



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

SRF Section
Permits and Services Division
Alabama Department of Environmental Management
Post Office Box 301463
Montgomery, Alabama 36130-1463

(334) 271-7711
srf@adem.alabama.gov

**Drinking Water State Revolving Fund (DWSRF)
Infrastructure Investment & Jobs Act (IIJA)
Lead Service Line Replacement (LSLR)
Intended Use Plan**



Fiscal Year 2025

Final – June 8, 2026

The IUP was posted for public comment on April 24, 2026, for 30 days. Comments were received and responses to comments are attached.

TABLE OF CONTENTS

I. INTRODUCTION..... 1

II. PROGRAM GOALS..... 1

 A. SHORT-TERM GOALS (OUTPUTS) 1

 B. LONG TERM GOALS (OUTCOMES) 1

 C. PROGRAM CHANGES 2

III. SOURCES AND USES OF FUNDS: 2

 C. LEVERAGING..... 3

 D. TRANSFER OF FUNDS..... 3

 E. ELIGIBLE PROJECTS TO BE FUNDED 3

 F. FINANCIAL TERMS OF LOANS 3

IV. PROJECT SELECTION AND METHOD FOR DISTRIBUTION OF FUNDS..... 4

 A. PRIORITY LIST 4

 B. ADDITIONAL SUBSIDIZATION:..... 4

 C. PREVAILING WAGES..... 5

 D. BUILD AMERICA, BUY AMERICA (BABA)..... 5

 E. DISTRIBUTION OF FUNDS TO SET-ASIDE ACCOUNTS 5

 F. SELECTION OF SYSTEMS TO RECEIVE ASSISTANCE..... 6

 G. INADEQUATE ALLOCATIONS 6

 H. UNANTICIPATED AND UNCOMMITTED FUNDS..... 7

 I. PROJECT BYPASS/REALLOTMENT:..... 7

V. SET-ASIDE ACTIVITIES 7

VI. CERTIFICATIONS..... 8

VII. PROGRAM INCOME..... 9

VIII: ESTIMATED DWSRF CAPITALIZATION GRANT SCHEDULES/TIMELINE 9

 A. ESTIMATED GRANT DRAW SCHEDULE..... 9

 B. ESTIMATED GRANT DISBURSAL SCHEDULE 10

 C. CAPITALIZATION GRANT BUDGET PERIODS: 10

IX. PUBLIC PARTICIPATION 10

X. REPORTING..... 10

ATTACHMENT 1 – PROJECT PRIORITY LIST

ATTACHMENT 2 – PROJECT DESCRIPTIONS

ATTACHMENT 3 – ALABAMA DWSRF PRE-APPLICATION FORM

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. This Intended Use Plan (IUP) describes how the State intends to use available DWSRF IIJA Lead Service Line (LSL) Replacement program funds for the year to meet the objectives of the SDWA and further the goal of protecting public health.

The State of Alabama is applying for \$41,853,000 in EPA grant funding that will be used to provide low interest financial assistance from the DWSRF program. There is not a state match requirement for this grant. In addition, the State of Alabama is applying for \$5,459,000 (FY23 Reallotment) and \$6,526,000 (FY24 Reallotment) which are funds that have been reallotted by the USEPA Office of Ground Water and Drinking Water on December 3, 2025. The total sum of the funds the State of Alabama is applying for is \$53,838,000. 49% of the total will be provided in the form of additional subsidy (i.e., principal forgiveness) which is a total of \$26,380,620.

Alabama's DWSRF is designed to be a perpetual source of low-cost financial assistance for the construction of public water supply facilities needed to meet compliance standards and public health requirements. Once ultimate capitalization has been achieved, the program may utilize the direct loan repayments, undedicated interest from the bond debt service reserve funds and construction funds and assets of the Master State Revolving Account as the source funds to fund direct loans.

Alabama agrees to comply with all Civil Rights Laws, including The Age Discrimination Act of 1975, Section 504 of the Rehabilitation Act of 1973, and Title VI of the Civil Rights Act, which prohibits discrimination in the provision of services or benefits, on the basis of race, color, national origin, sex, handicap or age.

II. Program Goals

A. Short-term goals (Outputs)

1. To provide financial assistance for DWSRF eligible activities for public water supply facilities on the DWSRF LSLR Priority List.
2. 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. (Deliverable)
3. 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 (Outcomes)

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.

C. Program Changes

No major programmatic changes are proposed for fiscal year 2025.

III. Sources and Uses of Funds:

The Department is expected to fund FY 2025 IIJA LSLR projects using the 2025 EPA IIJA LSLR Capitalization Grant and FY23 & FY24 Reallotments. No match is required for the LSLR grants. The estimated sources and uses of funds in the FY 2025 DWSRF IIJA LSL program are as follows:

A. Projected Sources:

2025 EPA DWSRF IIJA LSLR Cap Grant:	\$41,853,000
2023 DWSRF IIJA LSLR Reallotment:	\$5,459,000
<u>2024 DWSRF IIJA LSLR Reallotment</u>	<u>\$6,526,000</u>
Estimated Loan Repayments and Interest Earnings for 2025 IIJA LSLR Cap Grant	\$27,484,837 ¹
<u>Loan Repayments and Interest Earnings from Revolving Fund</u>	<u>\$25,084</u>
<u>Total Project Priorities:</u>	<u>\$53,838,000</u>
Overall Total:	\$81,347,921 ³

Note 1: Estimated future repayments and interest earnings from FY25 IIJA LSLR loans.

Note 2: Approximate total funds available based on projected fiscal year funding allotments and repayments for FY25. Actual totals are provided in the annual report at the end of each fiscal year.

Note 3: Estimated repayment funds from FY25 IIJA LSLR Capitalization Grant are not included in project funds. These funds will be included in future fiscal year(s)' IUPs as repayments are received.

B. Projected Uses:

Project Assistance: \$53,838,000

Total \$53,838,000

C. Leveraging

The Department does not intend to issue DWSRF revenue bonds for new projects during fiscal year 2025.

D. Transfer of Funds

RESERVED

E. Eligible Projects to be Funded

Eligible projects include the planning, design, and construction of improvements to:

- Projects directly connected to the identification, planning, design, or replacement of LSLs.
- Projects must replace the entire lead service line up to the point of premise plumbing, not just a portion, unless the other side was already replaced; and
- Other projects meeting the priority objectives of the program.

F. Financial terms of loans

The Fund may offer loans for up to 100 percent of allowable project costs for the identification, planning, design, or replacement of LSLs and may offer a range of options regarding the term, interest rate and level of loan funding. Such loans must be made such that the total amount of funding is provided with 49 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 assistance, projects must be for the identification, planning, design, or replacement of LSLs and on or added to the LSLR Priority List and have a proposed project schedule that coincides with the availability of DWSRF IIJA LSLR funds. The DWSRF 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. All projects listed on the PPL will be used as the equivalency projects for the fiscal year 2025 IIJA LSLR capitalization grant.

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 2025 EPA IIJA LSLR Capitalization Grant includes a requirement for \$20,507,970 to be provided as assistance with additional subsidy. The reallocations also require an additional subsidy of \$2,674,910 (FY23) and \$3,197,740 (FY24) to be provided as assistance. The sum of the additional subsidy is \$26,380,620.

The Department will utilize Table 1 to evaluate and score communities to determine principal forgiveness ranking. The highest ranked communities will be initially considered to 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
Ratio of Water Bill/MHHI	Actual Number

Table 1.

A community is defined as disadvantaged if the sum of the criteria for population or coverage ratio results in a value greater than 1 point or the ratio of water bill to median household income is greater than 1. The disadvantaged rank will be determined based on the sum of the categories above, when possible.

Each individual category is briefly described below:

- <10,000 population – this is considered a “small” community. Since maintenance and cost of water system improvements is generally based on economy of scale (i.e., higher tax base results in higher tax revenue), a small community would be considered disadvantaged when compared to larger communities.
- <1.1x coverage ratio – A coverage ratio is defined as a borrower’s revenue divided by debt. This metric is meant to capture financial affordability. If a coverage ratio is 1.1x, a community would make 10% more in revenue than they expend in debt. The Department analyzes rate

structures and frequency of rate increases to determine if the coverage ratio can be modified. A borrower cannot “afford” a loan if the coverage ratio is less than 1.1x.

- Ratio of Water Bill/MHHI – Along with coverage ratio, this metric determines a community’s ability to increase revenue through rate increases. If a coverage ratio is 1.00 then the rates are appropriate for the median household income of the area. If the rates are higher than one (1) then the applicant may have the ability to increase rates without burdening the service area population. If the ratio is less than one (1), then the population of the system pays more for water than expected based on median household income.

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 fiscal year 2021 and each fiscal year thereafter 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. Build America, Buy America (BABA)

Build America, Buy America (BABA) apply for fiscal year 2024 and each fiscal year thereafter. BABA will be required for eligible projects funded through the Drinking Water State Revolving Fund (DWSRF) unless a waiver is granted.

BABA is considered a federal cross-cutting requirement that applies to SRF assistance equivalent to the federal capitalization grant (i.e., “equivalency” projects). EPA’s SRF regulations at 40 CFR 35.3145 and 35.3575 require states and recipients of SRF funds equivalent to the amount of the federal capitalization grant to comply with federal cross-cutting requirements. Section 70914 of the IIJA, which states when a Buy America preference applies, explains that “none of the funds made available for a Federal financial assistance program for infrastructure...may be obligated for a project unless all of the iron, steel, manufactured products, and construction materials used in the project are produced in the United States.” Therefore, BABA only applies to projects funded in an amount equivalent to the federal capitalization grant.

E. 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.

F. 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.

Following completion of the ranking process, the priority list will be reviewed to determine if at least 15% of amount projected to be funded is for public water systems which regularly serve fewer than 10,000 people, as required by the SDWA. If this is not the case, the priority list will be adjusted by exchanging the lowest ranking projects above the funding line that serve 10,000 or more with the highest ranking projects below the funding line that serve fewer than 10,000, until the 15% requirement is satisfied.

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.

G. Inadequate Allocations

If the actual federal DWSRF allocations are less than anticipated by the Department in the development of the DWSRF priority list, the Department may find it necessary to reduce their commitments to projects on the priority list. The Department may take formal action to reduce the number of commitments in accordance with subparagraph 3) of this paragraph.

- 1). The Department may redistribute the DWSRF funds allocated to each project.
- 2). The Department may redistribute funds from lower priority projects to higher priority projects.
- 3). The Department may bypass projects on the priority list in accordance with Section I, below.

H. Unanticipated and Uncommitted Funds

If unanticipated or uncommitted funds become available, the Department may take action to distribute them in accordance with subparagraphs 1-2 of this paragraph:

- 1). The Department may use the unanticipated or uncommitted funds to fund the highest priority project(s) from the priority list.
- 2). The Department may use the unanticipated or uncommitted funds to increase the amount of funds allocated to DWSRF fundable projects or to provide increased assistance to projects which have already received DWSRF assistance.

Additionally, supplemental loans may be made to previous recipients as needed to complete segmented projects or to cover unanticipated cost overruns.

I. Project Bypass/Reallotment:

The Department may bypass any project on the DWSRF LSLR 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 LSLR 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 LSLR 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 LSLR assistance.

V. Set-Aside Activities

The Department is not requesting any Set-Aside activities through the DWSRF IIJA LSL Grant.

VI. Certifications

1. The Department certifies that this IUP will be subject to public review and comment with a public notice period of 30 days.
2. The Department certifies that all DWSRF IIJA LSLR eligible projects in this IUP are on the DWSRF Priority List.
3. The Department certifies that it will implement the State's DWSRF program in compliance with the Safe Drinking Water Act, Infrastructure and Investment Jobs Act (IIJA), Civil Rights Act, and to ensure conformance with Federal crosscutting requirements. (Deliverable)
4. The Department certifies to provide DWSRF financial assistance to include additional subsidization in the form of principal forgiveness for 49% of the DWSRF IIJA LSLR Capitalization Grant.
5. The Department certifies that it will enter into binding commitments for 100% of each payment under the DWSRF capitalization grant within one (1) year after receipt of each payment.
6. The Department certifies that it will expend all funds in the DWSRF in an expeditious and timely manner.
7. The Department certifies that all drinking water facilities in the state are in compliance with enforceable requirements or are making progress toward meeting those requirements except as specifically noted in the IUP.
8. The Department certifies that all facilities funded by the DWSRF IIJA LSLR shall complete a NEPA-like environmental review process.
9. The Department certifies that is in compliance with the operator certification and capacity development regulations along with the associated reporting requirements.
10. The Department certifies that it will comply with all requirements of the 1998 Operating Agreement with EPA. Note: the state is currently working on an updated Operating Agreement with EPA.

The Department certifies that it will complete a Benefits Assessment worksheet for each loan agreement executed in order to comply with EPA environmental results reporting requirements.

VII. 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. In accordance with EPA regulations, fees collected from loans sourced from outstanding grants will be used for administration of the SRF fund only. All other fees will be used for activities eligible for the DWSRF IIJA LSLR grant only. The Department expects to receive fees during FY 2025 as follows:

Total Program Income	Program Income Collected During Grant Period	Program Income Collected After Grant Period
\$25,084.26	\$25,084.26	\$0.00

VIII: Estimated DWSRF Capitalization Grant Schedules/Timeline

A. Estimated Grant Draw Schedule

Capitalization Grant

Fiscal Year	Month	Draw
2026	Sept	\$4,141,385
2027	Oct	\$4,141,385
2027	Nov	\$4,141,385
2027	Dec	\$4,141,385
2027	Jan	\$4,141,385
2027	Feb	\$4,141,385
2027	Mar	\$4,141,385
2027	Apr	\$4,141,385
2027	May	\$4,141,385
2027	Jun	\$4,141,385
2027	Jul	\$4,141,385
2027	Aug	\$4,141,385
2027	Sept	\$4,141,380
Total		\$53,838,000

B. Estimated Grant Disbursal Schedule

i. FY25 Capitalization Grant

Payment Quarter	Payment Date	Payment Amount
FY2027/Quarter 1	10/1/2026	\$20,925,500
FY2027/Quarter 3	4/01/2027	\$20,925,500

i. FY23 Reallotment

Payment Quarter	Payment Date	Payment Amount
FY2027/Quarter 1	10/1/2026	\$2,729,500
FY2027/Quarter 3	4/01/2027	\$2,729,500

i. FY24 Reallotment

Payment Quarter	Payment Date	Payment Amount
FY2027/Quarter 1	10/1/2026	\$3,263,000
FY2027/Quarter 3	4/01/2027	\$3,263,000

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:

- 2025 EPA DWSRF IIJA LSLR Capitalization Grant
- September 1, 2026 through August 31, 2033

IX. Public Participation

The IUP was provided for public notice and comment on April 24, 2026. Comments were received and the responses are attached. No changes were made to the IUP because of the comments made; however, some minor formatting changes were made.

X. Reporting

1. Annual reports are required for the DWSRF IIJA LSLR Capitalization Grant. Each annual report is due on December 30 following each fiscal year period. The annual report for the 2025 DWSRF funding will include the results from the period of September 1, 2026 through October 1, 2027 and will be submitted on or before December 30, 2027. The annual report shall provide

an update on the deliverables and milestones accomplished by the Department in the fiscal year. Subaward (Set-aside) activities reporting will also be provided in the annual report.

2. The Department will submit information on projects into the DWSRF National Information Management System (NIMS) as binding commitments are entered into with the borrowers as proposed in this IUP. The projects will be updated in NIMS at a maximum of one quarter after the binding commitment close date.

ATTACHMENT 1: LSLR PROJECT PRIORITY LIST

Project #	Applicant Name	Project Description	City/Town	County	Population	Disadvantaged Rank	Priority Ranking Points	DW SRF Amount Granted	DW SRF PF	DW SRF PF%	Applied for Project Amount	Interest Rate
FS010256-07	Selma Water Works and Sewer Board	Lead Service Line Inventory & Replacement	Selma	Dallas	18,429	0.67	35	\$6,532,500	\$6,532,500	100%	\$6,532,500	NA
FS010002-06	Northport, City of	Lead Service Line Replacement	Northport	Tuscaloosa	30,334	1.12	SUPP	\$182,112	\$182,112	100%	\$182,112	NA
FS010003-03	Eufaula, Water Works and Sewer Board of The City of	Lead Service Line Replacement	Eufaula	Barbour	13,000	1.10	55	\$5,417,000	\$5,417,000	100%	\$5,417,000	NA
FS010122-19	Central Alabama Water	Lead Service Line Replacement	Birmingham	Jefferson	770,000	1.06	SUPP	\$40,979,388	\$13,522,008	29%	\$252,000,000	2.75%
FS020411-02	Central Talladega County Water District	Lead Service Line Assessment	Alpine	Talladega	3,000	2.19	95	\$127,000	\$127,000	100%	\$127,000	NA
FS010384-04	Wilcox County Water & Sewer District	Lead Service Line Replacement	Camden	Wilcox	5,494	4.07	25	\$600,000	\$600,000	100%	\$600,000	NA
6 Total Projects								\$53,838,000	\$26,380,620		\$264,258,612	

ATTACHMENT 2 – DW IJJA LSL PROJECT PRIORITY DESCRIPTIONS

Selma Water Works & Sewer Board

Selma Water Works and Sewer Board proposes to complete its lead service line inventory project and follow up with the replacement of lead service lines identified as part of the inventory project.

The City of Northport

The City of Northport proposes to conduct a lead service line inventory. The inventory will identify service lines made of lead and/or any service lines made of galvanized steel downstream of lead goose necks.

The Water Works and Sewer Board of The City of Eufaula

The Water Works and Sewer Board of the City of Eufaula proposes to replace existing lead and galvanized water service lines within the distribution system. The Board has conducted a Lead Service Line Inventory of the system which identified 1,339 services requiring replacement. The proposed project will include replacement of these service lines consisting of installing a new service tap and corporation stop, and the replacement of approximately 126,200 linear feet of service tubing on both the owner's and customer's side of the water meter. The existing lead and galvanized service lines will be abandoned and a cap placed on the existing corporation stop.

Central Alabama Water

Central Alabama Water proposes to replace all of the known lead service lines in the entire distribution system. Completion of this project would improve service to all affected customers and improve compliance with the Lead and Copper Rule.

Central Talladega County Water District

Central Talladega County Water District proposes to conduct a lead service line inventory. The inventory will identify service lines made of lead and/or any service lines made of galvanized steel downstream of lead components. The proposed project will allow the Water District to plan for future lead service line replacement.

Wilcox County Water & Sewer District

Wilcox County Water & Sewer District proposes to replace all lead and galvanized water service lines in the Wilcox County Water and Sewer District.



Form 370: Drinking Water State Revolving Fund Preapplication

Project Name	
Assistance Amount Requested	\$
Date Submitted	



Submit Complete Preapplication to:	
Preferred method By email:	srf@adem.alabama.gov
By overnight mail:	1400 Coliseum Boulevard Montgomery, Alabama 36110-2400 (334) 271-7714
By mail:	SRF Section Alabama Department of Environmental Management Post Office Box 301463 Montgomery, Alabama 36130-1463

Section 1: Contact Information

Loan Applicant

Applicant Name			
Authorized Representative (Signatory of Loan Agreement)		Title of Authorized Representative	
Email Address		Telephone Number	
Contact Person (Daily SRF Communications)		Title of Contact Person	
Email Address		Telephone Number	
Mailing Address		City, Zip Code	
County		UEI Number	
Fax Number		PWSID Number	
AL House District(s)		AL Senate District(s)	
Total Number of System Connections (Current)		Population of System	

Project Engineer:

Firm Name	
Address	
City, State, Zip code	
Engineer Name	
Telephone Number	
Email Address	
Fax Number	

Section 2: Project Information

For the following questions, please attach additional pages if adequate space is not provided on this form:

Break down the total project cost (categories should sum to 100%) and list all other funding sources to be utilized to complete this project.

Treatment:	%	Other Funding Source(s)	Amount(s)	Commitment Date
Distribution:	%			
Source:	%			
Storage:	%			

Enter the Median Household Income (MHI) for the affected community:	Enter the Average Annual Household Water Bill Based on 5,000 Gal Usage:
Source:	Source:
\$	\$

Priority Ranking System

The following factors are used to rank the proposed project and will ultimately determine if the project is fundable. The applicant must provide documentation where required in order to receive credit.

*Any ranking criteria that cannot be verified through supporting documentation by the Department will be awarded zero points.

A. Enforcement and Compliance Rating Criteria (Maximum: 50 points)*

	Ranking Criteria	Point Value
1	The system is under formal enforcement action by ADEM. Completion of the project will return the system to compliance.	50
2	The project is a voluntary effort to resolve noncompliance and will mitigate the issuance of a formal enforcement action.	40
3	The system is currently in compliance but will be in imminent noncompliance without the proposed project.	25

B. Drinking Water Contaminants Criteria (Maximum: 150 points)*

	Ranking Criteria	Point Value
1	The system has current primary MCL violations and completion of the project will return the system to compliance.	100
2	The system has current secondary MCL violations and completion of the project will return the system to compliance.	50
3	The primary purpose of the project is to extend service to persons presently served by contaminated wells.	50

C. Water/Energy Efficiency Rating (Maximum: 45 points)*

Ranking Criteria		Point Value
1	The project significantly reduces water loss. The unaccounted reported water loss during the last 12-month period was: 50% or higher 35% - 49% 20% - 34% 15% - 19%	25 20 10 5
2	The project incorporates energy efficient design considerations with established objectives and targets for energy reduction opportunities.	5
3	The project uses renewable energy such as wind, solar, geothermal, hydroelectric, micro-hydroelectric, biogas combined heat and power (CHP) systems, or biofuels production to provide power to a drinking water treatment plant.	5
4	The project implements upgrades to pumps and treatment processes which result in: a) 20% or greater reduction in energy consumption at a drinking water treatment plant. b) 10-20% reduction in energy consumption at a drinking water treatment plant, or 20% or greater reduction in energy consumption at a remote pump station.	10 5

D. Capacity and Pressure Criteria (Maximum: 100 points) *

Ranking Criteria		Point Value
1	The system lacks adequate capacity to provide safe drinking water. Completion of the project will restore capacity to existing customers.	100
2	The project will mitigate pressure readings of <20 psi at 50 or more customer meters.	50
3	The project will mitigate pressure readings of <20 psi at 10-49 customer meters.	25

E. System Consolidation Criteria (Maximum: 100 points) *

Ranking Criteria		Point Value
1	The project will result in the elimination of at least one public water system.	100
2	The project will establish a new interconnection between two water systems, where the beneficiary water system (or portion of the beneficiary water system) is served by only one source.	25

F. Sustainability Criteria (50 possible bonus points) *

Ranking Criteria		Point Value
1	The project implements one or more of the following planning methodologies: a) Asset Management Plan	10
2	The project includes one or several of the following design considerations: a) LEED certified or other ADEM-approved green building techniques. b) Project envelope is located in a previously developed area. c) Use of environmentally friendly post-consumer recycled or reclaimed materials.	5 5 5
3	The project incorporates at least one of the following construction methods: • Innovative erosion control practices; • Protection of onsite trees, vegetation, native habitats and urban forests; or • Replanting of disturbed areas with native plant species.	5
4	The project will utilize one or more of the following water conservation strategies: a) Incorporates sustainable water pricing practices and rate structures. b) Completion of EPA's Water Quality Scorecard (see http://www.epa.gov/smartgrowth/water_scorecard.htm).	10 5

G. Reporting Criteria (Maximum point reduction: 30) *

Ranking Criteria		Point Reduction
1	The system was cited during the last twelve months for late submittal of Monthly Operating Reports (MOR) or Consumer Confidence Reports (CCR), or was cited for a monitoring/reporting violation.	-10
2	The system was sent a Drinking Water Needs Survey and/or a Clean Watershed Needs Survey in the last four years and failed to return a completed survey.	-20

H. Affordability Criteria (Maximum: 60 points)

Ranking Criteria	Point Value
Divide the Average Annual Household Water Bill by the Median Household Income (from Page 2) and multiply by 100%:	
2.50% or higher	60
2.00 – 2.49%	40
1.50 – 1.99%	20
Less than 1.50%	0

I. Infrastructure Improvement Criteria*

Ranking Criteria	Point Value
1 Construction of a new water treatment plant	20
2 Level of treatment upgrade to an existing water treatment plant	15
3 Modifications to address disinfection byproduct requirements	25
4 Replacement of water lines due to age, leaks, breaks, or lead or asbestos-cement pipe	10
5 Installation of new water lines, where none existed previously	5
6 Rehabilitation or replacement of a water storage tank	15
7 Installation of a new water storage tank	10
8 New or upgraded pump station (not associated with a tank project)	5
9 Security improvements to a water system	5
10 Emergency power generators	5
11 Construction of a new well	15
12 Rehabilitation/upgrade of an existing well	10
13 Installation of green stormwater infrastructure at a water treatment plant	5
14 Installation of water meters in previously unmetered areas, or replacement of traditional water meters with AMR or smart meters	10
15 Water meter replacement with traditional meters	5
16 Installation or retrofitting water efficient devices such as plumbing fixtures and appliances (toilets, showerheads, urinals)	5
17 Replacement of (potable) landscape irrigation with more efficient landscape irrigation systems	5
18 Recycling and water reuse projects that replace potable sources with non-potable sources (grey water, wastewater effluent)	10
19 Installation or upgrade of SCADA systems	15

Sum the points from each category below.

Part A: Enforcement and Compliance (50 points maximum)	
Part B: Drinking Water Contaminants (150 points maximum)	
Part C: Water/Energy Efficiency (45 points maximum)	
Part D: Capacity and Pressure (100 points maximum)	
Part E: System Consolidation (50 points maximum)	
Part F: Sustainability (50 bonus points maximum)	
Part G: Reporting (Maximum Reduction of 30)	
Part H: Affordability (60 points maximum)	
Part I: Infrastructure Improvement	
TOTAL POINTS CLAIMED:	

This form should be signed by the official who is authorized to execute contracts on behalf of the applicant jurisdiction. **ONE SIGNED COPY (including attachments)** should be emailed to the address shown on Page 1 of this form.

Attachments to be included with this form:

1. **Preliminary Engineering Report (PER Outline PER Format Below (Preferred))**
2. **Copies of last three (3) years of audited financial statements (if available)**

Preliminary Engineering Report Outline:

1. **Description of Project**
 - a. Brief description and background of project
 - b. Purpose of project
 - c. Location of project
 - d. Project Scope
 - e. Average annual household water bill
 - f. Population and median household income
2. **Proposed Improvements**
 - a. System connections and connections that benefit from construction
 - b. System plan for water conservation
 - c. Proposed operation and management
 - d. Improvements to system
3. **Project Maps**
 - a. Include all affected water bodies
4. **Projected Outlay Schedule**
5. **Cost Breakdown**
 - a. Estimated cost outline for entire project
6. **Supporting Documentation*** for priority points claimed, as required above. Any points claimed that cannot be readily substantiated from the information submitted will not be counted. The Department reserves the right to make the final determination of all points awarded.

The undersigned representative of the applicant certifies that the information in the application and in the attached statements and exhibits is true, correct and complete to the best of the applicant's knowledge, information and belief.

Signature of Authorized Representative	Print or Type Name
Title	Date

EDWARD F. POOLOS
DIRECTOR

JEFFERY W. KITCHENS
DEPUTY DIRECTOR



KAY IVEY
GOVERNOR

Alabama Department of Environmental Management
adem.alabama.gov

1400 Coliseum Blvd. 36110-2400 ■ Post Office Box 301463
Montgomery, Alabama 36130-1463
(334) 271-7700 ■ FAX (334) 271-7950

May 28, 2026

Ms. Cassie Bates & Mr. Cade Kistler
Mobile Baykeeper
450C Government St.
Mobile, AL 36602

Dear Ms. Bates and Mr. Kistler,

On May 21, 2026, the Department received comments from the Mobile Baykeeper pertaining to the fiscal year 2025 Clean Water and Drinking Water Intended Use Plan (IUP). The comments advocate for the City of Prichard and demonstrate the many needs Prichard has related to sewer and drinking water projects. The Department is aware of the needs and continues to work with city leadership, the Mobile Area Water & Sewer System (MAWSS), and USEPA Headquarters to find a solution. To date, city leadership has been working to find grants and funding to help with the needs of the Prichard WW&SS. To assist with the effort of better defining a path forward the Bond Holders and ADEM are jointly funding a project to better define the steps forward. We have also solicited assistance from MAWSS in this effort. The goal of this project is to better define a solution that is the most reliable, cost-effective and best alternative for the citizens of Prichard. It is anticipated that this effort will require eight to nine months to complete. This will also dovetail with the City of Prichard's leadership commitment to complete the search for additional grants or funding.

Furthermore, providing direct loans to the City of Prichard is not possible at this time.

ADEM Admin. Code r. 335-11-1-.09(10) states:

Loans shall be made only to public entities that:

- a) Are included on the project priority list;
- b) In the opinion of the Department, have demonstrated the technical, financial, and managerial ability to operate and maintain the facilities over their useful life and to repay the loan;
- c) Provide security for repayment for the loan;
- d) Are not in default with any outstanding debt indentures, grant agreements, or loans;
- e) Agree to periodically adjust user fees and charges in order that a revenue stream is generated sufficient to operate and maintain the facilities and repay the loan;
- f) Agree to maintain records in accordance with governmental accounting standards and to conduct annual audits of the public body's financial records; and,
- g) Provide assurance as reasonably required by the Department and EPA.



Birmingham Office
110 Vulcan Road
Birmingham, AL 35209-4702
(205) 942-6168
(205) 941-1603 (FAX)

Decatur Office
2715 Sandlin Road, S.W.
Decatur, AL 35603-1333
(256) 353-1713
(256) 340-9359 (FAX)

Coastal Office
1615 South Broad Street
Mobile, AL 36605
(251) 450-3400
(251) 479-2593 (FAX)

Neither the City of Prichard nor The Water Works & Sewer Board of The City of Prichard meet all the conditions above.

No major programmatic changes to the revised IUP were necessary. The Department thanks Mobile Baykeeper for their comments. We hope Mobile Baykeeper can assist and have discussions with the leadership of the City of Prichard. FY26 is the final allotment of the Infrastructure Investment and Jobs Act (IIJA). June 30, 2026, is the final day the Department is accepting applications for consideration of funding for the FY26 SRF loan cycle. We encourage Mobile Baykeeper to work with the City of Prichard leadership to assist the city in finding the solution that works best for the citizens of Prichard.

If you have any questions, please do not hesitate to contact Brian Espy at (334) 271-7711 or via email at bespy@adem.alabama.gov.

Sincerely,



Russell Kelly, Chief
Permits and Services Division
ADEM

cc: Chris Bruegge – USEPA Region 4
Amy Kuhs – USEPA Region 4

EDWARD F. POOLOS
DIRECTOR

JEFFERY W. KITCHENS
DEPUTY DIRECTOR



KAY IVEY
GOVERNOR

Alabama Department of Environmental Management
adem.alabama.gov

1400 Coliseum Blvd. 36110-2400 ■ Post Office Box 301463
Montgomery, Alabama 36130-1463
(334) 271-7700 ■ FAX (334) 271-7950

May 28, 2026

Ms. Danielle Goshen
Senior Policy Analyst, Water Infrastructure
Environmental Policy Innovation Center (EPIC)
7761 Diamondback Dr.
College Park, MD 20742

Dear Ms. Goshen,

On May 21, 2026, the Department received comments from the Environmental Policy Innovation Center (EPIC) pertaining to Alabama's 2025 Clean Water and Drinking Water Infrastructure general supplemental Investment & Jobs Act (IJA) Intended Use Plans (IUPs) as well as the IJA IUPs related to lead service lines and emerging contaminants that were on notice during the month of May 2026. Below is the Department's response to the comments. No major programmatic changes to the revised IUP were necessary.

Comment 1:

Currently, it is unclear whether ADEM applies caps on principal forgiveness (PF) amounts under the General Supplemental program, as well as how PF allocations are determined among applicants. 1 For example, the General Supplemental Project Priority List (PPL) appears to provide PF at approximately 40% for one project, while all remaining projects appear to receive PF equal to 100% of the DWSRF amount granted.

To improve transparency and public understanding of funding decisions, we encourage ADEM to clarify the following under the General Supplemental Program:

- *whether project-level PF caps exist;*
- *how PF allocation amounts are determined for applicants; and*
- *whether there are specific criteria, formulas, or thresholds used to determine the percentage of PF awarded to each project.*

Response:

ADEM does not apply a cap to on PF. PF is determined based on financial need based on an evaluation of recent audits by the Department's third-party financial advisor.



Birmingham Office
110 Vulcan Road
Birmingham, AL 35209-4702
(205) 942-6168
(205) 941-1603 (FAX)

Decatur Office
2715 Sandlin Road, S.W.
Decatur, AL 35603-1333
(256) 353-1713
(256) 340-9359 (FAX)

Coastal Office
1615 South Broad Street
Mobile, AL 36605
(251) 450-3400
(251) 479-2593 (FAX)

Comment 2:

EPIC recommends that ADEM provide clearer guidance regarding electronic submission options for public comments and reopens the public comment period for the Draft DWSRF Intended Use Plans (IUPs) to ensure meaningful public accessibility and participation. The public notice for the Draft IUPs (General Supplemental, LSLR, and EC) only provided a physical mailing address for comment submission and did not include an email address or other electronic submission mechanism.

Limiting submission instructions to physical mail may create unnecessary barriers for stakeholders seeking to participate in the public comment process, including small water systems, technical assistance providers, community organizations, and members of the public who may rely on electronic communication methods. Electronic submission options have become standard practice across many SRF programs and are an important component of transparent and accessible public engagement processes.

Given the lack of clarity regarding whether electronic submissions would be accepted, EPIC recommends that ADEM reopen the public comment period following the publication of updated submission instructions that clearly identify all available methods for submitting comments, including electronic options. Doing so would help ensure that all interested stakeholders have a fair and accessible opportunity to participate in the development of DWSRF IUP.

Response:

ADEM has met the USEPA/Federal requirements for public noticing of IUPs. The Department appreciates EPIC's suggestions and will consider them in the future.

Comment 3:

Under federal regulations "[a]ll projects... must be ranked using a State's priority system and go through a public review process prior to receiving assistance." Further, "[t]he IUP must contain a fundable list of projects that are expected to receive assistance from available funds designated for use in the current IUP and a comprehensive list of projects that are expected to receive assistance in the future." Currently, it appears that Alabama only publishes a fundable list in its draft IUPs across all programs (Base, General Supplemental, LSLR, and EC) that includes applicants expected to receive DWSRF funding. However, ADEM does not appear to publish a comprehensive list of all applicants from which the fundable list is derived.

For most states, the comprehensive list often appears as the full list of applicants that are not expected to receive funding based on limited funding available during the funding cycle. We assume that each Priority List appended to Alabama's IUPs is a subset of the applicants that seek funding under the DWSRF programs, representing the set of prioritized projects expected to receive funding within the current funding cycle, which would characterize Alabama's Priority Lists as Fundable Lists. If this is the case, the lack of transparency with regard to applications that are not on the Priority List limits stakeholders' ability to fully assess the program, for example, by comparing the characteristics of applicants selected to receive SRF awards with those who applied but are not prioritized to receive funding. We encourage ADEM to publish not just a funding list, but also a comprehensive list of applicants. Alternatively, if the state has enough funding to meet all program demand, we encourage the state to clearly state that all projects on the comprehensive list are expected to be funded.

Response:

40 CFR 35.3555(c)(2)(i) states, "The IUP must contain a fundable list of projects that are expected to receive assistance from available funds designated for use in the current IUP and a comprehensive list of projects that are expected to receive assistance in the future...." At this time, the Department is unable to provide a comprehensive list of projects that are expected to receive assistance in the future. Prior to placing an IUP on notice, the Department provides the USEPA Region 4 an opportunity to review and comment. USEPA Region 4 has indicated that the Department's IUPs are appropriate and align with the Federal Regulations.

Comment 4:

*Under the SFY26 Draft EC IUP Project Priority List, a single \$10 million project is expected to receive nearly three-quarters of the approximately \$13.5 million available for projects. Despite receiving the majority of available EC funding, the project ranks near the bottom of the PPL, as the third-lowest ranked project listed. See **Image 1**. The remaining projects are expected to receive between \$300,000 and \$690,000 in assistance, for projects ranging from \$500,000 to \$39.3 million in applied for project amounts. The disparity in this proposed allocation, particularly given the low ranking of the \$10 million West Morgan-East Lawrence Water & Sewer Authority project, suggests that additional clarity regarding project funding caps and allocation decisions is warranted. If the remaining projects were allocated substantially less funding because portions of their requested amounts were determined to be ineligible, we encourage the state to include an additional column on its project lists identifying the amount of eligible project costs for each project.*

Response:

The West Morgan East Lawrence system has an effective reverse osmosis system. The project funded with \$10 million will impact more Alabama citizens at a lower cost per household than any other project submitted. The cost per household and the number of households impacted is a major deciding factor when evaluating projects.

Comment 5:

*In SFY26, across all programs, we see the amount of funding available for projects as higher than the costs of projects on the fundable list. See **Image 2**. This suggests that, unless additional funding is provided for projects on the fundable list, significant carryover or uncommitted funds will again occur in SFY26.*

*For **Image 2** through **Image 4** below, several methodological considerations are important to note. First, the green "Funds Available for Projects" bars were calculated by combining federal capitalization grants, any state match, uncommitted fund balances, any loan repayments, and any interest earnings from the revolving fund, and then subtracting set-asides, as the state does not provide a single consolidated value for funds available for projects.*

Second, the blue "Demand for Funds" bars were calculated using the "Applied for Project Amount" values for all projects included on Alabama's published project lists.

Third, the purple "On Fundable List" bars were calculated as the sum of all values under the "DW SRF Amount Granted" column for the LSLR, General Supplemental, and EC programs. For the Base program, the "Applied for Project Amount" values were used instead, as the state does not

provide a separate expected funding amount for Base projects. As a result, the same value is used for both the blue "Demand for Funds" bars and the purple "Funds Expected to Be Awarded" bars under the Base program, which may overestimate the true amount of funding expected to be awarded to projects under the base program during the funding cycle.

Finally, as discussed in **Recommendation 3**, we are also concerned that Alabama's project lists may only reflect projects expected to receive funding, rather than a comprehensive list of all applicants seeking assistance. Because comprehensive lists are typically used to assess total program demand, actual demand for DWSRF funding in Alabama may be higher if additional applicants sought funding but were not included on the published project lists. Accordingly, the demand estimates reflected in Images 2 through 4 may underestimate actual program demand.

Diving further into uncommitted funds, we do not believe this is a concern under the EC and LSLR programs. Under both the lead and EC programs, demand for funds far exceeds available funds, and costs on the fundable lists are equal if not slightly higher than the amount of funds available for projects. This shows that the state has good opportunity to expend lead- and EC-specific funds and also needs additional funds to support lead and EC projects. See **Image 3** and **Image 4**, below.

At the same time, the degree to which total available funds exceed the total cost of projects on the fundable lists suggests that funds available for projects on the Base and/or General Supplemental programs are at risk of not being committed during this funding cycle. When looking at the General Supplemental Program, we calculate that \$166,944,738 is available for projects.⁵ However, only \$35,054,923 is provided as funding amounts or 'DW SRF Amount Granted' on the state's Draft General Supplemental Project Priority List — **resulting in over \$131 million in funds that are not expected to go towards projects during the SFY26 General Supplemental funding cycle.**

In order to avoid uncommitted funds from the General Supplemental program during SFY26, we **encourage ADEM to allow projects from the state's LSLR and EC programs to be considered for funding from the Base or General Supplemental programs.** This could help ensure that funds are spent in a timely manner, and carryover funds are limited. Further, **projects on the state's General Supplemental project lists should be considered for funding under the Base program and vice versa.**

Additional recommendations that ADEM may want to consider include revising readiness to proceed requirements, and/or project assistance and principal forgiveness caps. However, since we believe Alabama does not include a comprehensive list of all applicants seeking funding, it is hard to know whether these recommendations would be helpful in addressing significant carryover funds under the general program. Further, the state could utilize additional set-aside allowances to help develop and expedite the state's project pipeline, as will be discussed in the next recommendation.

Response:

Thank you for the suggestions. The state will consider the recommendations moving forward.

Comment 6:

Alabama could make greater use of available set-aside allowances to ensure ADEM has sufficient resources to administer its DWSRF program, ensure funds are getting out the door, and provide additional support to applicants. Although up to 31% of a DWSRF federal capitalization grant may be allocated to set-aside activities, ADEM consistently underutilizes these funds—never allocating more than 15% of any individual cap grant to set-asides. See **Image 5**. Moreover, set-asides have only been allocated from Base and IIJA General Supplemental grants, with none drawn from the LSLR or EC grants.

EPIC encourages states to use available set-aside allowances from Base, IIJA General Supplemental, and LSLR grants to support administrative needs, provide technical assistance and capacity building to eligible applicants, and build robust project pipelines. We do not typically encourage set-asides from EC grants, however. Set-asides from the Base, IIJA General Supplemental, and LSLR grants are drawn from funds that would otherwise be used for repayable loans. In contrast, EC program funds must already be provided as 100% principal forgiveness, so diverting those funds to set-asides reduces the amount available for direct project assistance to communities.

Given the significant amount of unutilized or carryover funds that have occurred within ADEM's programs—particularly the General Supplemental program—we encourage the state to make greater use of set-asides to strengthen Alabama's project pipeline. **Increased use of these set-asides could help support applicants in developing eligible projects, navigating the application process, and meeting readiness-to-proceed requirements.**

Response:

Thank you for the suggestions. The Department places a high value on funding infrastructure projects. The state may consider EPIC's recommendations moving forward.

Comment 7:

Some policy decisions indicated in Alabama's IUPs are unclear. This makes it hard to analyze which communities are benefitting from Alabama's DWSRF and propose opportunities for improvement. **We encourage Alabama to increase program transparency by clearly communicating key policies and funding decisions.** This includes, but is not limited to:

- Provide a single value for **funding available for projects** on the sources and uses of funds tables.6
- Provide **PWSID information** for each project on the PPL.
- Provide how much ARPA funds are being utilized (if any) in the Sources and Uses of Funds tables.
- Provide **project rank** for each project on the PPLs.
- Provide **project score**, even for Supplemental Projects receiving additional DWSRF funds, where loans are issued to previous recipients as needed to complete segmented projects or to cover cost overruns.
- Clearly articulate how much **carryover** occurs for each program, including LSLR and EC, even if that value is \$0 for the funding cycle.

Response:

All IUPs are reviewed and approved by USEPA Region 4 prior to public notice. Thank you for the suggestions. The state will consider the recommendations moving forward.

If you have any questions, please do not hesitate to contact Brian Espy at (334) 271-7711 or via email at bespy@adem.alabama.gov.

Sincerely,

A handwritten signature in blue ink, appearing to read "Russell Kelly", with a stylized flourish at the end.

Russell Kelly, Chief
Permits and Services Division
ADEM

cc: Chris Bruegge – USEPA Region 4
Amy Kuhs – USEPA Region 4