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Alabama Department of Environmental Management
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(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.



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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

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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.



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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