



Department of
**Environment &
Conservation**

Phase 2: State Strategic Projects Framework

State Water Infrastructure Grant Program:
American Rescue Plan

Tennessee Department of Environment & Conservation | January 2023



Tennessee Deployment of American Rescue Plan Funding: Phase 2 (State Strategic Projects) Framework

The Tennessee Department of Environment and Conservation (TDEC) allocated approximately \$269 million toward state-initiated strategic projects in the [Water Infrastructure Investment Plan](#). This effort will deploy American Rescue Plan (ARP) funds to enterprise-scale water infrastructure needs and support community water infrastructure projects that address state priorities and/or fill a gap identified through the non-competitive funding opportunity.

This document outlines the framework for programming ARP state strategic project funds. There are five strategies for dispersing funds, outlined in the table below and described in detail in subsequent sections of the document.

Strategy	Allocation Amount
1. Competitive Grant Program: Community Water Infrastructure	\$200 Million
2. Grant Pilot Program: Septic Management	\$6.5 Million
3. Enterprise-Scale Infrastructure Investments	\$57 Million
4. Development of Technical Assistance and Information Technology (IT) Solutions	\$2 Million
5. Supplemental Funding for Non-Competitive Grant	\$3.5 Million

I. Competitive Grant Program: Community Water Infrastructure (\$200 Million)

TDEC’s extensive outreach with communities indicates there is outstanding need for funding that promotes strategic and sustainable water infrastructure projects. In response, TDEC is allocating \$200 million in competitive grant funds to support community water infrastructure projects with a focus on three priority areas: Regionalization, Water Reuse, and Resource Protection. These are all priorities identified in the [Water Infrastructure Investment Plan](#) and support strategic investment in water infrastructure.

Regionalization: Activities designed to strategically connect rural Tennessee infrastructure to improve services and optimize capacity. This includes efforts to provide

cooperative support across water and wastewater systems to enhance system capacity, reduce costs, and/or obtain a higher quality of service. Eligible grant applicants include all counties and cities; water utility districts and authorities; and, for-profit water infrastructure systems, if in collaboration/partnership with another eligible entity.

Water Reuse: Practice of capturing water that would otherwise be discarded, treating it to an appropriate level, and reusing it for beneficial purposes. Eligible grant applicants include all counties and cities; water utility districts and authorities; and, for-profit water infrastructure systems, if in collaboration/partnership with another eligible entity.

Resource Protection: Resource protection activities protect water infrastructure assets from extreme weather events, improve stormwater management, providing water quality benefits, and/or provide water quality benefits through restoration activities and activities that mimic natural processes. Eligible grant applicants include all counties and cities; water utility districts and authorities; for-profit water infrastructure systems, if in collaboration/partnership with another eligible entity; and 501(c)(3) non-profits.

The competitive grant manuals are anticipated to be released in March 2023. TDEC will conduct a comprehensive review of all complete and eligible grant applications, including all required supporting documentation. Funding will be awarded based on the merits of the applications while also considering diversity of project types, applicants, and geographic distribution. *Please note that TDEC may select parts of a proposal for funding and may offer to fund less than the eligible grant amounts or a smaller amount than requested in the application.*

II. Grant Pilot Program: Septic Management Program (\$6.5 Million)

Each year approximately 3,800 homeowners apply for permits to repair or replace failing septic tanks. These failing systems pose a significant threat to human health and the environment, and some homeowners struggle to afford the repair or replacement of these failing systems on their own. TDEC is dedicating \$6.5 million to a new, pilot grant program that will provide funding directly to qualifying homeowners for septic system repair and replacement. Average individual homeowner grants will range from \$10,000 - \$20,000 to be used for a range of repairs to full tank and line replacement. TDEC will execute this action by contracting with a third-party to facilitate the septic management grant program. TDEC will assess the impact of this pilot program for consideration of future funding opportunities.

III. Enterprise-Scale Infrastructure Investments (\$57 Million)

The State of Tennessee has water, wastewater, and stormwater projects that are under our purview. These projects are anticipated to provide value to Tennesseans through improving services in publicly accessed areas. TDEC is allocating funds to enterprise-scale infrastructure investments at Tennessee State Parks (TSP) and with the Tennessee Department of Transportation (TDOT), with \$40 million provided to TSP for water and wastewater improvements and \$17 million provided to TDOT for stormwater projects.

IV. Development of Technical Assistance and IT Solutions (\$2 Million)

The State of Tennessee investment in community water infrastructure supports the estimated, outstanding \$5-15 billion of investment needed to address system challenges. TDEC recognizes that long-term support of these systems will require development of additional technical assistance and IT solutions. TDEC is allocating \$2 million to these activities, detailed below. TDEC will either perform the work in-house or contract with a consultant to lead or support development of these materials. Outputs associated with this strategy include:

- Post-Construction Stormwater Management Manual
- Updated Erosion Prevention and Sediment Control Manual and Training
- Planning and Scoping Effort for Statewide IT/GIS Solutions to Water Infrastructure Identification

V. Supplemental Funding for Non-Competitive Grant (\$3.5 Million)

Five cities (Caryville, Jacksboro, Dowelltown, Liberty, and Ardmore) were unintentionally excluded from the non-competitive funding allocations during the allocation of the \$1 billion offering. This supplemental funding goes to the allocations provided to those cities.

TDEC encourages all stakeholders to regularly visit the [TDEC ARP Website](#) for program updates and new guidance, and to sign up for TDEC's email distribution list. Questions about the State Water Infrastructure Grants program should be directed to tdec.arp@tn.gov.

Additional Information regarding the Competitive Grant Program

Co-Funding Requirements

The new competitive grant program will include co-funding applied to every proposal. Co-funding requirements range from 10%–25%, and are determined by the grant applicant’s 2022 Ability to Pay Index (ATPI), based on the best fit for the project area served (city or county scale).

- Applicants with an associated ATPI of 0-50 have a co-funding requirement of 10%
- Applicants with an associated ATPI of 60–80 have a co-funding requirement of 20%
- Applicants with an associated ATPI of 90–100 have a co-funding requirement of 25%

Maximum Award Amounts

Outlined in the table below are the draft proposal award maximums for the competitive grant program. *Please note, these maximum award amounts are subject to change, based on final guidance.* TDEC anticipates releasing final guidance in March 2023.

	Regionalization	Resource Protection	Water Reuse	
			Non-Potable Reuse	Potable Reuse ¹
Investigation and Planning	\$2 Million	\$1 Million	\$500,000	\$3 Million
Investigation, Planning and Design	\$7 Million	\$2 Million	\$1.5 Million	\$7 Million
Planning, Design and Construction	\$20 Million	\$5 Million	\$6.5 Million	N/A
Construction Only	N/A	\$5 Million	\$5 Million	N/A

¹ Potential grant applicants should note that a pilot is required prior to engaging in potable reuse activities. Pilot water reuse activities are considered Investigation and Planning as it prepares a water system to engage in full-scale potable water reuse.