ADEM STATE REVOLVING FUND

SRF Overview & Updates

2026 Surface Water Meeting – Wetumpka, AL

October 14, 2026

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Chief, Engineering Section – SRF Branch

AGENDA

Today's Topics

1. **SRF Refresher**
   Fund sources, eligibility, ranking & affordability basics

2. **Key Requirements Highlight**
   The loan process at a high level, from application to reimbursement

3. **Program Update**
   FY2025 IUP results and the FY2026 funding cycle

4. **ARPA Update**
   Financial status and the 12/31/2026 expenditure deadline

5. **Wrap-Up**
   Questions and contacts

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SRF Refresher

Loan Program Fund Sources

1 CW/DW Base SRF

- Low-interest loans
- Small amount of additional subsidization (i.e., principal forgiveness) available
- Standard SRF eligibility applies

2 CW/DW General Supplemental

- Low-interest loans
- Increased additional subsidization (i.e., principal forgiveness)
- Standard SRF eligibility applies

3 CW/DW IIJA Emerging Contaminants

- 100% principal forgiveness loans
- Projects addressing PFAS or any contaminant on EPA's Contaminant Candidate List are eligible
- Priority given to PFAS

4 DW IIJA Lead Service Line

- Low-interest loans with up to 100% principal forgiveness
- Eligibility includes
  - Inventory and Full LSL Replacement
  - GRR and Galvanized downstream of lead components
  - “Integrated Components” (FY25/26 only, must qualify)

CW Clean Water **DW** Drinking Water **IIJA** Infrastructure Investment and Jobs Act

CWSRF & DWSRF Eligibility

Clean Water SRF (CWSRF)

- Planning / Assessments
- Agricultural Best Management Practices
- Habitat & Ecosystem Restoration / Source Water Protection
- Resource Extraction Water Quality
- Landfill Water Quality
- Contaminated Site Remediation
- Centralized Wastewater Treatment (POTWs)
- Collection System Infiltration & Inflow Rehab
- Climate Resiliency & Hazard Mitigation
- Energy & Water Conservation
- Water Reuse
- Decentralized Wastewater Treatment
- Stormwater Management

Scan for EPA's Overview of CWSRF Eligibilities
epa.gov/cwsrf

Drinking Water SRF (DWSRF)

- Source
- Storage
- Transmission
- Consolidation
- Water Security
- Energy Efficiency
- Water Efficiency

Scan for EPA's DWSRF Eligibility Handbook
epa.gov/dwsrf

Project Ranking Criteria

Clean Water

Priority Points (claimed & verified)

A. Enforcement & Compliance
B. Water Quality Improvement
C. Water/Energy Efficiency
D. Stormwater Management
E. Agricultural/Nonpoint Source Pollution
F. Sustainability
G. Growth

Considerations for Principal Forgiveness

Small <10,000 population · <1 MGD design flow

Disadvantaged Median income · pop. change · unemployment

Financial Capacity <1.1x debt coverage ratio

Drinking Water

Priority Points (claimed & verified)

A. Enforcement & Compliance
B. Drinking Water Contaminants
C. Water/Energy Efficiency Rating
D. Capacity and Pressure
E. System Consolidation
F. Sustainability
G. Reporting
H. Affordability
I. Infrastructure Improvement

Considerations for Principal Forgiveness

Small <10,000 population

Disadvantaged Median HH income · water bill ($/5,000 gal)

Financial Capacity <1.1x debt coverage ratio

Clean Water: Special consideration for Green Project Reserve (GPR) eligible activities, which includes Low-Impact Development

Affordability Criteria

$ Audited Financial Statement Review

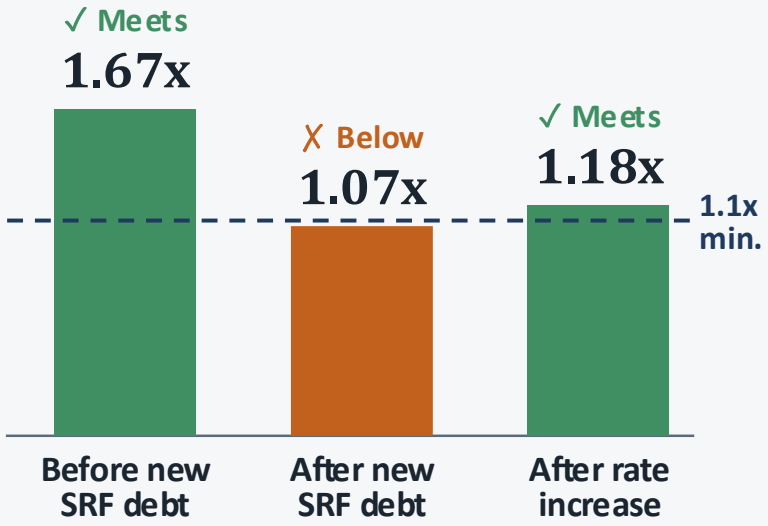
- Ideally the previous 3 years
- Must show 1.1x debt coverage ratio (after taking on additional debt)
- Recommendations made when the debt coverage ratio cannot be met:
  - Depreciation of assets, asset management plan, optimize collection and customer cutoff, implement rate increases, decrease water loss, etc.

✓ Fiscal Sustainability Plan

- All ARPA and CWSRF recipients were required to draft and adopt a plan, and all DWSRF recipients are encouraged to draft and adopt a plan
- May be requested by ADEM at any time

Debt Coverage Ratio (DCR)

$$\frac{\text{Net Operating Revenue}}{\text{Annual Debt Service}} \geq 1.1x$$



Illustrative example using hypothetical utility figures.

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Key Requirements Highlight

The Loan Process at a Glance

1 Apply & Rank

- Submit Preapplication (Form 340 for CW or 370 for DW) and Preliminary Engineering Report
- SRF & compliance staff review and rank projects
- Selected projects placed on the Intended Use Plan (IUP)

2 Review & Close

- Submit full application, incl. EID (not required for supplementals)
- ADEM environmental & financial review
- Close loan / execute grant

3 Build & Reimburse

- Pre-construction: P&S review, bids, Project Review & Cost Summary
- Construction: Davis-Bacon, AIS, BABA
- Post-construction: final reimbursement & 20-year amortization

Supplemental funding: *the full application and some review steps may already be complete.*

2–4 months
Typical time: PREAPP to IUP selection

4.5–11 months
Typical time: IUP to loan closing

12–24 months
Typical construction duration

KEY REQUIREMENTS HIGHLIGHT

Application & Review

1 Full Application

- Application form: Form 339 (CWSRF) or Form 369 (DWSRF)
- Environmental Information Document (EID) due within 60 days of the Fundability Letter
- Supporting docs: audited financials, plans & specs, engineering contract, outlay schedule

45–180 days
Typical time: Fundability Letter to complete application

2 Environmental Review*

- ADEM reviews the application & EID for completeness; comments issued by letter
- FONSI or Categorical Exclusion issued, followed by a 30-day public comment period
- Any comments received must be addressed and may delay loan closing

30–90 days
Typical time: complete application to FONSI / CE

3 Financial Review

- Previous 3 years of audited financial statements go to ADEM's financial advisor
- Must demonstrate a 1.1x debt coverage ratio, including the new SRF debt
- Rate increases recommended when the ratio cannot be met

199
Loans Pending Closure

KEY REQUIREMENTS HIGHLIGHT

Loan Closing

Loan (with or without Principal Forgiveness)

- Financial capacity confirmed by ADEM's financial advisors
- Amortization schedule by ADEM; documents by outside counsel
- 20-year fixed-rate term with 10-year call; $11,000 closing fee and capitalized interest[1] rolled into repayment
- Repayment begins on the first February 15 or August 15 after construction
- Any principal forgiveness awarded reduces repayment

2.75%
Current IUP interest rate

100% Principal Forgiveness

- Loan documents prepared by ADEM SRF; ADEM counsel coordinates review
- Full principal forgiven, no repayment
- No closing fee; expedited closing
- Higher scrutiny on engineering fees (relatively consistent with USDA Engineering Compensation guidelines)

~45–90 days
Typical time from FONSI / CE to closing

1) Capitalized interest is calculated over the construction period and can be reduced or eliminated if the recipient opts to start repayment immediately.

KEY REQUIREMENTS HIGHLIGHT

Construction & Reimbursement

P Pre-Construction & Bidding

- Plans & specs (and any permits) approved before bid
- Contracts include current ADEM Supplemental General Conditions[1]
- DBE: Six Good Faith Efforts, min. 3 solicitations per trade
- Project Review & Cost Summary review leads to Approval to Award

3
Avg. contracts per project

C Construction

- Davis-Bacon wage rates included in bid specs
- AIS / BABA: iron & steel, manufactured products, and construction materials made in the U.S.
- Manufacturer certification letters submitted with pay requests
- Waivers exist but are rarely approved; plan for compliance

~165
SRF projects under construction

$ Reimbursement

- Loan closed and Approval to Award issued
- One payment request per month, with invoices
- Email the SRF Project Manager; cc Fiscal and srf@adem.alabama.gov
- First request includes bank wiring instructions
- No payments made directly to contractors

25
Avg. days to process a pay request

1) Supplemental General Conditions are being revised (see SRF Program Updates); the current version and all SRF forms are at adem.alabama.gov/state-revolving-fund-srf under "+SRF Forms."

KEY REQUIREMENTS HIGHLIGHT

SRF Requirement Updates

1 Revised SERP

State Environmental Review Process

Final stages of approval

- **Streamlined Categorical Exclusions**
  CE determinations based on the PREAPP / PER, with an EID required only when conditions warrant
- **Reduced public participation**
  Fewer public participation requirements
- **Floodplain management**
  Updated documentation requirements

2 Revised SGCs

Supplemental General Conditions

Under revision

- **Updated legal framework**
  Consistent with recent executive orders and new rules passed in recent years
- **Grant subawards**
  Flexible enough to work with grant subawards

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Program Update

PROGRAM UPDATE

FY2025 IUP Final Dates

1	Clean Water & Drinking Water Base	Finalized September 2025
2	Clean Water & Drinking Water IIJA	4/21/2026
3	Clean Water & Drinking Water Emerging Contaminants	4/24/2026 (Rev. 0) • 7/27/2026 (Rev. 1)
4	Drinking Water Lead Service Line	4/24/2026 (Rev. 0) • 7/27/2026 (Rev. 1)

PROGRAM UPDATE

Totals Awarded on FY2025 Intended Use Plans

Drinking Water

Base
$75,396,830

General Supplemental
$52,755,600

Emerging Contaminants
$13,581,000

Lead Service Line
$54,594,000

Total $196,327,430

Clean Water

Base
$80,914,200

General Supplemental
$74,557,092

Emerging Contaminants
$2,378,000

Total $157,849,292

123
Projects funded on FY2025 IUPs

105
Communities served

$95.6M
Principal forgiveness awarded

PROGRAM UPDATE

FY2026 Funding Cycle

1	Priority Application Deadline (Passed)	June 30, 2026
2	Application Review & Ranking	Ongoing
3	Draft Intended Use Plans	Expected Late Fall 2026
★	Emerging Contaminants (specifically eligible applicants for EC-SDC grant)	Awards Pending EPA Approval

160 DW / 81 CW
Projects for FY26 Funding Consideration

$1.69B
Total funding requested

23*
EC eligible applicants

PROGRAM UPDATE

FY2026 Allotments

Drinking Water

Base

$6,784,000

General Supplemental

$43,946,000

Emerging Contaminants

$13,490,000

Lead Service Line

$38,364,000

Total $102,584,000

Clean Water

Base

$8,068,000

General Supplemental

$27,824,000

Emerging Contaminants

$2,402,000

Total $38,294,000

Change vs. FY2025

Drinking Water

Base
−$12.5M

General Supplemental
−$17K

Emerging Contaminants
No change

Lead Service Line
−$3.5M

Total −$16.0M (−13.5%)

Clean Water

Base
−$9.9M

General Supplemental
No change

Emerging Contaminants
No change

Total −$9.9M (−20.5%)

Source: EPA SRF allotment tables

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ARPA Update

ARPA UPDATE

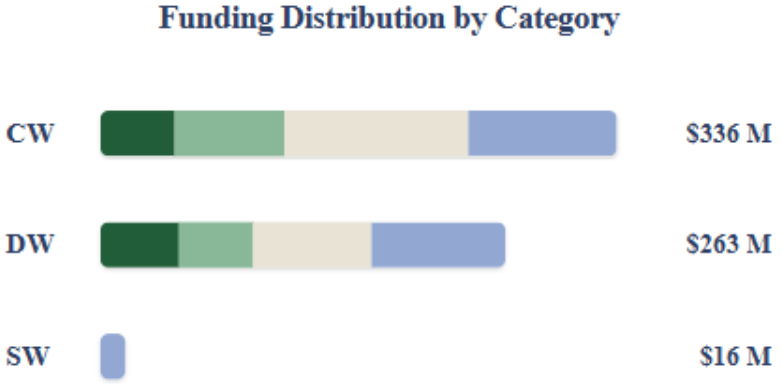
American Rescue Plan Act (ARPA)

$1.9 Trillion COVID-19 Relief Package
Signed into law 3/11/2021

$615 Million to ADEM
For drinking water / wastewater projects across Alabama

All Projects Selected & Funds Obligated
Completed by 12/31/2024

All Funds Must Be Expended
By 12/31/2026



CATEGORY FUNDING / TOTAL GRANTED:

Clean Water (CW) Total:	**$336 M** / $615 M
Drinking Water (DW) Total:	**$263 M** / $615 M
Stormwater (SW) Total:	**$16 M** / $615 M

Pot 100 Pot 120 Pot 195 Pot 200

ARPA UPDATE

ARPA Financial Status

495
Total ARPA Grants

$615M
Total Granted

$546.3M
Paid (88.8%)

$68.7M
Remaining (11.2%)

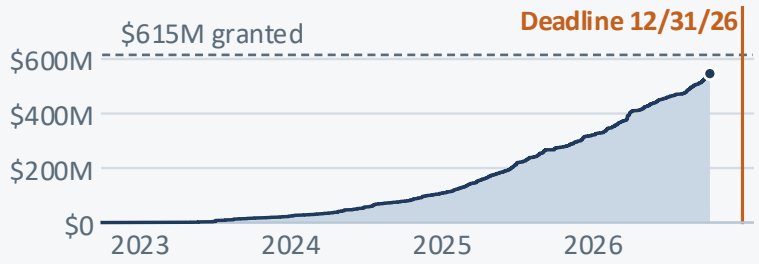
Breakdown by Fund Type

Clean Water & Stormwater
$351.9M
270 grants

Drinking Water
$263.1M
225 grants

Cumulative ARPA Disbursements

Data through 10/13/2026



$546.3M
paid (88.8%)

$68.7M
to expend in 79 days

Project Status (495 grants)



339
Finished
Exhausted all funds

56
Final Payment
Reimbursement pending

100
Outstanding
See breakdown below

Of the 100 outstanding projects:

- **42** have payments pending (not final)
- **58** have no pending payments

Data as of 10/13/2026. All ARPA grants must be paid to grantees by December 31, 2026; project counts and fund allocations are subject to change.

ARPA — Recent Events

AUGUST 2026

1st Round of Redirected Funds

- Aug. 13: comprehensive assessment of project status by Department leadership, SRF leadership, and Project Managers
- Late August letters issued:
  - Reclaiming funds unused after project completion
  - Providing additional ARPA funds

CHECKPOINT

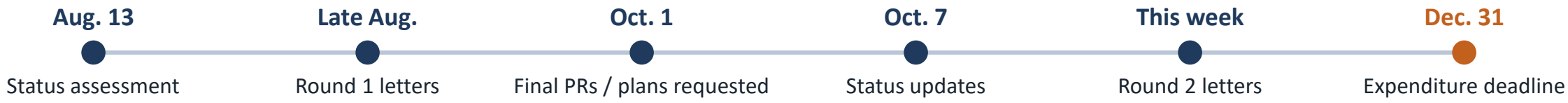
October 1, 2026

- Department requested final PRs **OR** detailed plans for expenditure of remaining funds
- Projects extending beyond 10/1 must provide reliable, accurate progress information through year-end

OCTOBER 2026

2nd Round of Redirected Funds

- Oct. 7: SRF leadership provided status updates on all outstanding projects
- Oct. 13: second batch of letters reclaiming funds unused after project completion
- SRF staff have proposed projects to receive redirected funds



ARPA — Upcoming Activities

The Department is actively working with ARPA recipients to maximize use of funds before the 12/31/2026 expenditure deadline.

1 Close Watch Status
Gather critical updates for projects expected to finish

2 Remaining Funds
Process final PRs promptly as they are submitted

56
Final PRs pending

3 Reallocations
Immediate turnaround of reclaimed funds to overspent projects ready to request reimbursement

Key Year-End Dates

11/30*	Latest date for PRs to be submitted to ADEM
12/1	SRF target: all submitted PRs sent to the Comptroller
12/31	No funds may be **expended*** after this date, funds not expended must be returned to US Treasury

***What counts as "expended"?**
Paid out for goods delivered or services rendered, i.e., money out of the grant recipient's account.

SECTION 5 OF 5

Wrap-Up

Thank You

Questions about your project? Reach out to the SRF team.

SRF MAILBOX

srf@adem.alabama.gov

SRF FORMS & RESOURCES

adem.alabama.gov/state-revolving-fund-srf