



State of Alabama
Alabama Department of Environmental Management
Drinking Water State Revolving Fund (DWSRF) Loan Program

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DWSRF BIL Emerging Contaminants Intended Use Plan



Fiscal Year 2022

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I. Introduction

The Safe Drinking Water Act (SDWA) Amendments of 1996 authorized a Drinking Water State Revolving Fund (DWSRF) for the purpose of assisting public water systems to finance the cost of potable water infrastructure. The U.S. Environmental Protection Agency (EPA) is authorized to award capitalization grants to the States, which in turn administer the DWSRF program. The Bipartisan Infrastructure Law (BIL) was implemented on November 15, 2021. The BIL provides an additional supplemental appropriation to address exposure to perfluoroalkyl and polyfluoroalkyl substances (PFAS) and other emerging contaminants through their drinking water. This Intended Use Plan (IUP) describes how the State intends to use available BIL – DWSRF Emerging Contaminants (BIL-DWSRF-EC) funds for the year to meet the objectives of the SDWA and BIL and further the goal of protecting public health.

The State of Alabama is applying for \$16,286,000 in EPA grant funding that will be used to provide financial assistance in the form of 100% principal forgiveness loans from the DWSRF program. The BIL-DWSRF-EC capitalization grant does not require a match; therefore, no match funds will be appropriated from the State for this program.

ADEM has set its short and long term goals of this IUP to align with EPA's strategic goals and objectives [FY 2022-2026 EPA Strategic Plan](#). The Office of Water has identified specific measures that address the strategic goals and objectives outlined by EPA in its strategic plan. A basis for each goal in this program IUP has been identified. These references ensure that all of the specific commitments made by the State are properly correlated to the strategic goals and objectives of the Agency.

II. Program Goals

A. Short-term goals

1. To provide financial assistance for BIL DWSRF Emerging Contaminant eligible activities for public water supply facilities on the DWSRF Priority List. Projects which are eligible for traditional DWSRF funding and are addressing emerging contaminants will be eligible for the BIL Emerging Contaminant Funding.
2. To provide financial assistance through the BIL DWSRF Emerging Contaminant Funding to include additional subsidization in the form of principal forgiveness for not less than the required minimum of 100% of the total capitalization grant. The minimum amount of additional subsidization for the 2022 fiscal year is \$16,286,000.
3. To implement the State's DWSRF in compliance with the Safe Drinking Water Act, BIL, Civil Rights Act, and all applicable Federal crosscutting requirements.
4. To support American workers, renew the water workforce, and cultivate domestic manufacturing by ensuring compliance with the Davis-Bacon Act and American Iron and Steel (AIS) and Build America Buy America (BABA) requirements.
5. To Address Polyfluoroalkyl Substances (PFAS) and other emerging contaminants in Drinking Water through the DWSRF-BIL-EC funding.
6. To protect the public health and the environment and promote the completion of cost-effective water treatment, storage, and distribution facilities.

B. Long term goals

1. To maintain the DWSRF program and the long-term fiscal integrity of the fund.
2. To provide a self-perpetuating source of financial assistance for the construction of public water treatment and distribution facilities needed to meet the public health goals of the Safe Drinking Water Act.
3. To fund projects which will have a positive impact on public health and ensure compliance with the Safe Drinking Water Act.
4. To assist systems in ensuring affordable water supply.
5. To ensure safe drinking water and reliable water infrastructure by providing funding for projects that ensure compliance with drinking water national primary drinking water rules or return systems to compliance.
6. To protect and restore waterbodies and watersheds by addressing sources of water pollution and ensure water quality standards are protective of the health and needs of all people and ecosystems.
7. Alabama will ensure Clean and Safe Water for All Communities by funding projects that prioritize Safe Drinking Water and Reliable Water Infrastructure and Protect and Restore Waterbodies and Watersheds by addressing sources of water pollution and projects that ensure water quality standards are protective of the health and environment.

The Department shall comply with all of the requirements of the Operating Agreement made with EPA dated August 8, 1998, including the assurances contained therein. The Operating Agreement is incorporated by reference.

The Department is in compliance with the operator certification and capacity development regulations along with the associated reporting requirements.

C. Program Changes

To increase the number of applicants that meet the state’s affordability criteria and maybe eligible to receive disadvantaged community additional subsidy, the state expanded their disadvantaged community definition in FY22 to include the utilization of the Climate and Economic Justice Screening Tool Justice40 Map.

III. Sources and Uses of Funds:

The estimated sources and uses of funds in the FY 2022 DWSRF-BIL-EC program are as follows:

Projected Sources:

2022 EPA DWSRF BIL EC Cap Grant:	\$16,286,000
DWSRF State Match:	\$0
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Total:	\$16,286,000

Projected Uses:

Project Assistance:	\$16,286,000
10% State Program Management:	\$0
15% Local Assistance:	\$0
Administrative Cost (4%):	\$0
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Total:	\$16,286,000

A. Leveraging

The Department does not intend to issue DWSRF revenue bonds for new projects during FY 2022.

B. Transfer of Funds

In accordance with 40 CFR 35.3530, the Alabama Department of Environmental Management (the Department) reserves the right to transfer funds from the Clean Water State Revolving Fund Bipartisan Law (CWSRF BIL) to the DWSRF BIL. Funds transferred from the CWSRF BIL EC to the DWSRF BIL EC are to be used to fulfill the DWSRF infrastructure financing demand as needed.

C. Eligible projects to be funded

For a project or activity to be eligible for funding under this appropriation, it must otherwise be DWSRF eligible and the primary purpose must be to address emerging contaminants in drinking water. These projects include, but are not limited to, the planning, design, and construction of improvements to eliminate emerging contaminants such as:

- Rehabilitate or develop water sources to replace contaminated sources;
- Install or upgrade treatment facilities if the project would improve the quality of drinking water to comply with primary or secondary standards;
- Consolidate water supplies when customers have an inadequate quantity of water, the water supply is contaminated, or the system is unable to maintain compliance for financial or managerial reasons; and
- Other projects meeting the priority objectives of the program.

D. Financial terms of loans

The Fund will offer loans for up to 100 percent of allowable project costs for projects addressing emerging contaminants in drinking water. Such loans must be made such that the total amount of funding is provided with 100 percent principal forgiveness.

Project fund disbursements to recipients at intervals as work progresses and expenses are incurred and approved.

The specific terms and conditions of the funds shall be incorporated in the financial agreement to be executed by the recipient and the Department.

IV. Project Selection and Method for Distribution of Funds

A. Priority List

In order to be considered for DWSRF-BIL-EC assistance, the project must be addressing emerging contaminants in drinking water, must be on or added to the Priority List, and have a proposed project schedule that coincides with the availability of DWSRF-BIL-EC funds. The DWSRF-BIL-EC priority list was developed by identifying the priority point rating for each proposed project. The funding of such projects is also subject to the availability of funds.

The State reserves the right to fund projects not on the priority list, on an emergency basis, if funds are available. Emergency projects would include those where some type of failure was unanticipated and requires immediate attention to protect public health. Additionally, supplemental loans may be issued to previous recipients as needed to complete segmented projects or to cover cost overruns. See Attachment 1.

B. Additional Subsidization:

The 2022 BIL-DWSRF-EC Capitalization Grant includes a requirement for a minimum of \$16,286,000 be provided as assistance with additional subsidy. The Department will meet these requirements by offering selected borrowers additional subsidization in the form of principal forgiveness. The Department expects to allocate principal forgiveness to projects in communities determined to be disadvantaged and/or for those communities implementing projects that have the largest reduction in emerging contaminants. Communities are assessed as disadvantaged based on calculation of the disadvantaged rank and eligibility of the project. The ranking takes into consideration the following factors:

- Size of the Community
- Financial Capability
- Current Rates for Drinking Water (Annual average water bill and Median Household Income)
- The Project is Addressing a Disadvantaged Area as Determined by the Justice 40 Map.

The Department will utilize Table 1 to evaluate and score projects to determine principal forgiveness ranking. The highest ranked projects within a disadvantaged community will receive principal forgiveness until it is exhausted (see Attachment 1). Any subsequent revision to this project list will likewise demonstrate principal forgiveness will be provided to meet the required percentage of the Capitalization Grant.

Criteria	Points
<10,000 population	1
<1.1x coverage ratio	1
Project location considered disadvantaged on Justice40 Map	1
Ratio of Water Bill/MHHI	Actual Number

Table 1

The Department has authority to provide additional subsidization to meet the requirements by the Code of Alabama Section 22-23B-3.

C. Prevailing Wages

Davis-Bacon wage requirements apply for each fiscal year and the requirements of section 1450(e) of the Safe Drinking Water Act (42 U.S.C. 300j-9(e)) shall apply to any construction project carried out in

whole or in part with assistance made available by the DWSRF as authorized by section 1452 of that Act (42 U.S.C. 300j-12). The Department will include in all loan agreements and procurement contracts terms and conditions requiring compliance with this requirement.

D. Distribution of Funds to Set-Aside Accounts

EPA provisions allow funds to be set aside from the State Revolving Fund Capitalization Grant for activities such as administration of the SRF Program, operator training and technical assistance, special drinking water projects, and source water assessment. These activities are discussed in “Set-Aside Activities” below.

E. Selection of Systems to Receive Assistance

To the maximum extent possible, the DWSRF gives priority for the use of funds to projects that address the most serious risk to human health and are necessary to ensure compliance with the Safe Drinking Water Act.

The criteria for ranking projects give priority to projects that:

1. Provide the highest nature of benefit;
2. Benefit the most people per dollar expended;
3. Assist systems most in need on a per household affordability basis as required by the Safe Drinking Water Act.
4. Use consolidation with other systems to correct existing deficiencies and improve management.

These considerations are addressed by the Priority Ranking Criteria found in ADEM Administrative Code R. 335-11-2-.04 and in the DWSRF Pre-Application provided in Attachment 3.

When two or more projects score equally under the Project Priority System a tie breaking procedure will be utilized. The project with the smallest number of existing customers served will receive the higher ranking.

A project on the fundable portion of the list may be bypassed and the next eligible project funded if it is determined that the project will not be ready to proceed during the funding year. The Department will give the applicant whose project is to be bypassed written notice. Projects that have been bypassed may be funded at a later date when the project is ready to proceed. Should a system on the funded list decline the loan, the next ranked project shall be offered access to all or a portion of these funds.

F. Project Bypass/Reallotment:

The Department may bypass any project on the DWSRF Priority List that is not, in the Department's opinion, making satisfactory progress in satisfying requirements for DWSRF assistance. Bypassed projects will be removed from the priority list. In determining whether or not a project is making satisfactory progress in satisfying the requirements for DWSRF assistance, the Department shall use the criteria contained in subparagraphs 1- 6 of this paragraph. Funds released through project bypass will be considered as uncommitted and available for redistribution in accordance with this section.

1. Any project on the DWSRF Priority List may be bypassed if the applicant fails to submit a complete DWSRF application.

2. The Department may use individual project schedules developed by the Department to determine whether or not the project is making satisfactory progress during the fiscal year.
3. In order to comply with EPA certification restrictions related to equivalency requirements, it may be necessary to bypass projects which have not complied with Title II requirements and other federal authorities.
4. Any project on the DWSRF Priority List may be bypassed if the applicant fails to demonstrate the ability to repay the loan.
5. To maintain the fiscal integrity of a leveraged loan program or provide funds for new construction, the Department may choose to bypass projects which involve refinancing of existing debt.
6. Projects may be removed from the priority list at the request of the applicant or if the Department finds that the project is ineligible for DWSRF assistance.

V. Set-Aside Activities

A. Administrative Set-Aside

BIL and SRF Guidelines allow states to set aside up to a maximum of 4% of the grant for SRF administrative costs. The Department is reserving the authority to take the 4% administrative set-aside for future capitalization grants.

VI. Program Income

The Alabama Drinking Water Finance Authority, with ADEM as its agent, assesses a fee annually based on outstanding principal. These fees vary based on the fiscal year to which the loan agreement was secured. These fees are collected twice a year, when the recipient initiates repayment of the loan. Since the DWSRF-BIL-EC funds are required to be distributed with 100% additional subsidization, no fees are expected to be collected from these funds.

VII: Estimated DWSRF Capitalization Grant Schedules/Timeline

A. Estimated Grant Draw Schedule

Fiscal Year	Month	Draw
2023	Oct	\$1,357,167
2023	Nov	\$1,357,167
2023	Dec	\$1,357,167
2023	Jan	\$1,357,167
2023	Feb	\$1,357,167
2023	Mar	\$1,357,167
2023	Apr	\$1,357,167
2023	May	\$1,357,167
2023	Jun	\$1,357,167
2023	Jul	\$1,357,167
2023	Aug	\$1,357,167
2023	Sep	\$1,357,167
Total		\$16,286,000

B. Estimated Grant Disbursal Schedule

Payment Quarter	Payment Date	Payment Amount
FY2023/Quarter 1	10/1/2023	\$16,286,000

Payments are defined as increases to the amount of funds available from the federal SRF capitalization grant. This draft payment schedule is based on the State's projection of binding commitments and disbursements from the SRF to the members of the SRF project list. The disbursement schedule will essentially coincide with the grant payment schedule as ACH draw requests will be processed only upon submittal of payment requests from loan recipients for actual costs incurred. Funds from the ACH will be disbursed to the recipient immediately. The disbursement of funds will be in proportion to the amount of state and federal funds provided by the grant and state match. This will be ensured by disbursing all state match funds prior to drawing capitalization grant funds for project disbursements.

C. Capitalization Grant Budget Periods:

2022 EPA DWSRF-BIL-EC Capitalization Grant

October 1, 2022 through September 30, 2028

VIII. Public Participation

The IUP will be provided for public notice once finalized. At this time, the IUP is being submitted as draft for a conditional grant award.

Attachment 1 – Project Details

Applicant Name	Project Description	City/Town	County	Permit Number	Population	Priority Ranking	Disadvantaged Ranking	Project Amount
West Morgan/East Lawrence Water and Sewer Authority	JD Sims-RM Hanes Reverse Osmosis Water Treatment Facility	Decatur	Lawrence,Morgan	AL0001092	10466	95	1.012	\$\$16,286,000

Attachment 2 – Project Description

West Morgan/East Lawrence Water Authority

West Morgan-East Lawrence Water & Sewer Authority proposes to add the remaining Reverse Osmosis skids and other requirements associated with the completion of the installation of the reverse osmosis system. This system is designed to remove PFAS from drinking water and ensure that the system meets the expected future PFAS maximum contamination limits (MCL).