



Alabama Rivers Alliance  
*Water Is Life*

October 24th, 2022

Dear Johnnie Purify,

On behalf of our partner organizations and individual members, the Alabama Rivers Alliance is writing to share our perspective on Alabama's plans for spending both its Clean Water State Revolving Fund (CWSRF) and Drinking Water State Revolving Fund (DWSRF) resources over the coming year. We respectfully request a meeting with your office on this topic. The Alabama Rivers Alliance is a statewide network of groups working to protect and restore all of Alabama's water resources through building partnerships, empowering communities, and advocating for sound water policy and its enforcement.

Alabama has been the poster child for wastewater infrastructure challenges for many years. Both urban and rural communities of color and low-income communities have suffered from under-investment, racial discrimination and neglect with regards to basic sanitation infrastructure needs that other communities take for granted. For the past few years, the Alabama Rivers Alliance (ARA) has helped tell the stories of these communities through our Southern Exposure Film program as well as other public programming. We have engaged with national partners through the Clean Water For All coalition in advocating for federal funding to help communities address these issues and we have brought together a broad coalition of partner organizations and stakeholders engaging on the distribution of these dollars through our state's CWSRF and DWSRF programs.

We thank the Environmental Protection Agency (EPA) for involving residents, community organizations, and environmental groups in the implementation of the SRF program. The SRF takes on heightened importance this year given the passage of the Infrastructure Investment and Jobs Act (IIJA), also known as the Bipartisan Infrastructure Law. The scope and size of the law's new investments present an unprecedented opportunity to improve water infrastructure throughout Alabama. Community input on disbursement of these funds is a critical part of the implementation process and will result in more equitable and efficient investments.

We understand that EPA Regional Offices are responsible for engaging with state SRF agencies and reviewing their plans to ensure consistency with federal requirements. Given your important role in holding states accountable, we ask that you consider our views on Alabama's proposed SRF plans and our experiences engaging with the Alabama Department of Environmental Management (ADEM) on this issue, and that you might allow us the opportunity to meet with you to discuss further.

Early this fall, ADEM released its first round of Intended Use Plans (IUPs) for the fiscal year of 2022 for the CWSRF and DWSRF programs. The Alabama Rivers Alliance, along with twelve co-signing partners, submitted a 13-page comment letter addressing what we see as critical programmatic needs for ADEM to deliver future SRFs equitably and efficiently. Our goal is to advocate for improvements to the way ADEM solicits, selects, and funds projects for the SRF to ensure that funding is directed towards communities that need it most and that all communities are given a fair shot at being funded.

Our comments addressed many aspects of the SRF process for CWSRF and DWSRF from the application itself all the way through funds disbursement and reimbursement; however, our priorities mainly concern ensuring full transparency and consideration of projects is given to all rural, small, or otherwise disadvantaged communities in Alabama. For both the CWSRF and DWSRF IUPs, we asked for further explanation and strengthening of the project ranking methodology, delineating funding sources for projects, enhancing affordability criteria and requirements for additional subsidization, and expanding community outreach and technical assistance beyond traditional efforts. We also had further comments specific to aspects of the CWSRF and DWSRF process. Please find a copy of our full comments attached along with ADEM's response.

We understand that some of these projects have been in the works for a long time and there is a sense of urgency in distributing these funds, but the urgency should not come at the expense of true community engagement and transparency. The Alabama Rivers Alliance and our partners want to ensure that ADEM takes the time to review their past SRF program and to use this historic opportunity to improve the program so that disadvantaged communities are always prioritized. We do not want to see the agency merely checking boxes to meet the bare minimum requirements of the BIL rather than fully engaging communities in a meaningful way and comprehensively using this funding to fill the greatest needs. Alabama's Black Belt has traditionally been sorely overlooked for infrastructure funding and Alabama has many other small communities that may not be connected, engaged, or resourced enough to access these funds. We want to ensure that all communities have access and the technical assistance needed to apply and we want to ensure that the application and funding process is handled equitably and transparently.

ADEM issued a response to our comments within a few weeks via email and snail mail. While they did take the time to answer some of our points, their answers for the most part merely restated what was in the IUP or other documents and did nothing to further clarify the issues we raised or provide any new information. They did not indicate that any changes we requested would be considered.

We ask that EPA Region 4 not approve Alabama's IUP unless it makes key changes to address these issues. Alabama's SRF program urgently needs to improve its project ranking methodology, affordability criteria, additional subsidization and public outreach process to allow for disadvantaged communities to access, qualify for and receive SRF funding and to make its entire process more transparent to stakeholders like our organizations. Please see our attached comments for more explanations and detailed suggestions to improve Alabama's SRF program. It would be helpful for EPA Region 4 to share its timeline when we can expect a decision on Alabama's IUPs. We also urge EPA to provide resources and assistance to help Alabama make these changes. Finally, we request a meeting with your office to discuss how Region 4 can work with Alabama to ensure that these objectives are achieved.

Thank you for considering this request. We look forward to hearing from you soon. You may reach me via email at [clowry@alabamarivers.org](mailto:clowry@alabamarivers.org) or via phone at 205-322-6395.

Sincerely,

Cindy Lowry  
Executive Director  
Alabama Rivers Alliance

Attachments to this letter are:

- (1) Alabama Rivers Alliance's Comments on FY 2022 Intended Use Plans (IUPs) for the Clean Water State Revolving Fund (CWSRF) and the Drinking Water State Revolving Fund (DWSRF) Loan Programs
- (2) Cahaba River Society Comments on ADEM Clean Water State Revolving Fund Intended Use Plan
- (3) ADEM's Response to Comments on the FY22 Intended Use Plan

September 2, 2022

VIA EMAIL

Brian Espy  
General Services, Permits and Services Division  
Alabama Department of Environmental Management  
[Bespy@adem.alabama.gov](mailto:Bespy@adem.alabama.gov)

**Re: Comments on FY 2022 Intended Use Plans (IUPs) for the Clean Water State Revolving Fund (CWSRF) and the Drinking Water State Revolving Fund (DWSRF) Loan Programs**

Dear Mr. Espy:

On behalf of the 13 undersigned environmental and community-based nonprofit organizations and individuals, Alabama Rivers Alliance submits the following comments concerning the FY 2022 draft Intended Use Plans (IUPs) released by the Alabama Department of Environmental Management (ADEM) for the Clean Water State Revolving Fund (CWSRF) and the Drinking Water State Revolving Fund (DWSRF) and related project attachments.

We recognize the need to distribute this historic investment into our nation's drinking water, stormwater, and wastewater treatment infrastructure from the Infrastructure Investment and Jobs Act, also referred to as the Bipartisan Infrastructure Law (BIL) as efficiently and timely as possible. However, this urgency must be balanced with a strategic approach that ensures the funding is addressing the greatest needs facing communities and residents across Alabama. The BIL provides a once-in-a-generation opportunity for states to finally address pernicious infrastructure deficiencies and assist communities that lack access to modern water and sanitation services. ADEM can and should do more to ensure that communities traditionally missed by the standard SRF loan program are funded through this increased investment while ensuring rapid delivery of funds to disadvantaged communities.

Additionally, ADEM bears responsibility under the Civil Rights Act to prevent racial discrimination in federal funding programs such as the SRFs. This obligation applies even when the discrimination is not intentional and comes as a byproduct of the way state policies are designed.<sup>1</sup> It is well documented—including in a recent *TIME*

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<sup>1</sup> 42 U.S.C. § 2000d; 40 C.F.R. § 7.35(b) (prohibiting the use of “criteria or methods [in federal funding programs] which have the effect of subjecting individuals to discrimination because of their race . . . or

magazine feature story—that communities of color have been historically neglected and left out of water infrastructure investments in Alabama and across the nation.<sup>2</sup> The BIL funds are an opportunity to make progress toward achieving water and sanitation equity, especially for people exposed to public health threats by nonexistent or failing decentralized wastewater systems. We understand this increased funding will be distributed over the next five years, and we want to ensure the SRF program is improved to be more equitable both now and for the future.

We offer the following comments and recommendations concerning each of the six IUPs released for comment. Comments in Section 1 are applicable to all IUPs released for the DWSRF and CWSRF. Comments in Section 2 are applicable to the CWSRF program, and comments in Section 3 are applicable to the DWSRF program.

### **Section 1: Comments applicable to the CWSRF IUP, CWSRF BIL IUP, CWSRF BIL EC IUP, DWSRF IUP, DWSRF BIL IUP, and DWSRF BIL Lead IUP**

- ADEM should explain and strengthen its project ranking methodology.
- ADEM should provide a larger portion of funding as subsidized funding to disadvantaged communities, as authorized by the SRF and BIL, and explain how much principal forgiveness will be given once authorized.
- ADEM should list and track funding sources separately for each project.
- ADEM should do more to make the funds more easily accessible to disadvantaged communities, such as creating a separate, streamlined grants-only process for disadvantaged communities.
- ADEM needs to expand its outreach and technical assistance efforts to disadvantaged communities.

#### **1. ADEM should explain and strengthen its project ranking methodology.**

The IUPs should allow stakeholders, prospective applicants, and members of the public to understand how ADEM scored and ranked each project, and thus why certain projects were selected for funding. However, in the current IUP drafts, the process of priority ranking for all applicants under the SRF program is not described in a clear and transparent way. ADEM should provide more information about how it calculates project priority scores.

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have the effect of defeating or substantially impairing accomplishment of the objectives of the program or activity with respect to individuals of a particular race . . .”).

<sup>2</sup> Justin Worland, “Sanitation Problems Have Plagued Black Residents of an Alabama County for Decades. The Government Might Finally Do Something About It,” *TIME* (Aug. 23, 2022), <https://time.com/6207654/lowndes-county-sanitation-environmental-justice/>.

We request that ADEM provide more insight on how applications perform in each category prior to the overall priority point ranking, including the number of points all applications scored in each category and subcategory. Each IUP includes a Project Priority List and a brief description of those projects in Attachments 1 and 2. However, in regards to application ranking and how projects were ultimately selected for priority, a single value is assigned for priority point ranking for review by the EPA and members of the public. This offers little to no insight on how each application performed in each category. Additionally, several projects are given the priority point ranking of “SUPP.” While we interpret that ranking to mean supplemental funding for previously funded projects, this needs to be made clear in the IUPs and how these supplemental funds fit into the overall ranking, specifically with regards to prioritizing disadvantaged communities.

In addition to providing a more transparent description of the ranking process, ADEM should also strengthen its project ranking system in two key ways. First, ADEM should include affordability and social vulnerability metrics within the project ranking methodology for both SRFs. It is critical to use these metrics *both* for project ranking and for the distribution of additional subsidization. Additional subsidization (addressed in more detail below) will not help disadvantaged communities access funds if their projects rank too low to receive those funds.

Currently, for the CWSRF application, there is no incorporation of disadvantaged or affordability criteria into the priority ranking determination *at all*. We recommend that ADEM update its CWSRF priority ranking system to add an additional category of “Affordability Criteria” and give it significant points/weight to support the goal of reaching disadvantaged communities and address the most serious risks to human health. For the DWSRF application, “Affordability Criteria” is incorporated into the Priority Ranking System; however, that “Affordability Criteria” is only calculated using a single metric (water bill divided by median household income) and is ultimately only given minor weight and thus consideration in the overall priority point ranking. We recommend that ADEM update its DWSRF Priority Ranking System to increase the weight of “Affordability Criteria” to meet the BIL’s intention to reach disadvantaged communities. Additionally, we recommend that when Affordability Criteria is incorporated into the project priority ranking system, ADEM should include additional socioeconomic factors as addressed in more detail in the additional subsidization section below.

Second, ADEM’s project ranking methodology should place a greater emphasis on public health outcomes, including human exposure to pathogens for the CWSRF. Points for this metric should not be limited to situations where a discharge to surface waters is occurring. ADEM can improve public health by providing more CWSRF

ranking points for communities lacking safe sanitation or struggling with failing on-site systems. The current points system awards only 10 points out of a possible 475 to decentralized projects, which makes it difficult for communities dealing with these issues to score points – especially as the other points categories are heavily weighted toward TMDLs and NPDES compliance issues. We observe that the current ranking system has led to the BIL CWSRF IUP including only one project serving rural areas with decentralized wastewater issues, and the base CWSRF IUP including zero such projects. ADEM should revise its policies to ensure these critical projects can score highly enough to receive funding.

**2. We urge ADEM to provide a larger portion of funding as subsidized funding to disadvantaged communities, as authorized by the BIL, and explain how much principal forgiveness will be given once authorized.**

A key priority and requirement of the BIL is to ensure that disadvantaged communities benefit equitably by mandating that 49% of federal BIL capitalization funds be provided as additional subsidization (grants and principal forgiveness) to disadvantaged communities. Additionally, the base SRF programs require at least 20% (CWSRF)/26% (DWSRF), and up to 40% (CWSRF)/49% (DWSRF), of the annual federal capitalization grant to be distributed as additional subsidization. ADEM is currently only meeting the minimum of this requirement, and we believe that is missing the true intent of the BIL funding and falling short of this historic opportunity to fill major inequities in water infrastructure investments. We urge ADEM to dedicate more than the minimally required percentages of subsidized funding as additional subsidy to disadvantaged communities.

The intention of this funding is to focus on equitably investing in disadvantaged communities, not to check a box that meets the minimum percentage of subsidization required to receive those funds. We believe that ADEM should be taking a more comprehensive approach to filling the infrastructure needs of the communities around Alabama that cannot otherwise fund their projects by providing as much financial assistance to disadvantaged communities through subsidized funding as legally allowed.

We understand that there may be some projects funded as loans to larger utilities that may not be receiving additional subsidization but may still be serving disadvantaged communities in those utilities service areas. If this is the case, this should be made clear in the IUP's.

**3. ADEM should list and track funding sources separately for each SRF project.**

To increase the transparency of funding sources for each SRF project, ADEM should provide more detailed information about what funding sources will be utilized for each project and what specific amounts will be used from each source. This information should be clearly identified on the Intended Use Plans for funding for each project on the Project Priority List.

For example, if a project will utilize funding from the base SRF program, BIL capitalization grant, and American Rescue Plan Act funding, then each of those funding sources should be identified and tracked separately on the IUP. Additionally, ADEM should clarify if separate applications are required to obtain multiple sources of funding at once, or if applicants only need to submit one application in either CWSRF or DWSRF to be considered for each of the funding sources contained within.

**4. ADEM should do more to make the funds more easily accessible to disadvantaged communities, such as creating a separate, streamlined grants-only process for disadvantaged communities.**

ADEM needs to increase its efforts to expand accessibility of the SRF program and solicit applications from disadvantaged communities. As a solution, we request that ADEM create a separate, simplified grants-only application process for applicants from disadvantaged communities to apply for subsidized funds. Separating these applications that should ultimately qualify for 100% subsidized funding would allow for a reduction in the complex affordability steps applicants need to take and streamline the delivery of funds to those disadvantaged communities.

The EPA's Combined SRF Implementation Memo recognizes that communities in greatest need are often the least equipped or prepared to move forward with an SRF project and application, so the EPA has allowed ADEM additional flexibilities and set-asides to ensure they are able to reach and sufficiently fund disadvantaged communities.<sup>3</sup> If it is ADEM's goal to ensure that disadvantaged communities are targeted and historical inequities are corrected, ADEM could do more to alter the standard SRF protocols to ensure that disadvantaged communities are made aware of and have minimal barriers to accessing funding by creating a separate application process for those communities.

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<sup>3</sup> EPA Memo, "Implementation of the Clean Water and Drinking Water State Revolving Fund Provisions of the Bipartisan Infrastructure Law" (Mar. 8, 2022), at p. 26, [https://www.epa.gov/system/files/documents/2022-03/combined\\_srf-implementation-memo\\_final\\_03.2022.pdf](https://www.epa.gov/system/files/documents/2022-03/combined_srf-implementation-memo_final_03.2022.pdf)

What we are asking for could relieve some organizational stress for ADEM as each application requires significant staff time to determine financial capability even if a project is destined for a disadvantaged community and will later be completely forgiven or funded through grants. Creating an alternative process to direct disadvantaged communities to a grants-only application process could make it easier for applicants to complete applications by streamlining financial requirements and enable ADEM to hand down funding decisions easier by eliminating cumbersome financial capability assessments. This would provide a much clearer and equitable opportunity for rural, small, tribal, and otherwise disadvantaged communities to get funding.

**5. ADEM needs to expand its public outreach and technical assistance efforts to disadvantaged communities.**

We commend ADEM staff for their responsiveness to answering calls and emails from the public. We also commend ADEM for the development of the Alabama Water Projects website where a list of all applicants has been kept up to date on a weekly basis. It is our understanding from conversations with ADEM staff that proactive email communications have been sent to city and county leaders as well as all water systems across the state. We acknowledge that these actions have already resulted in the receipt of more applications than available funding, but it is not clear that ADEM has implemented any new outreach activities to ensure that disadvantaged communities are aware of these funds and know how to apply for them.

An important component of the State Revolving Fund application and funding process is the incorporation of public participation and *meaningful involvement of communities*. Given the new influx of funding, the EPA encourages states “to reach beyond traditional stakeholder organizations and engage neighborhood and other organizations connected to the community to help identify needs, comment on IUPs, and communicate priorities” in the Combined SRF Implementation Memo.<sup>4</sup> We have not seen any intentional outreach beyond traditional partners from ADEM thus far. We recognize that the Alabama Rivers Alliance has been working in this field for over 25 years and may be considered a traditional stakeholder, but we are happy to lend our support to extend ADEM’s community outreach to as many communities as possible.

According to the EPA Combined SRF Implementation Memo, the IUP must contain a statement of how the state met the requirement of CWA section 605 or SDWA section 1452(b)(1) for meaningful public review and comment on the preparation of the

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<sup>4</sup> *Id.* at 4.

IUP.<sup>5</sup> The draft IUPs include no mention of ADEM’s outreach efforts to solicit meaningful public review in the SRF process. The Combined SRF Implementation Memo also advises states that “EPA will review IUPs with particular focus on whether the state has meaningfully engaged an inclusive spectrum of community interests.”<sup>6</sup> Again, there is currently no statement that clarifies if ADEM has implemented any new outreach activities to seek involvement from new communities and partners in the creation of IUP policies or to solicit and provide aid to disadvantaged communities applying for funding. We recognize that organizational capacity, personnel issues, and the COVID-19 pandemic have all impacted ADEM’s ability to interact meaningfully with the public, but with this new funding comes the flexibility to take additional steps toward more inclusive outreach.

We recommend that ADEM hold a series of interactive public outreach meetings hosted around the state that are accessible in both location and timing for disadvantaged community members, especially those located in rural areas of the state. These meetings should solicit genuine public involvement through educational training sessions about applying for funding, interactive conversations about questions, comments, or concerns with the current funding process, and include everyday Alabamians impacted by water quality issues, water affordability issues, and those still lacking modern sanitation services.

We also recommend that ADEM make full project applications available for online viewing somewhere outside of its e-file system. Experienced environmental professionals on our staff who are accustomed to using e-file on a regular basis have been unable to locate the applications on e-file. If project applications are not accessible for the public to review, then meaningful comment is limited.

## **Section 2: Comments applicable to the draft CWSRF IUP**

- ADEM should explain and strengthen the Additional Subsidization and Affordability Criteria.
- We encourage ADEM to utilize the newly available 2% technical assistance set-aside for the CWSRF.
- ADEM should clarify its practice of providing assistance through the purchases of bonds issued by SRF applicants in lieu of providing loans.

### **1. ADEM should explain and strengthen the Additional Subsidization and Affordability Criteria.**

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<sup>5</sup> *Id.* at 12.

<sup>6</sup> *Id.*

We support ADEM's decision to eliminate the cap on the amount of additional subsidization each project could receive; such caps make it difficult for financially distressed communities to access funds. We also support ADEM's change in policy to use its "Affordability Measure" in awarding additional subsidization, rather than limiting additional subsidization to green projects only. However, it is unclear how the Affordability Measure is actually used for determining eligibility for additional subsidization. The IUPs list metrics that ADEM considers (poverty rate, unemployment rate, and population trends), but it does not explain their relative weight or whether the applicant must meet a certain threshold score (for each metric, or for all metrics in combination) in order to qualify. ADEM also needs to disclose how Justice40 mapping tools were utilized and whether the use of the tool resulted in a numerical value that was weighted and/or combined with the other metrics.

In general, we found Attachment 4 difficult to parse and noted that it contains internal inconsistencies that make it impossible for the reader to understand how the Affordability Measure is calculated and how it results in some applicants receiving additional subsidization but not others. The document is dated 2015, but has clearly been updated at some point since, given its reference to the Justice40 tool. We recommend that ADEM holistically update this document to improve clarity and transparency.

We also recommend that ADEM take this opportunity, as requested by EPA, to update the Affordability Measure itself. First, ADEM should incorporate a wider range of metrics into the Affordability Measure to better capture both the overall financial capacity of the community and the cost burden of the project for low-income households specifically. ADEM should include factors beyond economic metrics, such as environmental, socioeconomic, and health burdens, as these factors may also deplete a community's ability to afford long-term investments. ADEM should consider incorporating factors such as community size, poverty indicators that capture both the prevalence *and severity* of poverty, water and sewer bill costs, housing costs, utility costs, social vulnerability scores, environmental burdens, and any history of legal discrimination. Other measures to consider include those listed in Attachment 1, Appendix E ("Additional Information to Assist States with Developing a Disadvantaged Community Definition and Affordability Criteria") of the EPA's Combined SRF Implementation Memo, including: community MHI is less than 80% of state MHI, communities with  $\geq 12.1\%$  Vacant Households, communities with 10% of failing decentralized systems, and many more.<sup>7</sup>

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<sup>7</sup> *Id.* at 40-43.

Additionally, for each metric in the Affordability Measure, the metric should be considered and applied at the geographic level of the spatial boundaries served by the project. It is the financial capacity of the community seeking funds that is relevant, not the capacity of the county where it is located. It is problematic that ADEM uses county-level data, despite the majority of applicants requesting funds to improve systems that only serve a city or municipality. The variance between a county or city's unemployment or poverty rate can vary widely, particularly if that county happens to contain an affluent suburb that skews the poverty line. Given that this data is likely collected from the US Census Bureau, there is no clear reason why ADEM has chosen to use county level data when city/municipality data is available. Another problematic metric considered is if the statewide population trend is increasing or decreasing. This value would be identical for every applicant, as it is a statewide determination, so it is meaningless in the determination of affordability for individual applicants. Assessing population trends at a county or municipal level is also available in the Census Bureau database and would be a more accurate representation of a utility's growing or shrinking customer base and thus ability to repay SRF loans.

Next, we urge ADEM to explain how it determines, once a recipient is deemed eligible for additional subsidization, *how much* principal forgiveness it will receive. The IUP does not explain this at all, and we note that the percentage of assistance provided as principal forgiveness varies for different projects on the Project Priority List without explanation. We hope that ADEM is providing even more additional subsidization for communities that are more financially distressed on a sliding scale, and prioritizing projects for principal forgiveness based on their Affordability Measure rather than their placement on the Project Priority List, but we do not know if this is the case as this information is not available to the public.

**2. We encourage ADEM to utilize the newly available 2% technical assistance set-aside for the CWSRF.**

Advice from the EPA recommends that states use their set-asides to start programs that proactively identify, reach out to, and provide assistance to rural, small, and tribal publicly owned treatment works and drinking water systems, with emphasis on disadvantaged communities. This funding is flexible and can be used for hiring staff or other organizations to reach out to these small, rural, and tribal POTWs, technical assistance for developing solutions, community outreach, preliminary engineering reports, and financial documents necessary for receiving SRF assistance.

We encourage ADEM to utilize the newly available 2% technical assistance set-aside for the CWSRF to conduct proactive outreach to, and facilitate applications from,

disadvantaged communities previously unable to begin or complete SRF funding requirements. If ADEM is utilizing this 2% technical assistance, it is not clear to the public how that is being utilized, and if ADEM is choosing not to utilize this 2% technical assistance set-aside, it needs to be clarified in the CWSRF IUPs.

**3. ADEM should clarify its practice of providing assistance through the purchases of bonds issued by SRF applicants in lieu of providing loans.**

The draft CWSRF IUP includes the following statement:

The Federal Water Pollution Control Act (FWPCA) Section 603(d)(1)(E) requires a recipient of a loan for a project that involves the repair, replacement, or expansion of a publicly owned treatment works to develop and implement a Fiscal Sustainability Plan (FSP) or certify that it has developed and implemented an FSP. This provision applies to all loans for which the loan recipient submitted an application on or after October 1, 2014. The Alabama CWSRF program provides all assistance by purchasing outstanding debt obligations (bonds) from the borrower, thus this requirement does not apply. The Alabama CWSRF program commonly refers to these bond purchase agreements as “loans”, though they are not loans as defined by EPA. [p. 5 of IUP]

This language has been repeated in CWSRF IUPs for several years, and it is possible that current practice may have varied from what appears to be an absolute statement in this paragraph. If ADEM were actually issuing *loans*, however, then the federal requirement for borrowers to have fiscal sustainability plans would apply, which the IUP says it does not.

The IUP should clarify when, and for what reason, ADEM provides financial assistance through the purchase of bonds issued by SRF applicants, and when it provides assistance through a traditional loan agreement. ADEM should describe how the preferential interest rates offered to SRF borrowers are realized through the bond purchase mechanism. Projects supported through bond purchases should be noted as such. ADEM should assess how much of an additional barrier, in terms of time, expense, and expertise the requirement for SRF borrowers to issue bonds for state purchase imposes, compared with applicants simply signing a loan repayment agreement. Additionally, for projects supported through loans rather than bond purchases, the CWSRF IUP should describe how ADEM is implementing the requirement for Fiscal Sustainability Plans required by Section 603(d)(1)(E) of the

Federal Water Pollution Control Act (FWPCA), and where such plans can be accessed by the public.

### **Section 3: Comments applicable to the draft DWSRF IUP**

- We request clarification on ADEM's use of the DWSRF Emerging Contaminants funding and urge ADEM to proactively fund drinking water emerging contamination projects.
- We encourage ADEM to utilize the 2% technical assistance set-aside available for the DWSRF to reach small systems.
- ADEM needs to include language about the Green Project Reserve in the DWSRF IUPs for the BIL funding and LSLR.

#### **1. We request clarification on ADEM's use of the DWSRF Emerging Contaminants funding and urge ADEM to proactively fund drinking water emerging contamination projects.**

In this initial release of Intended Use Plans, there was no Intended Use Plan for the DWSRF Emerging Contaminants funding created by the BIL. Alabama was allocated \$16,286,000 for projects working on emerging contaminants in drinking water for the fiscal year of 2022 alone.

We understand that ADEM is choosing to wait to allocate this funding until the EPA establishes a Maximum Contaminant Level (MCL) for PFAS in drinking water that is expected to be released in late 2023. However, we are requesting clarification on how ADEM plans to hold this specific Emerging Contaminants funding or reallocate the DWSRF BIL funding for Emerging Contaminants until the Department feels comfortable accepting projects.

While ADEM is choosing to wait to allocate the funding for Emerging Contaminants in drinking water, several utilities around the state are revealing they have tested and found concerning levels of PFAS contamination in their drinking water supply.<sup>8</sup> We urge ADEM not to wait until an official MCL is released from the EPA. ADEM can and should be proactively funding, and providing technical assistance for, projects to research the extent of PFAS contamination in Alabama and implement viable solutions for our drinking water. We urge ADEM to allow projects that reduce PFAS to proceed, even while we wait for an MCL from EPA.

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<sup>8</sup> "Mobile Area Water and Sewer System (MAWSS) has found per- and polyfluoroalkyl substances (PFAS) in the water" <https://www.mawss.com/education-and-outreach/pfas/>

**2. We encourage ADEM to utilize the 2% technical assistance set-aside available from the DWSRF to reach small systems.**

In the base DWSRF IUP, ADEM says it will not reserve any funding to provide small systems technical assistance. ADEM has historically chosen not to use the 2% set-aside available from the DWSRF, but we encourage ADEM to utilize these funds to provide technical assistance to small water systems that may otherwise not be able to apply. ADEM should be proactively reaching out to small systems to equitably share this BIL funding opportunity so those communities can benefit from advanced, modern, and healthy water and wastewater sanitation services, too.

**3. ADEM needs to include language about the Green Project Reserve in the DWSRF IUPs for the BIL funding and LSLR.**

In the draft IUPs for DWSRF BIL and DWSRF BIL Lead IUP, there is missing language explaining the Green Project Reserve from section IV Project Selection and Method for Distribution of Funds. This information is available in the DWSRF for base funding, so it is unclear why this section was not listed in the DWSRF BIL. There are projects in these IUPs that were funded under the Green Projects Reserve, which we wholeheartedly support; however, ADEM needs to add the missing language about how these Green Project Reserve projects are allocated into the DWSRF BIL IUP and the DWSRF BIL Lead IUP.

We recognize this influx of water infrastructure funding has created both an historic opportunity and an unprecedented increase in the amount of work required to implement this program. We appreciate the opportunity to make these comments regarding how we believe this program can be improved as we go forward with our shared goals of protecting public health and the environment and putting these funds to their best use in Alabama. We hope you will take our comments into thoughtful consideration.

If you need additional information about these comments, please contact Cindy Lowry at [clowry@alabamarivers.org](mailto:clowry@alabamarivers.org) or 205-365-5576 (cell).

Sincerely,

Cindy Lowry  
Alabama Rivers Alliance

Robyn Hyden  
Alabama Arise

Joi L. Travis  
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Myra Crawford  
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Ben Wegleitner  
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Justinn Overton  
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Kathleen Kirkpatrick  
Hometown Organizing Project

Cade Kistler  
Mobile Baykeeper

Becky Hammer  
Natural Resource Defense Council

Karen Jones  
Whom It Concerns

Ellis B. Long  
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Mary Leila Schaeffer  
Uniontown Resident

H. Lynn Phillips, P.E.  
Concerned Citizen working with Uniontown Residents

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September 2, 2022

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### Submitted via email

Brian Espy  
Permits and Services Division  
Alabama Department of Environmental Management  
PO Box 301463  
Montgomery, AL 36130-1463

## **Cahaba River Society Comments on ADEM Clean Water State Revolving Fund Intended Use Plan**

Dear Mr. Espy and ADEM Permits and Services Division;

Thank you for the opportunity to comment on the FY 2022 Clean Water State Revolving Fund (CWSRF) Intended Use Plan (IUP). We appreciate this opportunity to weigh in a vital program that supports clean water projects in Alabama.

For 31 years, Cahaba River Society has worked to protect the Cahaba River, the natural values and ecological functions the River provides its people and communities, and the diverse plants and wildlife that have brought the watershed scientific recognition as among the most biodiverse freshwater systems in North America.

Funds from the Infrastructure Investment and Jobs Act or Bipartisan Infrastructure Law (BIL) represent a historic investment in our nation's water infrastructure. It is imperative that ADEM distributes these funds in an equitable manner to ensure Alabama communities and projects previously left out of the SRF program are funded through this increased investment, including nonpoint source projects.

### **Below is a summary of our comments on the FY 2022 CWSRF and CWSRF BIL IUPs.**

1. ADEM must do more to encourage and support green infrastructure projects to reduce nonpoint source pollution
2. We request details about a 2022 project awarded additional subsidy under the Green Project Reserve
3. We urge ADEM to provide a higher percentage of funding for disadvantaged communities in the form of principal forgiveness.
4. ADEM must clarify the process of project ranking for additional subsidization.
5. We endorse comments submitted by Alabama Rivers Alliance

## 1. **ADEM must do more to encourage and support green infrastructure projects to reduce nonpoint source pollution**

In addition to providing cleaner air, diverse habitat, and quality green spaces, green infrastructure is essential to managing nonpoint source pollution and instream erosion in Alabama's waterways. The CWSRF—through the Green Project Reserve (GPR)—is just one possible mechanism for incentivizing communities to install green infrastructure but, as of 2016, only 21% of the CWSRF's GPR has provided assistance on green infrastructure projects nationally.<sup>1</sup>

There is also an obvious shortage of nonpoint source project applications to the CWSRF and BIL CWSRF in Alabama<sup>2</sup>. Further examination of the list of more than 260 CWSRF project applications in 2022 shows fewer than 6 “stormwater”-related projects and an complete absence of green infrastructure projects<sup>3</sup>.

To ADEM's credit, all CWSRF IUPs from the prior 4 years have contained the following statement:

“The Department actively solicited for green infrastructure projects. This solicitation included a notice posted on the ADEM website as well as a notice sent to approximately 1,000 addresses on the Department's contact list including all incorporated towns and all county governments.”

But despite these solicitation efforts, ADEM's CWSRF has funded just 4 green infrastructure projects using the Green Project Reserve since 2019. Of those four, only one truly meets the definition of a green infrastructure project based on published descriptions in the IUPs<sup>4</sup>. Others qualifying as green infrastructure may mention stormwater or drainage, but make no direct reference to green infrastructure, infiltration, or nature-based solutions to nonpoint source pollution. If green infrastructure is truly a priority for ADEM, there is a great opportunity to improve targeted outreach and support to communities and technical assistance facilitators to get more NPS project applications in the door. We suggest a few potential actions to increase the number of applications, including:

- Hosting or participating in interactive public meetings around the state to better reach and answer questions of municipalities considering applying for green infrastructure funding
- Providing additional targeted outreach or contact to communities in watersheds with an approved TMDL and outreach to all NPDES permittees at the time of permit renewal to encourage applications
- Partnering with the Alabama Stormwater Association (ASA) for webinars, trainings, and to improve outreach about the accessibility and flexibility of these funds

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<sup>1</sup> 2016 EPA Memo “Green Infrastructure Policy for the Clean Water State Revolving Fund Program”.

[https://www.epa.gov/sites/default/files/2016-01/documents/cwsrf\\_green\\_infrastructure\\_policy\\_final.pdf](https://www.epa.gov/sites/default/files/2016-01/documents/cwsrf_green_infrastructure_policy_final.pdf)

<sup>2</sup> Based on review of CWSRF project applications spreadsheet on [www.AlabamaWaterProjects.com](http://www.AlabamaWaterProjects.com)

<sup>3</sup> At the time of this review on 8-30-2022

<sup>4</sup> Selma Barrett Road Canal Restoration project from the 2019 CWSRF IUP.

<https://adem.alabama.gov/programs/water/srfreports/2019CWSRFIUP.pdf>

Alternatively, ADEM could support green infrastructure and other nonpoint source projects by educating the State Legislature and advocating for changes to the Code of Alabama, which severely limits communities' freedom to establish a sustainable revenue source for storm sewer system maintenance and upgrades. Currently, AL Code § 11-89C-9(d) states:

(2) A governing body may only establish, levy, or impose an annual flat fee, charge, or assessment of no more than ten dollars (\$10) from or against owners of residential property, pursuant to this subsection.

Likewise:

(3) A governing body may only establish, levy, or impose an annual fee, charge, or assessment from or against owners of commercial property of no more than one-half of one cent (\$0.005) per square foot of commercial space on or within the property, pursuant to this subsection, provided that, regardless of actual square footage of commercial space on or within the property, no such annual fee, charge, or assessment shall exceed three thousand dollars (\$3,000).

These limits are far too low to generate revenue necessary to maintain and update storm sewer systems in the 21<sup>st</sup> century. Without the freedom to set a reasonable fee that meets the needs of each individual system, communities will perpetually depend on the CWSRF program—a program that does a poor job of soliciting and funding these types of projects. Alabama lags behind Georgia and Tennessee, which empower their communities to evaluate local needs and set their own stormwater utility fees.

ADEM must work proactively to educate the Alabama Legislature and advocate for common sense changes to AL Code § 11-89C-9(d). Removing this barrier would improve communities' abilities to repay the loan and not depend on additional subsidization in the form principal forgiveness, and SRF funds could continue to focus on wastewater treatment plant projects instead of nonpoint source projects.

## **2. We request details about a 2022 project awarded additional subsidy under the Green Project Reserve**

When reviewing projects listed in the IUP, it's difficult for members of the public to understand the scope and impact of a proposed project simply from the table in Attachment 1 or project description in Attachment 2. We request ADEM make the full project applications available on the SRF page of ADEM's website. At a minimum, projects listed in the IUP should be made available for public review to allow for meaningful comment. As we work to better understand which projects get prioritized and receive additional subsidy, it's important to have this information available for review.

One project we'd like more information on is project CS010281-22 and its qualification for the Green Project Reserve. It's listed as meeting Water Energy & Efficiency and Green Infrastructure criteria, but there are no obvious green infrastructure components listed in the project description. The project description primarily lists wastewater treatment plant upgrades and capacity improvements, but there is no mention of stormwater takeoff, nonpoint source pollution reduction, or green infrastructure techniques.

Likewise, we request clarification about the “Supplemental” categorization. It is unclear where those funds come from or if/how projects are ranked under this category. Additional transparency about this category—and specifically for this project—is needed.

**3. We urge ADEM to provide a higher percentage of funding for disadvantaged communities in the form of principal forgiveness.**

With the unprecedented funds for upgrading our water infrastructure, it is imperative that ADEM does more than the bare minimum to equitably fund clean water & drinking water projects in Alabama, particularly for disadvantaged communities. The CWSRF IUP’s stated short term goal is “to provide CWSRF loans with additional subsidization in the form of principal forgiveness for **not less than 20%** of the CWSRF Capitalization Grant” (emphasis added). This is the minimum required by the BIL, which also applies to base CWSRF<sup>5</sup> and clearly leaves room for ADEM to do more to provide additional subsidization to disadvantaged communities while remaining in compliance with Title 33 USC §1383 (i)(3)(B)<sup>6</sup>. A priority of the BIL is to ensure that disadvantage communities benefit equitably. We urge ADEM to provide more than the minimum required percentages of subsidized funds in the form of principal forgiveness to disadvantaged communities.

We also urge ADEM to review and increase the percentage of the DWSRF Capitalization Grant for additional subsidization in the form of principal forgiveness for disadvantaged communities to do more than the bare minimum to provide assistance to vulnerable communities in Alabama.

**4. ADEM must clarify the process of project ranking for additional subsidization.**

The Cahaba River watershed—and the people who rely on the Cahaba River for drinking water and receive Cahaba treated effluent—is made up of the urban/suburban area around Birmingham and small, rural communities in Alabama’s Black Belt. Many lower Cahaba communities are economically disadvantaged and lack the staffing infrastructure and financial resources to seek out or apply for funds like the State Revolving Fund, let alone compete with larger municipalities with staff dedicated to these functions. We urge ADEM adjust the SRF process to ensure equitable access to—and distribution of—funds to communities most economically disadvantaged or at risk from environmental harm. The Department should make the process more transparent to allow applicants and stakeholders to understand how projects were ranked and selected.

Inclusion of the Justice40 Mapping Tool is a positive first action to ensure equity in the SRF program, but it’s unclear how the tool—or any of the demographic data from Section 2 of the Pre Application Forms—is used in the priority ranking process. Instead, affordability criteria

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<sup>5</sup> May 12, 2022 EPA Memo “FY 2022 CWSRF Base Allotment Availability”. Found at: <https://www.epa.gov/system/files/documents/2022-05/FY%202022%20CWSRF%20Base%20Allotment%20Availability.pdf>

<sup>6</sup> 33 USC 1383(i)(3)(B) requires that states distribute 10-30% of the federal capitalization grant they receive each year as additional subsidization.

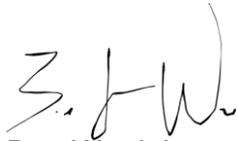
appear to be applied *post-hoc*—once projects have been ranked and prioritized, without proper weight being applied. Likewise, there is no transparency about how the Justice40 Mapping Tool resulted in a numeric value or scoring metric that is incorporated with the other affordability criteria<sup>7</sup>, nor transparency about how different projects scored during the prioritization process. We recommend that ADEM update the CWSRF priority ranking system to add affordability criteria and give it significant weight to support the goal of allocating funding to disadvantaged communities. This type of transparency is beneficial for stakeholders and may help future applicants improve the quality of their applications.

**5. We endorse comments submitted by Alabama Rivers Alliance related to all six IUPs.**

In addition to our own comments, Cahaba River Society supports comments submitted by Alabama Rivers Alliance related to ranking methodology, accessibility of funds to disadvantaged communities, technical assistance, and other topics for all IUPs.

We appreciate the opportunity to comment on these Intended Use Plans. We hope ADEM will use our comments to improve the SRF program in Alabama and achieve better outcomes for our communities.

Sincerely,



Ben Wegleitner  
River Sustainability Director  
Cahaba River Society

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<sup>7</sup> CWSRF & CWSRF BIL Attachment 4



Alabama Department of Environmental Management  
[adem.alabama.gov](http://adem.alabama.gov)

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September 28, 2022

VIA EMAIL

Cindy Lowry  
Alabama Rivers Alliance

Ben Wegleitner  
Cahaba River Society

RE: Response to Comments on the FY22 Intended Use Plan

Dear Ms. Lowry and Mr. Wegleitner:

On Friday, September 2, 2022, the Department received comments from the Cahaba River Society and the Alabama Rivers Alliance pertaining to the FY22 Intended Use Plans (IUPs). Below are the Department's responses addressing comments received.

**Cahaba River Society Comments:  
Comments applicable to the FY22 CWSRF and CWSRF BIL IUPs**

*1. ADEM must do more to encourage and support green infrastructure projects to reduce nonpoint source pollution.*

Historically, the Department has encouraged all systems throughout the state to submit green infrastructure projects. The Department has provided incentive for these types of projects by providing a high amount of additional subsidization in the form of principal forgiveness. However, wastewater systems and municipalities throughout the state have historically placed a greater emphasis on critical need sewer infrastructure projects without a focus on green infrastructure or non-point source pollution.

*2. We request details about a 2022 project awarded additional subsidy under the Green Project Reserve.*

The FY2022 Mobile CS010281-22 CWSRF Master Plan Phase I (Years 2019-2023) Supplemental Loan Application project was awarded additional subsidy under the Green Project Reserve and can be found through the Department's eFile system by going to <http://app.adem.alabama.gov/eFile/>. After checking "Water" in the *Permit Number* field, insert project number CS010281-22 which includes an excel spreadsheet of project work items. Energy efficient upgrades pertaining to the "Wright Smith Jr. WWTP Headworks Replacement" and the "Williams Dewatering & Other Improvements" primarily reflect replacements of existing plant process pumping with newer, more energy efficient systems. Please note that this is the last in a series of supplemental loan applications made by Mobile and based on an initially approved loan which underwent environmental review with a 30-day public notice after issuance of a Finding of No Significant Impact (FONSI) in Dec. 2019. No opposition or adverse comments concerning the proposed project work were received during that notice period. Within Attachment 2 of the CWSRF IUP, the original MAWSS CWSRF Master Plan (CS010281-19) was referenced with the original 2019 PREAPP and PER likewise can be reviewed through the



Department's eFile system by entering CS010281-19. In addition, the public may request to review documents during regular business hours at ADEM's main office located in Montgomery, AL.

3. *We urge ADEM to provide a higher percentage of funding for disadvantaged communities in the form of principal forgiveness.*

On May 12, 2022, ADEM was notified that due to congressional earmarks that the CWSRF Capitalization Grant had been cut by 23% and the DWSRF had been cut by 34% resulting in approximate negative impact of \$14,000,000 to the program. In addition, USEPA increased the minimum amount of principal forgiveness required for each state to provide to disadvantaged communities. Cuts similar to these impact the Department's ability to maintain a financially healthy revolving fund while providing additional principal forgiveness to disadvantaged communities. It should be noted that ADEM provided the required maximum of 49% subsidy within the CWSRF BIL IUP, the DWSRF BIL IUP, and the DWSRF Lead BIL IUP, and the Department provided 100% principal forgiveness within the CWSRF PFAS – BIL IUP.

4. *ADEM must clarify the process of project ranking for additional subsidization.*

The criteria that the Department uses to rank projects is noted below:

For drinking water projects, the Department allocates principal forgiveness to projects in communities determined to be disadvantaged based on the following criteria: small communities (less than 10,000), assessment of financial records, ratio of annual average water bill to median household income (MHHI) and utilization of the White House's Justice40 Screening Tool <https://screeningtool.geoplatform.gov>. This information can be found by reviewing an applicant's pre-application, preliminary engineering report and financial audits. The Department utilizes the table below to evaluate and score communities to determine their principal forgiveness ranking. The highest ranked communities will receive principal forgiveness until it is exhausted.

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

For clean water projects, principal forgiveness funding is provided in rank order on the project priority list, until the maximum amount has been allocated. The amount of principal forgiveness allocated to each project is determined by a number of factors. These include affordability, need (priority ranking), and type of project (resolving compliance, etc.). The Department also establishes affordability criteria. The criteria is based on income and unemployment data, population trends, and other data determined relevant by the state. Affordability focuses on income and employment of the affected population utilizing the county poverty rate (a measure that compares household income to the number of persons in the household), county unemployment rate, and statewide population trend to determine if a project is affordable. In addition to these measures, the Department also performs a financial analysis to determine a community's coverage ratio (the ratio of revenue to debt), a financial sustainability evaluation to determine how much of a typical SRF loan a community can afford, and utilization of the White House's Justice40 Screening Tool to verify disadvantaged communities within large service areas.

The Affordability Measure for Alabama is calculated as the sum of the following:

1. The poverty rate of the county served by the project minus the statewide poverty rate;
2. Unemployment Rate Value: The unemployment rate of the county minus the statewide unemployment rate; and

3. If the statewide population trend has increased over the two most recent 10-year census estimates, the population trend value shall be 1; if it has decreased the population value shall be 2.
4. Utilization of the Justice40 Screening Tool
5. *We endorse comments submitted by Alabama Rivers Alliance*  
Noted.

**Alabama Rivers Alliance Comments:**

**Section 1: Comments applicable to the CWSRF IUP, CWSRF BIL IUP, CWSRF BIL EC IUP, DWSRF IUP, DWSRF BIL IUP, and DWSRF BIL Lead IUP**

1. *ADEM should explain and strengthen its project ranking methodology.*  
Please see the response to number 4 of the Cahaba River Society comments.
2. *We urge ADEM to provide a larger portion of funding as subsidized funding to disadvantaged communities, as authorized by the BIL, and explain how much principal forgiveness will be given once authorized.*  
Please see the response to number 3 of the Cahaba River Society comments.
3. *ADEM should list and track funding sources separately for each SRF project.*  
Each IUP placed on public notice reflected a unique funding source.
4. *ADEM should do more to make the funds more easily accessible to disadvantaged communities, such as creating a separate, streamlined grants-only process for disadvantaged communities.*  
Please see the response to number 3 of the Cahaba River Society comments. The Department utilizes a streamlined loan process with principal forgiveness (up to 100%) for disadvantaged communities within the state.
5. *ADEM needs to expand its public outreach and technical assistance efforts to disadvantaged communities.*  
The Department continues and has repeatedly communicated with municipalities and systems throughout the state concerning technical assistance and also maintains weekly communication with the legislative body. The Department has funded many projects, including technical assistance (engineering and financial), for disadvantaged communities through the use of American Rescue Plan Act (ARPA) and BIL funds.

**Section 2: Comments applicable to the draft CWSRF IUP**

1. *ADEM should explain and strengthen the Additional Subsidization and Affordability Criteria.*  
Please see the response to number 4 of the Cahaba River Society comments.
2. *We encourage ADEM to utilize the newly available 2% technical assistance set-aside for the CWSRF.*  
The Department is aware of this opportunity and has utilized FY21 administrative funds to support CWSRF technical assistance (e.g., Alabama Rural Water Association's technical assistance). To date, the Department has elected to use available set aside funds to support clean water infrastructure projects at critical need locations throughout the state.

3. *ADEM should clarify its practice of providing assistance through the purchases of bonds issued by SRF applicants in lieu of providing loans.*

The reason the CWSRF program receives a warrant, bond or other debt instrument when making a loan to a municipal or public corporation borrower is due to the requirements of Alabama law. Local governments in Alabama do not possess “home rule;” meaning their powers come only from those expressly given or necessarily implied under the Alabama constitution and the Alabama Code (hereinafter defined). Section 11-47-2 of the Code of Alabama 1975, as amended (the “Alabama Code”), contains the main permissive authority for Alabama cities and towns to borrow money. That section authorizes any city or town in Alabama to borrow money for any lawful purpose, and as evidence of such a loan to “*issue evidences of indebtedness in the form of interest-bearing warrants, notes or bills payable, maturing at such times as such governing body may determine, not exceeding 30 years from the date of issue...*” Thus, when an Alabama city or town borrows money it issues a debt instrument – typically a warrant - to evidence its obligation to pay principal and interest on the same. This requirement of Alabama law is why lenders (including the CWSRF program) desiring to have an enforceable obligation from a city or a town to repay a loan require a debt instrument versus relying solely on a loan agreement.

The same holds true for utility boards, authorities, and other similar borrowers from the CWSRF program. The enabling laws for such entities permit the borrowing of funds and evidence of the same through the issuance of interest-bearing evidence of indebtedness – typically a bond. For example, many utility boards in Alabama are organized under Section 11-50-310 of the Alabama Code (commonly known as “Act 175”). Such entities are empowered under that act to “*borrow money for any corporate function, use, or purpose and issue in evidence of the borrowing interest-bearing bonds payable solely from the revenues derived from the operation of any one or more of its systems (regardless of the system or systems for the benefit of or with respect to which such borrowing may be made).*” See Section 11-50-314(5) of the Alabama Code. Once again, this is why the CWSRF program receives a bond as evidence of the obligation of its utility board/authority borrowers versus just relying on a loan agreement.

In addition, the Department performs the Fiscal Sustainability Plan (FSP) by providing financial reviews of each loan applicant focused on current audits, evaluation of pledged revenues, appropriate lien positions for new CWSRF loans, thorough reviews of S&P or Moody’s credit rating reports if applicable, maintenance of a debt service reserve fund if required, a current and pro-forma debt service coverage analysis for all CWSRF loans, requirement of appropriate rate increases to maintain system sustainability, and review of a system’s asset depreciation. This practice has been completed for all CWSRF loans since October 1, 2014.

### **Section 3: Comments applicable to the draft DWSRF IUP**

1. *We request clarification on ADEM’s use of the DWSRF Emerging Contaminants funding and urge ADEM to proactively fund drinking water emerging contamination projects.*

The Department intends to use all of the DWSRF Emerging Contaminants funding once USEPA establishes an MCL. This will allow the Department to better determine the most critical need for this funding.

2. *We encourage ADEM to utilize the 2% technical assistance set-aside available from the DWSRF to reach small systems.*

The Department is aware of the 2% technical assistance available and has elected, at this time, to use the FY22 funds to support drinking water infrastructure projects at critical need locations throughout the state. Technical assistance for small systems are being supported, as needed, using funds from previous years as well as through the use of ARPA funds.

3. *ADEM needs to include language about the Green Project Reserve in the DWSRF IUPs for the BIL funding and LSLR.*

The Department is not required to include the green projects within any of the BIL IUPs.

Thank you for taking the time to provide comments. If you have any questions or concerns, please contact me at (334) 271-7715 or via electronic mail at [rak@adem.alabama.gov](mailto:rak@adem.alabama.gov).

Sincerely,

A handwritten signature in blue ink, appearing to read "Russell A. Kelly".

Russell A. Kelly, P.E., Chief  
Permits and Services Division

cc via email: Amy Kuhs, USEPA Region 4  
Chris Thomas, USEPA Region 4  
Johnnie Purify, Jr., USEPA Region 4