

Drinking Water State Revolving Fund

Final Intended Use Plan

October 8, 2024 updated

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

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

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 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

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

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 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

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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.

IJJA Funding for Emerging Contaminants (EC) & Lead Service Line Replacement (LSLR)

The IJJA offers temporary funding (2022-2026) for Emerging Contaminants (EC) and Lead Service Line Replacement projects that meet specific criteria and are listed on the Priority Ranking List (PRL). Due to the targeted nature of these projects, an additional one-time set of criteria has been established to prioritize and rank proposals for this unique opportunity:

Emerging Contaminants:

- The proposed project includes a comprehensive plan to address emerging contaminants (5 points).
- The project identifies an emerging contaminant listed on the Contaminant Candidate List (CCL) 5 (5 points).
- The proposed design concept is a proven and effective solution (5 points).
- The project is part of a combination/companion loan proposal (5 points).

Lead Service Line Replacement:

- The proposed project has a completed lead service line inventory status (5 points).
- The project has identified lead-based health concerns (5 points).
- The project has been approved or received a grant from SWIG (5 points).

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 IJJA General Supplemental principal forgiveness, amount of Green Project Reserve (GPR), expected construction start and end dates, and the projected terms of financial assistance.

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The PRL contains a list of all eligible projects that entities provided during the solicitation period. For projects to receive project priority points, it must meet the ranking criteria. The ranking criteria is defined as:

1. The community must have submitted the last 3 fiscal years of audited financial statements to the comptroller's office; and
2. completed facilities plan has been developed for this project.

All eligible projects that meet the ranking criteria were scored, ranked, and listed above the ranking line on the PRL. Those projects that did not meeting the ranking criteria are listed below the ranking line.

SRF will provide an additional opportunity for those projects listed below the ranking line to demonstrate that their project has met the criteria to be ranked. Once a project meets the ranking criteria, SRF may rank the project and move it above the ranking line. Any project moved above the ranking line will be ranked after projects previously listed above the ranking line. Ranked projects will be prioritized for loan assistance agreements based on an entities readiness to proceed.

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 IIJA General Supplemental Capitalization Grants. This ensures that the PRL 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 IIJA 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

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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 emergency circumstances. Emergency projects typically involve unanticipated failures that require immediate attention to safeguard public health and safety, as well as improve water quality. More information on DWSRF response to infrastructure emergencies can be found in the Sources and Uses of Funds section of this document. 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.

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