



Tennessee Southern State Revolving Fund (SRF) Program Fact Sheets

Preface

The State of Water Infrastructure

Water infrastructure in the United States is aging and in need of replacement, and many systems are already failing. Estimates suggest \$1.25 trillion ([\\$625 billion](#) for Drinking Water infrastructure and [\\$630 billion](#) for Clean Water infrastructure) is needed over the next 20 years to invest in wastewater, stormwater, and drinking water systems. Inadequate investments in water infrastructure has a significant negative impact on the health and well-being of communities, and disproportionately impacts low-income communities and communities of color.

The Bipartisan Infrastructure Law (**BIL**), passed in November of 2021, was the single largest federal investment in water infrastructure to date. Of the \$55 billion to be administered by the Environmental Protection Agency (**EPA**), \$43 billion is being distributed through the Clean Water State Revolving Fund (**CWSRF**) and the Drinking Water State Revolving Fund (**DWSRF**) over Federal Fiscal Year (**FFY**) 2022-2026. Although 49% of these funds must be distributed to “disadvantaged communities” as grants or forgivable loans (rather than loans that need to be repaid), communities with the greatest need [still face several barriers](#) in accessing these funds. Interventions to address these barriers include reforms to State Revolving Fund (**SRF**) policies that determine how SRF funds are allocated to communities within each state.

Why and How This Project Came to Be

In early 2023, PolicyLink started its three-year “Southern State Revolving Fund (SRF) Analysis and Advocacy Project” to help ensure equitable implementation of BIL SRF funds and base SRF programs in the South. In focusing on the South, we recognized that the racial and economic disparity in clean and affordable water is particularly pronounced there and that there was a need for strong community-based advocacy.

This project consists of two main phases:

Phase I: Analyses of DWSRF and CWSRF Across Seven Southern States

In early 2023, PolicyLink partnered with the Environmental Policy Innovation Center (EPIC) to train and support policy analysts across seven southern states (Alabama, Arkansas, Louisiana, Mississippi, Oklahoma, Tennessee, and Texas) to conduct equity analyses of each state’s Clean Water and Drinking Water State Revolving Fund. These analyses are being used to inform advocacy in Years 2 (2024) and 3 (2025) of the project.

Phase II: Community-Based-Organization (CBO) Led Advocacy Across Four States

Of the seven states, PolicyLink selected four states—Alabama, Louisiana, Tennessee, and Texas—for Phase II (supporting CBO-led SRF Advocacy). These represent two states from EPA Region 4 (Tennessee and Alabama) and two states from EPA Region 6 (Louisiana and Texas). PolicyLink selected a cohort of 16 CBOs (4 CBOs per state) to undergo SRF Advocacy training (administered by River Network) and supports them in their state and regional SRF advocacy efforts.

This document is part of the larger series of SRF program analyses (Phase I deliverables) developed by individual consultants, with guidance from PolicyLink and the Environmental Policy Innovation Center (EPIC).

To learn more about the project and/or to access other material related to the state analyses, please see the project [site](#).

Acknowledgments

For the first phase of this project, we want to thank our partner, Janet Pritchard, from the Environmental Policy Innovation Center (EPIC), for providing a template for conducting the equity analyses, training our consultants, and reviewing each of the state outputs. We also want to thank our individual consultants who conducted analyses of SRF programs within their states:

- Alabama: Victoria Miller and Cindy Lowry, Alabama Rivers Alliance
- Arkansas: EPIC
- Louisiana: Rebecca Malpass, The Water Collaborative of Greater New Orleans
- Mississippi: Dr. Christine Curtis, Grow Where You’re Planted
- Oklahoma: EPIC
- Tennessee: Grace Stranch and Anne Passino, Harpeth Conservancy
- Texas: Danielle Goshen, National Wildlife Federation

PolicyLink is grateful to the Robert Wood Johnson Foundation for supporting this project.

© 2025 PolicyLink. All rights reserved. PolicyLink is a national research and action institute that is working to build a future where all people in the United States of America can participate in a flourishing multiracial democracy, prosper in an equitable economy, and live in thriving communities.

www.policylink.org

Abbreviations Sheet

ARP - American Rescue Plan
ATPI - Ability to Pay Index
BIL - Bipartisan Infrastructure Law
CW - Clean Water
CWA - Clean Water Act
CWSRF - Clean Water State Revolving Fund
DAC - Disadvantaged Community
DW - Drinking Water
DWSRF - Drinking Water State Revolving Fund
EPA - Environmental Protection Agency
GPR - Green Project Reserve
IIFA - Infrastructure Investment and Jobs Act
IUP - Intended Use Plan
LSL - Lead Service Line
NIMS - National Information Management System
PFAS - Per- and Polyfluorinated Substances
PRL - Priority Ranking List
SDC - Small and Disadvantaged Community
SDWA - Safe Drinking Water Act
SRF - State Revolving Fund
SWIG - State Water Infrastructure Grants
TA - Technical Assistance
TAUD - Tennessee Association of Utility Districts
TDEC - Tennessee Department of Environment and Conservation
TLDA - Tennessee Local Development Authority
TPUC - Tennessee Public Utilities Commission
UDL - Utility Development Law
WRRDA - Water Resources Reform and Development Act
WWTP - Wastewater Treatment Plant

I. How to Get Involved in State Revolving Fund (SRF) Advocacy in Tennessee

1. Understand Key Departments and Programs

- [Tennessee Department of Environment and Conservation \(TDEC\)'s Division of Water Resources \(DWR\)](#) — The primary administering agency for the Drinking Water State Revolving Fund (DWSRF) and Clean Water State Revolving Fund (CWSRF) funds.
- [State Water Infrastructure Grants \(SWIG\)](#) — Office part of TDEC DWR that supports the disbursement of SRF Funds and federal government funding from the American Rescue Plan (ARP).
- [Tennessee Local Development Authority \(TLDA\)](#) — An office within the Tennessee Comptroller of the Treasury that administers the revolving funds and provides [policy and guidance](#) materials for borrowers, in addition to TDEC's role managing the two SRF programs.
- **Ability to Pay Index (ATPI)** — TDEC contracts with the University of Tennessee to prepare an annual update of its definition of “disadvantaged communities” (DACs) called the “Ability to Pay Index” (ATPI), which Tennessee uses to determine priority ranking and project scoring, tiered interest rates, distribution of additional subsidy, and eligibility for planning and design loans or other benefits for small and disadvantaged communities. The ATPI, which may be accessed on an interactive [web-based dashboard](#), is comprised of nine factors calculated at the city-level and county-level: median household income, unemployment, food stamp dependence, families in poverty, community assets, revenues, debt, expenditures, and change in population.
- [Tennessee Association of Utility Districts \(TAUD\)](#) — TDEC contracts with the TAUD to develop a consolidated technical assistance program to provide targeted assistance to distressed or disadvantaged communities.

2. Stay Informed Through Public Notices

- The draft versions of Tennessee's plans to implement the CWSRF and DWSRF programs are called Intended Use Plans (IUPs). Draft IUPs are uploaded to TDEC's [Water Notices and Hearings](#) webpage. TDEC also provides notice to individuals on an e-mail listserv who request to participate.
- **The Typical Timeline:** *January/February:* TDEC solicits projects; *March/April:* TDEC scores projects; *June:* TDEC develops/finalizes Project Priority Lists; *July:* TDEC holds public meeting(s) about the draft Intended Use Plans; *August:* TDEC applies for federal capitalization grants; *August/September:* Upon receipt of capitalization grants, TDEC notifies entities on the Priority Ranking List with a funding notification letter; *August:* TDEC solicits second Drinking Water projects; *September/October:* TDEC provides notice of awards.

II. Drinking Water State Revolving Fund (DWSRF) Program (SFY 24)

Overview

- **Purpose:** Provide low-cost financial assistance through loans and principal forgiveness for planning, acquisition, design, and construction of water infrastructure projects (e.g., mitigating water loss, upgrading or replacing water systems, consolidation projects, source water protection projects, etc.).

Key Documents

- [State Fiscal Year \(SFY\) 2024 Intended Use Plan \(IUP\)](#) for the Tennessee Drinking Water State Revolving Fund, and the [Drinking Water State Revolving Fund 2023 Priority Ranking List \(PRL\)](#). As of January 2024, the Emerging Contaminants (EC) and Lead Service Line Replacement (LSLR) plans have not been finalized.

Eligibility

- [Eligible projects](#) and [types of projects](#) include compliance, treatment, transmission and distribution, consolidation/ regionalization, water loss, new systems, source water, and wellhead protection, green infrastructure, and water conservation.
- Noneligible projects include those primarily intended for: future growth, economic development, fire protection, dams, reservoirs, water rights, laboratory fees, and operation and maintenance expenses.

Assistance Types and Terms

- Low-interest loans, principal forgiveness, and technical assistance to qualifying entities.
- Principal Forgiveness (PF) granted on a first-come-first-serve basis to eligible communities (ATPI score of 50 or less).

Project Rating

- Tennessee has a 100-point priority ranking system aligned with the Safe Drinking Water Act (SDWA). Projects related to the most significant health risks are awarded the highest priority, then compliance-related projects, then other projects.

III. Clean Water State Revolving Fund (CWSRF) Program

Overview

- **Purpose:** Provide low cost financial assistance for planning, acquisition, design, and construction of wastewater, reuse, and stormwater infrastructure (e.g., creating or improving wastewater treatment facilities, managing, reducing, treating, or recapturing stormwater or subsurface drainage water, purchasing existing wastewater treatment plants, estuary management projects, etc.).

Key Documents

- [State Fiscal Year \(SFY\) 2024 Intended Use Plan \(IUP\)](#) for the Tennessee Clean Water State Revolving Fund and the Clean Water State Revolving Fund 2023 [Priority Ranking List](#), TDEC [Regulations](#) for the [Priority Ranking System](#); [State Grants](#); [State Loans](#); and, generally, the [State Revolving Fund](#).

Eligibility

- [Eligible projects](#) include water loss training, treatment, wastewater treatment plant (WWTP) upgrades and improvements, stormwater management, decentralized systems, green infrastructure, watershed protection, technical assistance, water conservation and energy efficiency, and nonpoint source pollution.

Assistance Types and Terms

- The purpose of the CWSRF program is to provide local government with low-cost financial assistance, where “local government” includes public and private systems, as well as privately owned for-profit community public wastewater treatment systems.
- Private systems may not be considered for principal forgiveness.
- Communities with an ATPI score of 50 or less are eligible for Bipartisan Infrastructure Law (BIL) Principal Forgiveness and Base SRF Capitalization Grants, though BIL PF cannot be combined with other PF forms; communities with a population less than 20,000 are eligible for Base SRF Capitalization Grant funds; communities of any size and any ATPI are eligible for Green Project Reserve Principal Forgiveness. Percentages and caps differ for each fund.

Project Rating

- Potential projects—those that are for planning, planning, and design, or ready to proceed with construction—are prioritized by assigning Project Criteria Points based on the project criteria established in [Rule 0400-46-01-.02\(2\)](#).

IV. Key Recommendations

1. Revise DAC Policies:

- Explicitly include factors within the definition of Disadvantaged Communities (**DACs**) and the Ability to Pay Index (**ATPI**) like those identified in EPA's Climate & Economic Justice Screening Tool, which identifies census tract communities as disadvantaged if they are at or above (1) the threshold for one or more environmental, climate, or other water burdens; (2) the threshold for an associated socioeconomic burden; or (3) the 50th percentile for low income, and completely surrounded by disadvantaged communities.

2. Expand Eligibility:

- Actively expand the loan process to include nontraditional eligible entities that could, for example, help connect communities to public wastewater systems.

3. Revise Project Rating:

- Restructure the CWSRF prioritization process to include a sliding-scale or multi-variant point system with specific points awarded to projects that advance climate resilience, source water protections, and regionalization.

4. Ensure Access to Technical Assistance:

- Fully use set-aside funds for technical assistance to support project development.

5. Improve Program Transparency:

- Provide more public information, like inserting a “funding line” on the Project Ranking Lists (PRLs) to indicate projects that will receive awards, because PRLs merely indicate funding requests and funding eligibility; alternatively, publishing a “funding list” in addition to the PRL.

6. Encourage Regionalization:

- Incentivize integrated planning and otherwise condition SRF loans on appropriate changes by a utility to encourage regional water planning.

PolicyLink

Lifting Up What Works®

Headquarters

1438 Webster Street
Suite 303
Oakland, CA 94612
t (510) 663-2333

policylink.org

LinkedIn: /PolicyLink
Instagram: @policylink