Public Water Supply Supervision and State Operator Certification.

Public Water Supply Supervision (PWSS)

- For Public Water System Supervision programs activities under Section 1443(a)
- To further develop and implement a Capacity Development Strategy under Section 1420
- To implement a Laboratory Certification Program

Tennessee Department of Environment and Conservations' (TDEC) Division of Water

## **Drinking Water State Revolving Fund Intended Use Plan**

June 10, 2024

---

Resource (DWR) intends to use this 8 percent set-aside, also known as the State Program Management set-aside, to implement the Public Water System Supervision (PWSS) to purchase technical supplies along with equipment necessary for the Drinking Water Program and to continue operator training efforts with the Fleming Training Center (FTC). DWR intends to use this set-aside fund to conduct the following activities:

- Review Drinking Water Engineering Plans
- Compliance Monitoring Data Management
- Technical Assistance
- Laboratory Certifications / Audits
- Enforcement / Compliance
- Sanitary Surveys
- Area Wide Optimization Program / Capacity Development Training and Assistance
- Technical Meetings / Trainings
- Regulatory adoption and implementation activities associated with Cybersecurity and Consumer Confidence Reports revisions
- Drinking Water Database research and business requirements identification

The State Program Management set-aside for PWSS will also be directed towards salaries and benefits to retain approximately 25 positions or partial positions in DWR for those who conduct drinking water-related work activities along with the time and travel. During SFY 2025, DWR will use the majority of the set-aside money to continue the existing level of activities related to Tennessee's PWSS program. Our work efforts include incorporating capacity development activities into the technical assistance provided to Tennessee's public water systems. In addition to continuing existing activities, DWR proposes to use set-aside money to continue to address issues raised by the 1996 amendments to SDWA along with continued implementation of the Revised Total Coliform Rule, SDWA updates and regulatory adoption and rulemaking for Cybersecurity oversight, per- and polyfluoroalkyl substances (PFAS) rulemaking and Consumer Confidence Report rule revisions. Further, DWR has begun work identifying database needs across the drinking water compliance program. Due to upcoming Lead and Copper requirements, DWR has decided to review all drinking water compliance databases. DWR plans in SFY25 to continue to analyze existing in-house technologies, programmatic needs, and define project requirements to inform a



## **Drinking Water State Revolving Fund Intended Use Plan**

June 10, 2024

---

procurement for a third-third-party contractor to either develop a Drinking Water database or acquire an existing commercial off the shelf solution. For continuing support of electronic reporting and EPA's efforts to utilize Compliance Monitoring Data Portal (CMDP), DWR continues to onboard laboratories. As of date, 51 drinking water labs have been approved to transition into the CMPD production environment. DWR would like to work the next 12-15 months to have all laboratories using CMDP.

### Sustained Benefits

The PWSS program goals, objectives, and deliverables for SFY25 include such activities as continued implementation of the Enforcement Tracking Tool in conjunction with formal enforcement efforts; continue to manage and implement the laboratory certification program statewide, continue to improve TN's Area Wide Optimization Program (AWOP), record keeping and evaluation of voluminous water quality data; and closely tracking, monitoring and reporting requirements for all public water systems. The set-aside will also be used to provide the necessary training and travel expenses associated with the PWSS program and laboratory certification program. Other technical services and assistance to public water systems include addressing challenges associated with the managerial, technical, and financial capacity of public water systems. The PWSS program will continue to evaluate its success in assisting public water supply systems to achieve compliance with the SDWA. Results of the PWSS program will be provided in the DWSRF Annual Report.

### Work Plan & Logistics

#### **Project Team:**

One Drinking Water Program Manager – Anna Sartors

One Drinking Water Program Fellow – Erich Webber

Two Administrative Support Members – Sandy Rittenhouse, Elizabeth Horner

Three Drinking Water Engineers – Cindy Wheeler, Souraya Fathi, Johanna McMinn

Eight Drinking Water Laboratory Certification Officers – Prasad Subbanna, Amy Francis, Tim Hill, Will Pride, Lonnie McCloud, Crystal Stacy, Jason Benton, Dawn Taylor

Four Drinking Water Compliance Data Management– Jeff Bagwell, Rebecca Rush, Tom Moss, Jessica Murphy,

**Drinking Water State Revolving Fund  
Intended Use Plan**

June 10, 2024

Four Area Wide Optimization Program staff -Thomas Killion, Jessica Rader, Nicholas Bolin, Jenna Williams  
 One Division of Water Resources Data Steward – Erin McComas  
 One TDEC Environmental Consultant 1 (Cap Dev/QAQC/Cybersecurity) position – to be established and hired (applying .5yr salary)

**Work Plan:**

<b>ACTIVITY</b>	<b>NUMBER PROJECTED</b>
Technical Assistance Visits (Field Offices)	200
Drinking Water Laboratory Certifications	75
Drinking Water Laboratory Audits	40
Engineering Plans reviewed	100% reviewed within 30 days of receipt
Enforcement / Compliance	150 Compliance Status correspondence
Data Management	Reports entered into SDWIS database within 60 days of receipt
Compliance Monitoring Data Portal Onboarding	6-9 laboratories
Database Planning and Design	Draft Request for Proposal and executed contract and kick off meeting with 3 <sup>rd</sup> party contractor and STS .

Table 4: Projected activities scheduled for completion using PWSS set-aside funds

Operator Certification Program

The TN Department of Environment and Conservation (TDEC) plans to set aside of 1.5% or \$120,771 for the FFY 2024 DW Base Capitalization grant and 1.5% or \$595,573 of the FFY 2024 DW BIL General Supplemental Capitalization Grant to provide support of the Operator Certification Program. These funds will provide total funding for five (5) full-time positions at the Fleming Training Center and the data management program to track and certify operators.

**Drinking Water State Revolving Fund  
Intended Use Plan**

June 10, 2024

Projected Grant Expenditures	
Monthly Expenditures	\$193,460
Total 12 Month Cost	\$2,321,520

Table 5: Operator Certification Cost

FTC provides four primary services to water and wastewater treatment systems and operators:

1. Training individuals to become certified water and wastewater system operators;
2. Administering the State water and wastewater operator certification program;
3. Providing Continuing Education classes and seminars to certified operators allowing them to meet their CEU requirements; and
4. Providing technical assistance to water and wastewater facilities/operators.

A listing of the FY 2024 classes that are available to public water systems is available online, to view click on the link – [Registration, Schedule of Classes & Seminars.](#)

In FFY 2024, the FTC instructor goals are to provide training and technical assistance to small water system operators to help them calibrate equipment, provide health and safety training needed for persons working at water and wastewater treatment facilities, promote compliance with the SDWA and protection of public health and the environment. Fleming Training Center created a 4-day course designed specifically for operators of small water systems that is offered at different locations and virtually in the state. A training focal point this year will be on laboratory analyses. Seminars are offered for several analyses which include how to interpret their results including chlorine and bacteriological testing. These seminars can be applied toward the required continuing education requirement for the operator. In addition to this course, FTC offers multiple mathematics classes, multiple lab classes including a method update seminar, as well as multiple classes which cover pumps and motors, metering, VFDs, and other operator certification classes throughout the year to meet the needs of the operators.

The three instructors and certification staff at FTC can provide technical assistance and consultation to small systems through on-site visits to the water systems, Facebook and other social media, technical bulletins, e-mail, or by telephone. FTC provides Lab QA/QC

## **Drinking Water State Revolving Fund Intended Use Plan**

June 10, 2024

---

training, general operational training, tutoring sessions, training workshops, continuing education opportunities for operators, regulatory compliance guidance, operator certification assistance, and cross-connection control training. FTC will continue offering training and technical assistance to small systems serving 3,300 customers or less.

FTC will assess work accomplished each quarter. This includes training, continuing education classes, operator certification and annual operator recertification. Class attendees take a pre-test and end of week test for each course, excluding math, to assess the knowledge gained and areas that need improvement. FTC also asks class attendees to complete evaluations of the training and the instructor at the end of each class. This information helps evaluate trainers, class content and class setting. This information is used to improve classes and seminars, include identifying additional classes needed to meet the training needs of the operator. After staff members provide on-site technical assistance and follow-up visits, trip reports are completed. The information is used to evaluate how well training classes prepare operators for their daily responsibilities.

FTC receives feedback from operators and regulators and has identified the need for additional training in laboratory testing and regulatory compliance resulting in expanded course offerings for SWS operators in these areas. FTC plans to continue addressing the laboratory training needs of the operators by purchasing additional laboratory equipment and designing training classes incorporating the new equipment. Training and continuing education will be provided to water and wastewater operators using a wide variety of classes and seminars. FTC will also coordinate with TDEC staff and staff from other departments and agencies to provide classes and seminars across the state for more efficient and less costly operator training. Additionally, FTC staff has developed partnerships with institutions of higher learning in the region to expand training opportunities for current SWS operators and persons interested in becoming certified water and wastewater treatment plant operators. With the average age of the certified Tennessee Small Water System Operator being 58, these partnerships are necessary to address the need of an aging workforce and succession planning in the water utilities.

The Tennessee Water and Wastewater Operator Certification Board is currently utilizing ABC/WPI generated examinations to assess for operator competency. The Operator Certification Program is working with WPI to pilot test their Standardized Certification Exam



## **Drinking Water State Revolving Fund Intended Use Plan**

June 10, 2024

---

that is utilized nationally by 45 States. These certification exams are psychometrically validated and is a legally defensible exam.

### Technical Assistance

Additionally, these funds will provide total funding seven (7) full-time positions at the Fleming Training Center (FTC) and training for small water system operators. FTC plans to increase the training center staff by one full-time position to meet the training needs of operators. Funds will be expended monthly across the fiscal year.

### ***Small Systems Technical Assistance***

The TN Department of Environment and Conservation (TDEC) plans to set aside of 2% or \$156,920 for the FFY 2024 DW Base Capitalization grant and 2% or \$773,840 of the FFY 2024 DW BIL General Supplemental Capitalization Grant to fully fund SRF's existing contract with Tennessee Association of Utility Districts as well as partially fund Asset Management Plan Grants.

### Targeted Technical Assistance and Training for Small and Disadvantaged Communities

TDEC SRF will contract with the Tennessee Association of Utility Districts (TAUD) to develop a consolidated technical assistance contract to provide targeted technical assistance to distressed or disadvantaged communities. This contract will focus on issues with public water and wastewater systems; managerial, financial, and technical capacities for systems; assist in reducing the occurrence of health-based drinking water violations; optimize resources and support to small and disadvantaged communities and systems across the state; develop new capacity to make full use of Federal Capitalization Grant set-asides for drinking water; and implement priorities under TN H2O. Technical assistance will be provided at no cost to eligible communities.

### ***Local Assistance and Other State Programs***

The State of Tennessee intends to set aside 10% (\$784,600) of the Local Assistance set-aside from the FFY 2024 DW Base Capitalization grant for Asset Management Plan (AMP) Grants. Tennessee will set-aside a total of 11.7% (\$4,508,305) of the Local Assistance set-aside from the FFY 2024 DW BIL General Supplemental Capitalization Grant. This includes 1.1% (\$442,911) for source water protection, 0.5% (\$196,194) for wellhead protection to develop

## **Drinking Water State Revolving Fund Intended Use Plan**

June 10, 2024

---

a further DWR's Capacity Development Strategy under 1420 of the SDWA and 10% (\$3,869,200) for Asset Management Project (AMP) Grants.

### Asset Management Plan Grants

The State of Tennessee intends to use the Local Assistance set-aside funds from the Drinking Water BIL General Supplemental Capitalization Grant in the form of subawards (grants) to aid entities in meeting the basic [Asset Management Plan \(AMP\)](#) requirements.

### Project Priorities

The Tennessee Department of Environment and Conservation (TDEC), Division of Water Resources (DWR), State Water Infrastructure Grants (SWIG) program has allocated set-aside funding for Drinking Water (DW) projects. The eligible entities for AMP grants are all public drinking water systems. Additionally, special emphasis will be placed on providing small and disadvantaged communities with this funding.

### Program Requirements

SWIG will open this grant program as a competitive grant. SWIG staff will score grant applications and rank projects based on their application's merits and the application's correctness.

For this program, SWIG will require a funding match from the entity that ranges between 15% and 25% of the grant award. The maximum grant award is \$250,000 per grant. A proposal's total project budget is the sum of the grant award plus their match. Match will be applied to the total project budget for each reimbursement request. [Program Goals](#)  
This program aims to assist entities in meeting the minimum AMP elements detailed in DWR's AMP guide, as well as the minimum criteria for the Water Infrastructure Investment Plan (WIIP) and the AMP requirements for State Revolving Fund loans.

### Source Water Protection Program

The State of Tennessee intends to use Local Assistance Set Aside Funds to be utilized to assist public water systems and enhance the Source Water Protection Program. The funds will be used to enhance the statewide Source Water Assessment, improve the accuracy of wellhead protection area delineations in West TN, and geologic mapping in West TN priority areas to support wellhead protection activities.

## **Drinking Water State Revolving Fund Intended Use Plan**

June 10, 2024

---

### Geographic Information Systems – Source Water Assessment Update

Tennessee Department of Environment and Conservation (TDEC), Division of Water Resources (DWR) used FFY20, FFY22, and FFY23 Local Assistance Set Aside Funds to work with partner divisions and the United States Geological Survey (USGS) to update the Source Water Assessment Program for the state of Tennessee through the development of a geographic information system decision support tool. This continued work will use FFY24 funds to ensure an effective implementation of the assessment tools and enhance the geographic information system model to evaluate physical parameters along with sources of potential contamination to assign susceptibility rankings to each public water system. The continued development of SWAP tools includes a Statewide report of all public water systems, explanation of the assessment process, and susceptibility patterns across the state. The FFY24 additional funding will also be used to enhance public education and outreach to inform citizens and stakeholders of this continued work.

### Real-time Groundwater Level Monitoring

TDEC is currently working with USGS to enhance the network of groundwater wells in the state. FFY20, FFY22, and FFY23 funds were used to initiate this work and FFY24 funds will continue to support this initiative to expand the network of wells. The intent is to establish a more robust groundwater level monitoring network to aid in evaluating aquifer conditions at representative areas throughout the state. Prioritization for monitoring locations will be weighted by drought prone and historically affected areas. The information from these stations is intended to assist public water systems with establishing additional metrics for drought plan implementation and further research for water availability and capacity of public water systems.

### Wellhead Protection Areas within West Tennessee

TDEC intends to begin working with University of Memphis – Center for Applied Earth Science and Engineering Research (UoFM CAESER) for technical assistance to support the Source Water Protection Program. This would consist of hydrogeologic evaluations and groundwater modeling to re-delineate Wellhead Protection Areas for West Tennessee public water systems. The re-delineation of these WHPAs will assist public water systems within West Tennessee in updating their records and Wellhead Protection Plans while providing them with a more up-to-date understanding of their wellfields. TDEC proposes to use FFY24 funds to fund the initial portions of this initiative.

## Drinking Water State Revolving Fund Intended Use Plan

June 10, 2024

### West Tennessee Education and Outreach

TDEC intends to begin working with University of Memphis – Center for Applied Earth Science and Engineering Research (UoFM CAESER) for education and outreach events within West Tennessee. The intent is to strengthen TDEC’s education and outreach efforts pertaining to source water protection within West Tennessee. Primarily, this project would consist of UoFM CAESER performing classroom visits and attending community events while utilizing educational resources such as their *Water on Wheels* mobile experience, watershed and groundwater models, and hands-on activity plans. TDEC proposes to use FFY24 funds to fund the initial portions of this initiative.

### West Tennessee Geologic Mapping

TDEC Division of Water Resources plans to establish an interagency agreement with TDEC Division of Mineral and Geologic Resources to map geology in West TN to better inform development of wellhead protection areas by modeling groundwater travel times, using the physical characteristics from geologic quadrangle mapping at the 24,000:1 scale. Geologic mapping activities will also help better support Source Water Assessment Reports developed through the TN SWAPyT GIS model being produced through the TDEC/USGS partnership.

The following positions will perform the activities:

- Drinking Water Consultant - (1)
- Drinking Water Consultant - (1)
- Partner agencies

Projected Activity	Projected Outputs
Source Water Assessment Update	1 Statewide - 782 Individual PWSs
Real-time Groundwater Level Monitoring	10 Sites
Wellhead Protection Areas within West Tennessee	Define recharge areas for Category 2-4 public water systems using wells within West Tennessee
West Tennessee Education and Outreach	27 Events
West Tennessee Geologic Mapping	1 1:24,000 scale geologic quadrangle in West TN

Table 6: Projected Source Water Protection program activities



## Drinking Water State Revolving Fund Intended Use Plan

June 10, 2024

---

### Wellhead Protection Program

The State of Tennessee intends to use Local Assistance Set Aside Funds to continue funding a position responsible for coordinating Wellhead Protection Program activities including:

- Review Wellhead Protection Plans provided by utilities
- Provide technical assistance and guidance to utilities for developing Wellhead Protection Plans
- Work with partners in other agencies to prioritize source water protection conservation projects
- Create a database of potential contaminant sources from state and other agencies Geographic Information System (GIS) layers
- GIS analysis to examine potential sources of contamination within source water protection areas
- Work with interagency partners to update a statewide Source Water Assessment
- Assist internal and external customers with data requests regarding proximity of municipal wells and wellhead protection areas

This additional position mentioned above has been integrated into the Drinking Water Unit to provide technical assistance for Well Head Protection Program implementation and assistance to public water systems. The position will be responsible for assisting in coordination of the Source Water Program, educational outreach, review of Source Water protection plans, steward of database required for the Source Water Assessment report update, and to help guide protection and conservation funding efforts with State Revolving Fund staff and partner agencies. The following positions - Environmental Consultant - (1) and members from partner agencies will perform the following activities for the Drinking Water Wellhead Protection Program (table 7).

Projected Activity	Projected Outputs
Wellhead Protection Plan Reviews	150 plans/year
Source Water Assessment Update	1 Updated Assessment
Conservation Project Coordination	10 sites/year
GIS analysis – internal/external	50 inquiries/year (estimated)
Education events	3 events/year

Table 7: Projected Wellhead Protection program activities

## **Drinking Water State Revolving Fund Intended Use Plan**

June 10, 2024

---

### ***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 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.

## **Drinking Water State Revolving Fund Intended Use Plan**

June 10, 2024

---

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 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 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)

## **Drinking Water State Revolving Fund Intended Use Plan**

June 10, 2024

---

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.

### ***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. 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

## **Drinking Water State Revolving Fund Intended Use Plan**

June 10, 2024

---

building materials, and polymers used in fiber optic cables, glass (including optic glass), lumber, and drywall.

### **Environmental Benefits**

The State agrees to complete on a real-time basis the DWSRF PBR in accordance with the Procedures for Implementing Certain Provisions of the FFY 2021 Appropriation. The following information will be entered quarterly into the DWSRF PBR:

1. Type of GPR Project, if funded (green infrastructure, water efficiency, energy efficiency, environmentally innovative),
2. Amount of SRF loan and amount of GPR funding,
3. Brief description of the GPR project,
4. The amount of subsidy provided,
5. Population served by the project, and
6. Information on the Environmental Benefits of the SRF Assistance Agreements.

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

### **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 loan program project loan fund and to operate the DWSRF loan 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 loan program project fund or set-aside account
- The State will deposit interest earnings and repayments into the DWSRF loan program project fund
- The State will use Generally Accepted Accounting Principles

## Drinking Water State Revolving Fund Intended Use Plan

June 10, 2024

---

- The State will have the DWSRF loan program project fund and set aside accounts audited annually in accordance with Generally Accepted Government Auditing Standards
- The State will adopt policies and procedures to ensure that borrowers have a dedicated source of revenue for repayments
- 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.

### 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 loan recipients (name and identification number), loan amounts and terms, green projects,

## **Drinking Water State Revolving Fund Intended Use Plan**

June 10, 2024

---

projects receiving subsidization (principal forgiveness), amount of subsidy, similar details on other forms of financial assistance provided by DWSRF, the population of loan recipient, and other such information as EPA may require.

### **Amending the Intended Use Plan**

The SRF loan program 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.

DRAFT



**Drinking Water State Revolving Fund  
Intended Use Plan**  
June 10, 2024

**Appendix**

[DW Priority Ranking List](#)  
[Sources and Uses Table](#)

Appendix Drinking Water State Revolving Fund (DWSRF) Sources and Uses Administered by Tennessee Department of Environment and Conservation - State Revolving Fund Loan Program State Fiscal Year July 1, 2024 - June 30, 2025				
Sources and Uses	Federal Contribution	State Contribution	DW SRF Fund	Total
<i>Funding Sources</i>				
Prior Year Carry Forward Funds	\$ -	\$ -	\$ 120,340,378.00	\$ 120,340,378.00
less Unliquidated Obligations	\$ -	\$ -	\$ (28,215,122.00)	\$ (28,215,122.00)
Loan Repayments (P&I)	\$ -	\$ -	\$ 8,919,735.00	\$ 8,919,735.00
Investment Income	\$ -	\$ -	\$ 4,126,007.00	\$ 4,126,007.00
Banked Set Asides	\$ 18,043,880.00	\$ -	\$ -	\$ 18,043,880.00
FFY 2024 Capitalization Grant	\$ 7,846,000.00	\$ 1,569,200.00	\$ -	\$ 9,415,200.00
FFY 2024 BIL Capitalization Grant	\$ 38,692,000.00	\$ 7,738,400.00	\$ -	\$ 46,430,400.00
<b>Totals for Funding Sources -</b>	<b>\$ 64,581,880.00</b>	<b>\$ 9,307,600.00</b>	<b>\$ 105,170,998.00</b>	<b>\$ 179,060,478.00</b>
<i>Funding Uses</i>				
Project Disbursements	\$ 34,117,561.00	\$ 9,307,600.00	\$ 105,170,998.00	\$ 148,596,159.00
Set Asides Spending	\$ 28,921,344.00	\$ -	\$ -	\$ 28,921,344.00
FFY 2024 Administration	\$ 1,542,975.00	\$ -	\$ -	\$ 1,542,975.00
<b>Total for Funding Uses -</b>	<b>\$ 64,581,880.00</b>	<b>\$ 9,307,600.00</b>	<b>\$ 105,170,998.00</b>	<b>\$ 179,060,478.00</b>