



## Wastewater Facility Grants and Loans

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Dear Reader:

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We hope this information will be useful to you; reference to it will assist you with many of the questions that will arise in your tenure with municipal government. However, the *Tennessee Code Annotated* and other relevant laws or regulations should always be consulted before any action is taken based upon the contents of this document.

Please feel free to contact us if you have questions or comments regarding this information or any other MTAS website material.

Sincerely,

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# Wastewater Facility Grants and Loans

**Reference Number:** MTAS-1747

T.C.A. § Title 68, Chapter 221, contains three different parts dealing with grants and loans for wastewater facilities:

- Part 2 authorizes loans called “repayable grants”;
- Part 8 authorizes wastewater treatment works construction grants; and
- Part 10 authorizes loans from a revolving loan fund. These loans also are available to intergovernmental entities created by cooperating local governments, such as water or wastewater authorities.

Although the state puts in some money, the vast majority of non-local funds for wastewater projects come from the federal government, and have been allocated through the state. In the past, significant grant funds were available. With few exceptions, only loans are available now.

## **Loans called "Repayable Grants"**

To provide these loans, a procedure for issuing state bonds is outlined in T.C.A. §§ 68-221-201, *et seq.* A city receiving a loan agrees to a repayment schedule in a contract with the state and establishes sewer user fees to produce revenues to pay the debt service.

This statute also includes authority to:

- require sewer connections wherever service is available;
- refuse water service if such connections are not made;
- impose connection charges; and
- levy other charges necessary to raise funds for sewer system operations and maintenance.

Increases in the sewer user fee may not take place automatically when base water charges are increased. They must be separately adjudged reasonable and justified. T.C.A. §§ 68-221-201–212.

To assure that the state gets its money back, the loans may be given only to cities receiving state-shared revenue. The annual loan payment may not exceed twice the unobligated state-shared taxes the city receives. T.C.A. § 68-221-202.

## **Wastewater Treatment Works Construction Grants**

The Wastewater Treatment Works Construction Grant Act of 1984 provides grants to cities for constructing wastewater treatment works. Grants are allocated according to a statewide priority list maintained by the Department of Environment and Conservation.

Grants are for 55 percent of the eligible portion of the project. If innovative technology is used, grants are for 75 percent. The funds may be used for preliminary engineering and as matching funds for federal EPA grants. Municipalities receiving grants must maintain user rates that will fund operation, maintenance, principal and interest obligations, as well as an adequate depreciation account. T.C.A. §§ 68-221-801, *et seq.*

## **Loans from Revolving Loan Fund**

The purpose of the Wastewater Facilities Act of 1987 is “to provide local governments in Tennessee with low-cost financial assistance relative to necessary wastewater facilities through the creation of a self-sustaining revolving loan program.”

The loan program is administered jointly by the Tennessee Department of Environment and Conservation and the Tennessee Local Development Authority. Cities in the “lower economic scale” may receive loans at lower interest rates than other jurisdictions. Cities receiving loans must agree to adjust their sewer fees periodically so that loan payments and operating costs may be “timely paid.” They also must certify their compliance with an operating plan for their facility that has been approved by the Tennessee Department of Environment and Conservation. The plan must address the quality, compensation, and number of wastewater facility employees during the life of the loan. These loans also are available to inter-governmental entities created by cooperating local governments, such as wastewater authorities. T.C.A. §§ 68-221-1001, *et seq.*

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