

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

October 25, 2023

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drinking water infrastructure improvements. Whether 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 amount 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 2023 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.

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

In response to Governor Lee's requests for rural community assistance, SRF gives high priority to small and economically disadvantaged communities for principal forgiveness. The designation of a disadvantaged community is based on the most up-to-date Ability to Pay Index (ATPI). To be considered disadvantaged, a community must score 50 or less on the ATPI. Small communities are defined as those with a population of 20,000 or fewer. The affordability criteria derived from the ATPI will also be used to prioritize projects with the same number of points on the PRL. Communities with greater economic needs and smaller populations will be ranked higher.

As part of TDEC's commitment to assist small, disadvantaged, and rural communities, SRF has developed various subsidy options. Principal forgiveness options are granted on a "first-

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come-first-serve" basis to eligible entities that are ready to proceed with their projects, until the available funds are depleted. SRF strives to maximize the amount of principal forgiveness for each entity wherever possible.

***BIL General Supplemental Capitalization Grant Projects***

First, SRF will distribute BIL General Supplemental funds and required principal forgiveness until available funding is exhausted. Entities on the PRL and above the Ranking Line are eligible to receive BIL funding on a first come first serve basis.

BIL Principal Forgiveness for Disadvantaged Communities: Eligible communities have the opportunity to receive 50% principal forgiveness, with a maximum amount of \$5,000,000 in forgiveness per project.

<b>BIL General Capitalization Grant Additional Subsidy Available FFY 2023/SFY 2024</b>		
Available Principal Forgiveness	Required 49%	\$ 17,367,070
Eligible Categories	BIL Principal Forgiveness (%)	Forgiveness Range
Principal Forgiveness for Disadvantaged Communities	50%	\$1 – \$5,000,000 per project

Table 2: BIL General Capitalization Grant Additional Subsidy

**BIL 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 DWSRF
5. Projects must include construction (planning, design, and construction projects or construction solely).
6. Projects must include construction (planning, design, and construction projects or construction solely).
7. Cannot be combined with other forms of principal forgiveness