

State of Alabama

Alabama Department of Environmental Management
Clean Water State Revolving Fund Program



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CWSRF Intended Use Plan



Fiscal Year 2023

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I. Introduction:

As required by Title VI of the Clean Water Act, each year the Department must prepare an Intended Use Plan (IUP) identifying the projected uses of funds available in its Clean Water State Revolving Fund (CWSRF). This Intended Use Plan (IUP) serves as a basis for the development of the capitalization grant payment schedule.

The State of Alabama will receive an EPA Capitalization Grant of \$8,388,000 from EPA that will be used to provide low interest financial assistance for the CWSRF program. The 20% State matching fund requirement for the capitalization grant is \$1,677,600 and will be fulfilled by an overmatch of State Match Bonds issued in previous years and a contribution from ADEM State Enforcement Action (see Projected Sources). The capitalization grant funds for the CWSRF and the 20% State matching funds will be distributed as outlined by this plan.

In accordance with the Clean Water Act (CWA) Amendments of 1987, the Department proposes the following plan for the intended use of the CWSRF funds for FY 2022 as required by Section 606(c) of the CWA.

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

Alabama agrees to comply with all Title VI requirements of the Civil Rights Act of 1964, Section 504 of the Rehabilitation Act of 1973, and the Equal Employment Opportunity requirements (Executive Order 11246 as amended) which prohibit activities that are intentionally discriminatory and/or have a discriminatory effect based on race, color, national origin (including limited English proficiency), age, disability, or sex.

II. Program Goals:

A. Short Term Goals (Outputs)

1. To provide CWSRF assistance to the extent there are sufficient eligible project applications, not less than 10% of the CWSRF Capitalization Grant for projects to address green infrastructure, water or energy efficiency improvements, or other environmentally innovative activities. These four categories of projects are the components of the Green Project Reserve. (Deliverable)
2. To provide CWSRF loans with additional subsidization in the form of principal forgiveness for not less than 20% (\$1,667,600) and not more than 40% (\$3,355,200) of the CWSRF Capitalization Grant as required by the Clean Water Act and Congressional appropriation. (Deliverable)
3. To implement the State's CWSRF in compliance with Title VI of the Clean Water Act and to ensure conformance with Federal crosscutting issues as required by the 1987 Clean Water Act amendments.
4. To ensure compliance with the "first use" requirements which require that CWSRF assistance be available to projects which are members of the National Municipal Policy (NMP) universe; projects which have legally enforceable compliance schedules. (Deliverable)

5. To achieve statewide compliance with Federal and State water quality standards, particularly with the NMP as rapidly as possible. (Deliverable)
6. To protect the public health and the environment and promote the completion of cost-effective wastewater treatment facilities.

B. Long Term Goals (Outcomes)

1. To maintain the CWSRF program and the fiscal integrity of the fund.
2. To provide a self-perpetuating source of financial assistance for the construction of public wastewater treatment and transport facilities needed to meet water quality standards and provide capacity for future growth.
3. To assure that all Municipal NMP facilities achieve compliance as soon as possible.
4. To assure that all municipal facilities achieve compliance with final effluent limits as soon as possible.
5. To assist in the maintenance of water quality standards wherever such standards are adversely affected by municipal wastewater point sources.
6. To meet public health and environmental needs of those communities with malfunctioning on-site treatment systems that are either identified as a health hazard by the State Health Department or that adversely affect water quality.
7. To use the 2% technical set-aside to build a program that will proactively identify, reach out to, and provide assistance to rural, small, and disadvantaged communities to identify needs, develop projects, apply for funding, design and implement projects, and create training specifically for malfunctioning on-site treatment systems.

C. Program Changes

No programmatic changes are proposed for this fiscal year.

III. Sources and Use of the Funds:

The Department is expected to fund FY 2023 projects using a combination of interest earnings on the Fund, repayments from direct loans and the EPA Capitalization Grant. Match for the EPA Grant will be fulfilled by overmatch of State Match Bonds issued in previous years. The estimated sources and uses of funds in the FY 2023 CWSRF program are as follows:

A. Projected Sources

2023 EPA CWSRF Cap Grant:	\$8,388,000
CWSRF State Match	\$1,677,600
Estimated Loan Repayments and Interest Earnings for 2023 Cap Grant	\$8,434,280 ¹
<u>Loan Repayments and Interest Earnings from Revolving Fund</u>	<u>\$109,934,400²</u>
Total:	\$120,000,000²
Overall Total:	\$128,434,280³

Note 1: Estimated future repayments and interest earnings from FY23 loans.

Note 2: Approximate total funds available based on projected fiscal year funding allotments and repayments for FY23. Actual totals are provided in the annual report at the end of each fiscal year.

Note 3: Estimated repayment funds from FY23 Capitalization Grant are not included in project totals. These funds will be included in future fiscal year(s)' IUPs as repayments are received.

B. Projected Uses

Project Assistance:	\$85,394,440
Administrative Costs (1/5% of current position):	\$1,160,723
<u>Small Systems Technical Assistance (2%):</u>	<u>\$167,760</u>
Total:	\$86,722,923

The amount reserved for administrative costs is equal to 1/5 percent per year or the Total New Position (\$580,361,356) as of the most recent audited financial statements. Additional information on Administrative and all set-asides is detailed in the "Set-Aside" section below.

The rate of cash draws from the federal capitalization grant will be based on dollar-for-dollar draws of direct loan projects. Consistent with EPA policy, draws from the federal grant for these direct loan projects are required to be proportional to the disbursement of state match funds to borrowers for eligible project costs. The State intends to manage its disbursements to borrowers to insure that State funds are spent first in order to ensure that the proportionality requirement is met expeditiously. This technique is necessary to ensure that direct loan borrowers funded from federal capitalization grants are able to receive requisitioned funds in a timely manner. It should be noted that overmatch from previous years' programs will be used to match the grant in addition to the appropriation provided by the State Legislature.

C. Leveraging

The Department does not intend to issue CWSRF revenue bonds for new projects during fiscal year 2023.

D. Financial Terms of Loans

The Fund may offer loans for up to 100 percent of allowable project costs for the construction of water treatment and distribution facilities and may offer a range of options regarding the term, interest rate and level of loan funding. Such loans must be made at or below market interest rates as determined by the Department. Loan interest rates will usually be set approximately 1% - 1.5% less than the AAA rated tax exempt municipal bonds. For fiscal year 2023 the Department will maintain an interest rate of 0.1% for all loans. A fee of 2.1% is assessed for all loans except for 100% principal forgiveness loans. See the Program Income section below for additional information.

The total term financing shall not exceed 20 years or, under special circumstances, 30 years may be considered. Repayments shall commence after completion of construction or within 3 years for which such financial assistance repayments shall be made in accordance with the repayment schedule indicated in the recipient's financial agreement. Principal and accrued interest with respect to a particular financial agreement may be prepaid in accordance with the provisions of the financial agreement. Interest shall accrue from the estimated date of the execution of the DWSRF financial agreement.

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

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

E. Extended Term Financing

Section 603(d)(1)(A) authorizes CWSRF loans to be made for a term not exceeding the lesser of 30 years or the useful life of the project. The total term financing shall not exceed 20 years or, under special circumstances, 30 years may be considered.

IV. Water Resources Reform and Development Act

The Water Resources Reform and Development Act (WRRDA) was enacted on June 10, 2014 and brought several changes to the CWSRF program.

A. Fiscal Sustainability Plans

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.

B. Architectural and Engineering (A/E) Services Procurement

For any capitalization grant awarded after October 1, 2014, the State must ensure that all A/E contracts for projects identified as using funds directly from each year's capitalization grant (i.e. equivalency projects) comply with the elements of the procurement processes for A/E services as identified in 40 U.S.C. 1101 et seq., or an equivalent State requirement. The Alabama CWSRF requires its recipients to comply with the *September 30, 2014 Alabama CWSRF A/E Procurement Requirements* (See Attachment 3).

C. Cost and Effectiveness Certification

Section 602(b)(13) requires that CWSRF recipients certify that the recipient has studied the cost and effectiveness of the project and selected the project that maximizes the potential for efficient water use, reuse, recapture and conservation, and energy conservation. The Alabama CWSRF program is requiring each recipient of CWSRF funding to provide a certification in compliance with 602(b)(13). This certification can be found on page 14 of the CWSRF Loan Application (Form 339 M-2).

D. Additional Subsidy and Affordability

Additional subsidy in the form of principal forgiveness shall be made available in total of the required amount for the States 2023 Capitalization Grant Appropriation (\$1,677,600 - \$3,355,200) or the cap set at 603(i)(3) of the Federal Water Pollution Control Act, whichever is less. Additional subsidy will be provided in rank order to projects as determined by the Affordability Measure for Alabama. In addition, additional subsidy may be provided to an eligible project that meets Section 603(i)(1)(B) Clean Water Act requirements at a greater than 50% project cost ratio. Each project may receive principal forgiveness until the maximum amount has been allocated. The Affordability Measure Guidelines for Alabama can be found on Attachment 4.

V. Project Selection and Methods of Distribution of Funds

A. Priority List

In order to be considered for CWSRF assistance, projects must be on or added to the Priority List and have a proposed project schedule that coincides with the availability of CWSRF funds. The CWSRF project list was developed by identifying the priority point rating for each proposed project. (See Attachment 5). The funding of such projects is also subject to the availability of funds.

Projects on the CWSRF Project List are ranked by their respective priority point rating and may be funded according to availability of funds. Projects that are not funded from the Project List may be funded in subsequent years.

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

B. Additional Subsidization

Additional subsidy in the form of principal forgiveness shall be made available in total of the required amount of the 2023 Capitalization Grant Appropriation or the cap set at 603(i)(3) of the Federal Water Pollution Control Act, whichever is less. The attached project list attachment includes projects that may receive principal forgiveness based the subsidy criteria. The Department has authority to provide additional subsidization by the Code of Alabama Section 22-34-3(a).

C. Green Project Reserve

The EPA capitalization grant requires that, to the extent there are sufficient eligible project applications, not less than 10% of funds provided by the 2023 Capitalization Grant for projects must be used for projects that address green infrastructure, water or energy efficiency, or other environmentally innovative activities. These four categories of projects are the components of the Green Project Reserve (GPR). 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. The project fundable list identifies one project that has a component for GPR totaling \$4,517,000 (54%).

D. Prevailing Wages

Davis-Bacon wage requirements apply for fiscal year 2023 and each fiscal year thereafter and the requirements of section 513 of the Federal Water Pollution Control Act (33 U.S.C. 1372) shall apply to the construction of treatment works carried out in whole or in part with assistance made available by the CWSRF as authorized by title VI of that Act (33 U.S.C. 1381 et seq.). The Department will include in all loan agreements and procurement contracts terms and conditions requiring compliance with this requirement.

E. Build America, Buy America (BABA)

Build America, Buy America (BABA) will be implemented for this fiscal year and all future fiscal years. BABA will be required for eligible projects funded through the Clean Water State Revolving Fund (CWSRF) unless a waiver is granted.

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

F. Distribution of Funds to Set-Aside Accounts

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

G. Selection of Systems to Receive Assistance

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

The criteria for ranking projects gives priority to projects that:

1. promote compliance with the Clean Water Act;
2. improve water quality;
3. increase energy and water efficiency;
4. promote sustainability;
5. and the applicant is financially capable of receiving a loan.

These considerations are addressed by the Priority Ranking Criteria found in ADEM Administrative Code R. 335-11-1-.04 and in the CWSRF pre-application provided in Attachment 6.

Projects on the priority list shall be ranked in descending order of the point rating assigned to each project. In the event two or more projects are assigned an identical point rating, such projects shall be ranked in accordance with the following criteria: The project that serves a community with the lowest median household income shall be ranked first. In the event the projects have identical median household incomes, the project with the lowest total cost will be ranked first.

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

Any changes to the IUP, including the addition of projects not listed on the IUP at the time of solicitation for public comment, will require an additional public comment period of 30 days. The Department will resolicit this IUP for notice if changes are made in future fiscal year(s).

F. Inadequate Allocations

If the actual federal CWSRF allocations are less than anticipated by the Department in the development of the CWSRF priority list, the Department may find it necessary to reduce their commitments to projects

on the priority list. The Department may take formal action to reduce the number of commitments in accordance with subparagraph 3) of this paragraph.

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

G. Unanticipated and Uncommitted Funds

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

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

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

H. Project Bypass/Reallotment

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

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

VI. Set-Aside Activities

A. Administrative Set-Aside (4%)

SRF Guidelines allow states to set aside 4% of the Capitalization grant or 1/5% of the position of the fund for SRF administrative costs. Administrative funds of \$1,160,723 (1/5% of the new position) will be used to pay costs for personnel, travel and training, equipment, supplies, audit fees, and indirect costs associated with implementing the SRF program.

B. Small Systems Technical Assistance (2%)

SRF Guidelines allow states to set aside 2% of the Capitalization grant for Small Systems Technical Assistance. The Department will reserve \$167,760 (2%) to provide small systems technical assistance. Small systems technical assistance funding will be used to develop a program to identify needs, develop projects, apply for funding, design and implement projects, and create training specifically for malfunctioning on-site treatment systems.

VI. Certifications

1. The Department certifies that this IUP will be subject to public review and comment with a public notice period of 30 days.
2. The Department certifies that all wastewater facility projects in this IUP are on the CWSRF Priority List.
3. The Department certifies that it will enter into binding commitments for 120% of each payment under the CWSRF capitalization grant within one (1) year after receipt of each payment.
4. The Department certifies that it will expend all funds in the CWSRF in an expeditious and timely manner.
5. The Department certifies that all wastewater facilities in the state are in compliance with enforceable requirements or are making progress toward meeting those requirements except as specifically noted in the IUP.
6. The Department certifies that all facilities funded by the CWSRF shall complete a NEPA-like environmental review process.
7. The Department certifies that it will comply with all requirements of the 1997 Operating Agreement with EPA.
8. The Department certifies that it will complete a Benefits Assessment worksheet for each loan agreement executed in order to comply with EPA environmental results reporting requirements.

VII. Program Income:

The Alabama Water Pollution Control Authority, with ADEM as its agent, assesses an annual fee based on outstanding loan principal. These fees vary based on the fiscal year to which the loan agreement was secured and are collected twice a year when the recipient initiates repayment of the loan. In accordance with *Guidance on Fees Charged by States to Recipients of Clean Water State Revolving Fund Program Assistance*, published October 20, 2005, fees collected from loans sourced from outstanding grants will be used for administration of the SRF fund only. All other fees will be used to provide fee income for the Department's CWSRF Direct Loan Fund and assist in the implementation of

the Department's Water and Field Operations Divisions. The expected interest rate for fiscal year 2023 is 2.2% total. This includes 0.1% in interest and 2.1% in fees collected by the Department.

The Department expects to receive fees during FY 2023 as follows:

Total Program Income	Program Income Collected During Grant Period	Program Income Collected After Grant Period
\$1,580,675	\$0.00	\$1,580,675

VIII. Estimated CWSRF Capitalization Grant Payment Schedules:

A. Estimated Grant Draw Schedule

Fiscal Year	Month	Draw
2024	Apr	\$ 699,000
2024	May	\$ 699,000
2024	Jun	\$ 699,000
2024	Jul	\$ 699,000
2024	Aug	\$ 699,000
2024	Sep	\$ 699,000
2024	Oct	\$ 699,000
2024	Nov	\$ 699,000
2024	Dec	\$ 699,000
2024	Jan	\$ 699,000
2024	Feb	\$ 699,000
2024	Mar	\$ 699,000
Total		\$8,388,000

B. Estimated Grant Disbursal Schedule

Payment Quarter	Payment Date	Payment Amount
FY2024/Quarter 3	04/01/24	\$8,388,000

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

C. Capitalization Grant Budget Periods

2023 EPA CWSRF Capitalization Grant

October 1, 2023 through September 30, 2029

IX. Public Participation

The IUP was provided for public comment on February 1, 2024 for a period of 30 days. Comments were received and all comments have been addressed. The comments are attached to the final IUP. Minor changes were made as a result of the comments; however, no changes were made that would require an additional public notice period.

X. Reporting

1. Annual reports are required for the CWSRF Capitalization Grant. Each annual report is due on December 30 following each fiscal year. The annual report for the 2023 CWSRF funding will include the results from the period of October 1, 2023 through September 30, 2024 and will be submitted on or before December 30, 2024.
2. The Department will submit information on projects into the CWSRF Nation Information Management System (NIMS) as binding commitments are entered into with the borrowers as proposed in this IUP. The projects will be updated in NIMS at a maximum of one quarter after the binding commitment close date.

Alabama Clean Water State Revolving Fund
Additional Subsidization and Affordability Criteria
Effective September 30, 2015

Purpose:

This document establishes the additional subsidization and affordability criteria for the Alabama Clean Water State Revolving Fund. The criteria are effective September 30, 2015, and may be modified from time-to-time upon notice.

Background:

Section 603(i) of the Federal Water Pollution Control Act states the following:

Additional Subsidization-

(1) IN GENERAL- In any case in which a State provides assistance to a municipality or intermunicipal, interstate, or State agency under subsection (d), the State may provide additional subsidization, including forgiveness of principal and negative interest loans--

(A) to benefit a municipality that--

(i) meets the affordability criteria of the State established under paragraph (2);

or

(ii) does not meet the affordability criteria of the State if the recipient--

(I) seeks additional subsidization to benefit individual ratepayers in the residential user rate class;

(II) demonstrates to the State that such ratepayers will experience a significant hardship from the increase in rates necessary to finance the project or activity for which assistance is sought; and

(III) ensures, as part of an assistance agreement between the State and the recipient, that the additional subsidization provided under this paragraph is directed through a user charge rate system (or other appropriate method) to such ratepayers; or

(B) to implement a process, material, technique, or technology--

(i) to address water-efficiency goals;

(ii) to address energy-efficiency goals;

(iii) to mitigate stormwater runoff; or

(iv) to encourage sustainable project planning, design, and construction.

(2) AFFORDABILITY CRITERIA-

(A) ESTABLISHMENT-

(i) IN GENERAL- Not later than September 30, 2015, and after providing notice and an opportunity for public comment, a State shall establish affordability criteria to assist in identifying municipalities that would experience a significant hardship raising the revenue necessary to finance a project or activity eligible for assistance under subsection (c)(1) if additional subsidization is not provided.

(ii) CONTENTS- The criteria under clause (i) shall be based on income and unemployment data, population trends, and other data determined relevant by the State, including whether the project or activity is to be carried out in an economically distressed area, as described in section 301 of the Public Works and Economic Development Act of 1965 (42 U.S.C. 3161).

(B) EXISTING CRITERIA- If a State has previously established, after providing notice and an opportunity for public comment, affordability criteria that meet the requirements of subparagraph (A)--

(i) the State may use the criteria for the purposes of this subsection; and

(ii) those criteria shall be treated as affordability criteria established under this paragraph.

(C) INFORMATION TO ASSIST STATES- The Administrator may publish information to assist States in establishing affordability criteria under subparagraph (A).

(3) LIMITATIONS-

(A) IN GENERAL- A State may provide additional subsidization in a fiscal year under this subsection only if the total amount appropriated for making capitalization grants to all States under this title for the fiscal year exceeds \$1,000,000,000.

(B) ADDITIONAL LIMITATION-

(i) GENERAL RULE- Subject to clause (ii), a State may use not more than 30 percent of the total amount received by the State in capitalization grants under this title for a fiscal year for providing additional subsidization under this subsection.

(ii) EXCEPTION- If, in a fiscal year, the amount appropriated for making capitalization grants to all States under this title exceeds \$1,000,000,000 by a percentage that is less than 30 percent, clause (i) shall be applied by substituting that percentage for 30 percent.

(C) APPLICABILITY- The authority of a State to provide additional subsidization under this subsection shall apply to amounts received by the State in capitalization grants under this title for fiscal years beginning after September 30, 2014.

(D) CONSIDERATION- If the State provides additional subsidization to a municipality or intermunicipal, interstate, or State agency under this subsection that meets the criteria under paragraph (1)(A), the State shall take the criteria set forth in section 602(b)(5) into consideration.

Discussion:

On June 10, 2014, the Water Resources Reform and Development Act of 2014 was signed into law. Among the provisions of the Act is the new Section 603(i), which details how a state Clean Water State Revolving Fund (CWSRF) program may provide additional subsidization. It also requires that each program establish an affordability requirement that can be a consideration in granting additional subsidization.

The American Recovery and Reinvestment Act of 2009 was the first time that Congress applied the principle of principal forgiveness to the CWSRF. In response, the Alabama CWSRF program utilized additional subsidization in the form of principal forgiveness to construct green infrastructure. In Alabama, green infrastructure (stormwater) projects are constructed very infrequently, even though stormwater runoff is a major source of pollutants. Many local communities lack a dedicated revenue stream to pay for stormwater projects; thus, the CWSRF program has applied principal forgiveness to these projects in order for them to be economically viable. It is hoped that in time, the success of these projects will encourage the construction of more improvements without the need for additional subsidy. The Alabama CWSRF intends to continue this practice to ensure nonpoint source projects are constructed along with the traditional point source projects.

In previous years, the amount of additional subsidization was set by Congress through the annual appropriations process. The amount available varied from year to year and may have been subject to a minimum or maximum. Under the new 603(i)(3), a state may provide up to a maximum of 30% of its capitalization grant if the total appropriations equal or exceed \$1.3 billion. The project priority list will be used to determine which projects are provided principal forgiveness. The highest ranking green infrastructure project will receive principal forgiveness in order to continue to incentivize green projects. Additionally, principal forgiveness will be allocated based on the projects which have the highest priority rankings until all additional subsidization has been allocated.

The amount of principal forgiveness allocated to each project will be determined by a number of factors. These include affordability, need (priority ranking), and type of project (resolving compliance, etc.). 603(i)(2) also requires state CWSRF programs to establish affordability criteria. The criteria *“shall be based on income and unemployment data, population trends, and other data determined relevant by the State”*. Traditionally, affordability has been determined by the CWSRF through a comparison of median household income and annual sewer use charges. The new requirements take a broader approach, focusing more on income and employment of the affected population. In response, the Alabama CWSRF program will utilize 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 to determine how much of a typical SRF loan a community can afford and utilization of the Justice40 Mapping Tool to verify disadvantaged communities within large service areas.

Final Criteria for Additional Subsidy and Affordability:

Additional subsidy in the form of principal forgiveness shall be made available in a total amount per year not to exceed the cap set at 603(i)(3). Funding will be provided in rank order on the project priority list, until the maximum amount has been allocated.

The Affordability Measure for Alabama will be 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;
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 Mapping Tool – if the Justice40 Mapping Tool indicates that the project area or immediate surrounding area is disadvantaged based on the criteria set within the mapping tool the value shall be 1.

Project #	Applicant Name	Project Description	City/Town	County	Justice 40 Map Coverage	Poverty Rate	Unemployment Rate	Population	Total Census Rank	Financial Rank	Disadvantaged Rank	Priority Ranking Points	CW SRF Amount Granted	CW SRF Principal Forgiveness Amount	CW SRF Principal Forgiveness %	Applied for Project Amount	Fund	Green Component Amounts	Green Component Category	Green Component %
C3010468-08	Albertville, The Municipal Utilities Board of	Eastside WWTP Imp.	Albertville	Marshall	Yes	1	0	22,268	1	0	2,000	115	\$3,090,000	\$0	0%	\$6,900,000	SRF			
C3010873-02	Arab, Sewer Board of the City of	Wastewater System Improvements	Arab	Marshall	Yes	0	0	8,462	1	0	2,000	120	\$1,500,000	\$0	0%	\$39,620,000	SRF			
C3010906-01	Ashland, The Waterworks and Sewer Board of the Town of	Provide Sanitary Sewers to Southern part of Ashland and Expand/Upgrade WWTP	Ashland	Clay	Yes	1	1	1,741	3	0	4,000	130	\$1,692,680	\$0	0%	\$11,500,000	SRF/BIL	\$2,600,000	Energy Efficient Environmentally Innovative	20%
C3010925-01	Covington County Commission	Point "A" Lake Decentralized Wastewater Collection and Treatment System	Andalusia	Covington	Yes	1	1	8,764	3	1	5,000	125	\$1,869,125	\$0	0%	\$5,607,375	SRF			
C3010260-16	Cullman, City of	2023 Supplemental	Cullman	Cullman		0	0	17,892	0	1	1,000	Supp	\$5,500,000	\$0	0%	\$5,500,000	SRF			
C3010292-33	Dothan, Alabama, City of	Trunk Line and Sewer Basin Rehab	Dothan	Houston		1	0	70,318	1	0	1,000	125	\$10,000,000	\$0	0%	\$41,330,930	SRF/ARPA			
C3010270-11	Guntersville Water Board	Sanitary Sewer System Improvements	Guntersville	Marshall	Yes	1	0	8,559	2	0	3,000	120	\$2,900,000	\$0	0%	\$12,928,000	SRF/ARPA			
C3010337-05	Flomaton, Town of	Flomaton Sewer Improvements	Flomaton	Escambia	Yes	1	1	1,728	3	0	4,000	140	\$355,800	\$88,950	25%	\$1,423,200	SRF/ARPA			
C3010412-08	Florence, City of (Supplemental)	Wastewater System Improvements	Florence	Lauderdale		1	1	39,709	2	0	2,000	Supp	\$7,500,000	\$0	0%	\$14,500,000	SRF			
C3011044-01	Gadsden Water Works & Sewer Board	Sanitary Sewer System Improvements	Gadsden	Etowah	Yes	1	1	34,317	2	0	3,000	120	\$1,893,750	\$0	0%	\$5,050,000	SRF/ARPA			
C3010959-03	Glenwood, Town of	Package Plant for Sewer System	Glenwood	Crenshaw	Yes	1	1	221	3	1	5,000	130	\$1,500,000	\$1,500,000	100%	\$1,500,000	SRF			
C3010390-07	Hanceville Water Works and Sewer Board	2022 CWSRF Sewer System Improvements	Hanceville	Cullman	Yes	1	1	3,174	3	0	4,000	130	\$1,500,000	\$0	0%	\$4,210,307	SRF/ARPA			
C3010312-08	Hartselle Utilities	Wastewater Collection System	Hartselle	Morgan	No	0	0	15,308	0	0	0,000	90	\$1,853,000	\$0	0%	\$7,306,000	SRF/ARPA			
C3010957-01	Livingston Utility Board	Sewer System Improvements	Livingston	Sumter	Yes	1	0	3,227	2	0	3,000	130	\$1,182,250	\$713,650	60%	\$5,364,500	SRF/BIL/ARPA	\$100,000	Energy Efficient	8%
C3010281-23	**Mobile, AL (MAWSS), Board of Water and Sewer Commissioners of the City of	Master Plan SRF Wastewater Projects Phase II - Years 2024 - 2028	Mobile	Mobile	Yes	1	1	187,445	2	0	3,000	Supp	\$12,000,000	\$0	0%	\$12,000,000	SRF			
C3010621-07	Northport, City of	Highway 82 Pump Station and Force Main	Northport	Tuscaloosa		0	0	30,334	0	0	0,000	110	\$2,666,162	\$0	0%	\$8,887,207	SRF/ARPA			
C3010847-03	Odenville, Utilities Board of the Town	WWTP Improvements	Odenville	St. Clair		0	0	4,800	1	0	1,000	125	\$2,434,407	\$0	0%	\$4,868,813	SRF			
C3010847-04	Odenville, Utilities Board of the Town	Shanghai Road Force Main	Odenville	St. Clair		0	0	4,800	1	0	1,000	105	\$1,052,340	\$0	0%	\$2,804,679	SRF			
C3011011-01	Opelika, City of	Opelika Westside WWTF Storage Lagoon Solids Removal	Opelika	Lee	Yes	1	0	30,810	1	0	2,000	120	\$2,503,224	\$0	0%	\$7,509,571	SRF			
C3010239-06	Pell City, City of	Eden LIR Station and Force Main	Pell City	St. Clair		0	1	12,923	1	0	1,000	95	\$2,200,492	\$0	0%	\$5,867,978	SRF/ARPA			
C3010887-03	Scottsboro Water, Sewer, and Gas Board	Sewer Main Replacements	Scottsboro	Jackson	Yes	1	0	15,446	1	0	2,000	110	\$1,500,000	\$0	0%	\$3,000,000	SRF			
C3010879-04	Selma, The Waterworks and Sewer Board of the City of	Wastewater Treatment Plant Improvements	Selma	Dallas	Yes	1	1	18,429	2	1	4,000	120	\$2,322,347	\$0	0%	\$4,988,312	SRF/BIL	\$350,500	Energy Efficient	13%
C3010359-04	Tallassee, City of	2023 Supplemental	Tallassee	Elmore		0	1	5,199	1	0	2,000	Supp	\$815,000	\$0	0%	\$815,000	SRF			
C3010995-01	Talladega, Alabama, City of	Wastewater Treatment Plant Improvements	Talladega	Talladega	Yes	1	1	15,782	2	1	4,000	125	\$3,500,000	\$875,000	25%	\$8,500,000	SRF/ARPA			
C3010835-04	Troy, City of	New WWTP	Troy	Pike	Yes	1	0	17,765	1	0	2,000	90	\$3,718,864	\$0	0%	\$18,594,320	SRF/ARPA			
C3010835-05	Tuscaloosa, City of	2023 Supplemental	Tuscaloosa	Tuscaloosa		1	1	99,252	2	0	2,000	Supp	\$2,645,000	\$0	0%	\$11,500,000	SRF			
C3011089-01	Tuscumbia Utilities	WWTP Improvements	Tuscumbia	Colbert	Yes	1	0	8,977	1	0	2,000	115	\$5,700,000	\$0	0%	\$20,820,000	SRF/ARPA			
	27												\$85,394,440	\$3,177,600				\$3,050,500		36%

**Denotes Equity/Equity Project

Attachment 2 – CWSRF Project Descriptions

Albertville, The Municipal Utilities Board of – Eastside WWTP Improvements

The Municipal Utilities Board of Albertville proposes to improve the Eastside Wastewater Treatment Plant (WWTP) including improvements to the Anoxic Zone, Secondary Clarification, Digestion, and Solids Handling. The proposed project would result in increased reliability and allow Albertville to maintain permit requirements for existing customers.

Arab, Sewer Board of the City of – Wastewater System Improvements

The Sewer Board of the City of Arab proposes improvements to the Wastewater treatment facility and collection system. The proposed project would result in mitigation of SSO's and maintain compliance with other permit requirements.

Ashland, The Waterworks and Sewer Board of the Town of – Ashland Sanitary Sewer Expansion and Upgrade

The Waterworks and Sewer Board of the Town of Ashland proposes to construct a new raw sewage pump station, add an additional influent screen, SBR tanks, dewatering building, and surge tank, and rehabilitate the chlorine contact clarifier within the Ashland WWTP. The project would also add sewer service to the southwestern part of the City of Ashland and a new pumping station. The proposed project would increase reliability and allow sewer service to new and existing customers.

Covington County Commission – Point “A” Lake Decentralized Wastewater Collection and Treatment System

Covington County Commission proposes to install a STEP tank system at each residence around Point “A” Lake. The proposed project would provide sanitary sewer service for malfunctioning septic systems within the current system.

Cullman, city of – 2023 Supplemental

The City of Cullman proposes a project to improve and rehabilitate several mini basins that have been identified to be major contributors of rain-dependent inflow and infiltration. The project is part of a four-year capital improvement plan that will include replacement of 18-inch Derby Creek vitrified clay trunk sewer, rehabilitation of remaining aerial sewers, manhole replacement and rehabilitation, lateral service connections and lining and point repairs. Completion of these improvements will allow The City of Cullman to maintain regulatory compliance by significantly reducing sanitary sewer overflows (SSO) due to high volumes of inflow/infiltration (I/I) with heavy rainfall events.

Dothan, City of – Trunk Line and Sewer Basin Rehabilitation

The City of Dothan proposes the comprehensive rehabilitation of four sub-basins of the City's collection system to reduce inflow and infiltration (I&I) and therefore sanitary sewer overflows (SSOs). These basins are B0-42, B3-50, B3-65, and B3-74.

Guntersville Water Board

The Guntersville Water Board proposes to rehabilitate the collection system in Basins 2, 5 through 12, 20, and Jarmon; rehabilitate the existing lift stations, and the treatment plant. The treatment plant improvements include additional screening facilities at the headworks, additional biological loading, adding a third clarifier, UV disinfection, aerobic digester, and blower. The proposed project would improve reliability and efficiency for existing customers.

Flomaton, Town of – Flomaton Sewer Improvements

The Town of Flomaton proposes improvements including installation of submerged aerators, onshore blowers, lab equipment improvements, and major lift station rehabilitation. The proposed project would allow Flomaton to remain in compliance with permit requirements and improve reliability of the system for existing customers.

Florence, City of – 2023 Supplemental

The City of Florence proposes a long-range project to upgrade the wastewater treatment plant, replace and rehabilitate lift stations and the collection system. The proposed project will be completed based on priority and the top priority improvements consists of replace influent lift station barscreens, conveyors and mixers, replace lime stabilization and blending units, replace polymer storage and feed system, replace primary scum pumps, lines and strainer, demolish old influent lift station and lagoon generator, install new smaller blowers with VFDs and install new aeration basin mixers at the Cypress Creek Wastewater Treatment Plant, replace concrete sewer lines, replace aerial creek crossings, replacing portions of the Cox Creek, Eastern Industrial Park and Western Industrial Park and Sweetwater Interceptors, upgrade pumps at Veteran's Drive Lift Station; upgrade McFarland Park Lift Station #2 and Briar Cliff Lift Stations. Completion of this project will reduce sanitary sewer overflows (SSO), reduce inflow/infiltration (I/I), maintain current and future regulatory compliance and improve the treatment plant's energy efficiency.

City of Gadsden Wastewater and Sewer Board – Sanitary Sewer System Improvements

The City of Gadsden Wastewater and Sewer Board proposes to reduce the amount of I/I in the system, which impacts the frequency and severity of SSOs, as well as the ability of the WWTPs to meet present removal requirements. Several areas in the system have already been identified to be rehabilitated by pipebursting, CIPP and manhole lining. These areas have been determined as areas of substantial I/I but found void of significant offsets, bellies, or collapsed sections, making them prime candidates for rehabilitation.

Hanceville Water Works and Sewer Board

The Hanceville Water Works and Sewer Board proposes to replace approximately 16,300 linear feet of clay sewer main pipe, 73 man holes, and service lateral connections. The proposed project would improve inflow and infiltration and prevent sanitary sewer overflow (SSOs) in the affected areas.

Hartselle, City of – 2023 Wastewater Improvements

The City of Hartselle proposes to replace existing sewer collection system in the Basin C, E, N, K, and M areas. The proposed project would mitigate SSO's and allow Hartselle to return to compliance.

Livingston Utilities Board – Sewer System Improvements

Livingston Utilities Board proposes to install new aerators, a baffle, curtain, mechanical drum screen, and dual compactor at the primary lagoon cell. A package ultraviolet disinfection system will be added along with a standby generator and SCADA. The proposed project will increase reliability and allow Livingston to maintain current permit requirements for existing customers.

Mobile, AL (MAWSS), Board of Water and Sewer Commissioners of the City of – Master Plan SRF Wastewater Projects Phase II

The Mobile Board of Water and Sewer Commissioners (MAWSS) proposes implementation of Mobile's CWSRF Master Plan Phase II to include: replacement of dewatering system and construction of new chlorine building at Williams WWTP; addition to Eslava Creek Severe Weather Attenuation Tank (SWAT) storage and conveyance; installation of Williams WWTP to Eslava Creek parallel sewer main; slip-lining of Pre-stressed Concrete Cylinder Pipe (PCCP) Halls Mill Connection to South Broad Street and from South Broad Street to Williams WWTP; refurbishment of existing Three-Mile Creek SWAT Tank; replacement of Headworks, renovations to Maintenance Building, replacement of Digester Dome, and additional access driveway at Smith WWTP; and Lift Station SCADA Programming. Proposed improvements will insure continued compliance with existing regulations and demands and provide increased efficiency and dependability to the Board's overall wastewater collection and treatment system.

Northport, City of – Highway 82 Pump Station and Force Main

The City of Northport proposes the replacement of the existing gravity sewer main along Highway 82, construction of a new pump station, and replacement of the force main at Pump Station No. 2. The proposed project will increase reliability for existing customers.

Odenville, Utilities Board of the Town of – WWTP Improvements

The Utilities Board of the Town of Odenville proposes to connect and reroute the existing sewer connection from Highway 174 to the wastewater treatment plant (WWTP). By installing the force main, the route the sewer must be pumped is reduced and two additional lift stations are avoided. The project will reduce the energy consumption of the Legacy Springs Lift by more than 50%.

Odenville, Utilities Board of the Town of – Shanghai Road Force Main

The Utilities Board of the Town of Odenville proposes to replace and upgrade the Shanghai Road Force Main. The lift stations within the system would have increased service life and reliability as a result of the proposed project.

Opelika, City of – Opelika Westside WWTF Storage Lagoon Solids Removal

The City of Opelika proposes improvements to the Westside WWTF Storage Lagoon Solids Removal, Wyndham Residential Lift Station, Fieldstone Force Main, and Sanitary Sewer along I-85. The proposed project will reduce infiltration and inflow, provide service to new customers on decentralized systems, and improve reliability for existing customers.

Pell City, City of – Eden Lift Station and Force Main

The City of Pell City proposes to replace and upgrade the Eden Lift Station and Force Main. The proposed project would replace two existing lift stations which have outlasted the useful life of the equipment. The proposed project will increase reliability for existing customers.

Scottsboro Water, Sewer, and Gas Board – Sewer Main Replacements Supplemental

The Scottsboro Water, Sewer, and Gas Board is proposing a project for their system. The proposed project is for the construction of new water pumps and the improvements to the wastewater treatment plant. The completion of this project will not only help the citizens inside the system but ensure them satisfactory services in their clean water system.

Selma, The Waterworks and Sewer Board of the City of – Wastewater Treatment Plant Improvements

The Waterworks and Sewer Board of the City of Selma proposes to upgrade the Wastewater Treatment Plant (WWTP) including replacing the trickling filter media, heat exchanger, SCADA, pump stations, piping, and compressors. The proposed project would increase reliability and allow Selma to maintain current permit requirements.

City of Tallassee - 2023 Supplemental

The City of Tallassee proposes to continue improvements to the lagoon system. The proposed project would allow Tallassee to maintain compliance and provide reliability for all customers within the system.

City of Talladega Water and Sewer Department – Wastewater Treatment Plant Upgrades

The Talladega Water and Sewer Department is taking the necessary steps to address and improve the current infrastructure deficiencies within its collection system to provide the highest quality of service to its customers. The necessary improvements include addressing the Infiltration and Inflow problems that have accumulated over time and the expansion of the Talladega Brecon Wastewater Treatment Plant by adding a new oxidation ditch, aeration basin, a new clarifier, a new chlorine contact chamber and screens.

Troy, City of – New Wastewater Treatment Plant (WWTP)

The City of Troy proposes to construct a new Wastewater Treatment Plant (WWTP). The proposed project will increase reliability and capacity for existing customers while maintaining compliance with existing permit requirements.

Tuscaloosa, City of - 2023 Supplemental

The City of Tuscaloosa proposes to upgrade the Mercedes Sewer Force Main and #114 Lift Station as part of the 2018 CWSRF Miscellaneous Improvements Project of 2018. The proposed project would maintain and improve City's existing collection system infrastructure.

Tuscumbia Utilities – 2023 CWSRF Water System Improvements

Tuscumbia Utilities proposes to refurbish the wastewater treatment plant. The project consists of abandoning and demolishing of the existing primary clarifier, recirculation pump station, and trickling filter; replacement of the existing secondary clarifier; construction of a three-sequencing batch reactor (SBR); installation of a fixed-grid, fine-bubble diffused aeration system within each SBR basin along with the necessary floating mixer and decanting system; construction of a post-equalization basin; construction of a blower facility; and the addition of SCADA. Completion of these improvements will allow Tuscumbia Utilities to enhance its current treatment abilities and provide reliable and efficient treatment of the wastewater to maintain a clean, treated effluent discharge to preserve and protect public health.

Attachment 3: A/E Procurement Requirements

Alabama CWSRF A/E Procurement Requirements

Effective September 30, 2014 for all assistance agreements directly made available from the FY 15 (and later) capitalization grant.

It is the intent of the Alabama Clean Water SRF program that all assistance recipients select architectural & engineering services based on qualifications of the selected firm, not price. This reinforces Canon IV of the Board of Engineers and Land Surveyors' Code of Ethics, contained in the Board's regulations at 330-X-14-.05 (f):

The engineer or land surveyor shall not participate in or implement procurement practices (bid submittals) which do not first determine the qualifications of the engineer or land surveyor prior to entering into fee negotiations for services being sought. An engineer or land surveyor having submitted a statement of qualification and performance data, and having first been judged as the qualified individual or firm to provide the services required for the proposed project, may proceed to negotiate a contract with a client and establish compensation or fees for the required services.

Should the engineer or land surveyor be unable to negotiate a satisfactory contract with the client for any reason, the engineer or land surveyor shall withdraw from further consideration for the engineering or land surveying services. Another engineer or land surveyor may then be selected for negotiations of a contract for the services on the stated project.

Examples include but are not limited to, simultaneous negotiations or solicitation of fee proposals by the client from two or more engineers or land surveyors constitutes "bidding" and participation by a licensee is prohibited.

Use of a qualifications-based selection is also required by the Alabama Board for Registration of Architects, at 100-X-5-.10:

Architects are encouraged to seek professional employment on the basis of qualifications and competence for proper accomplishment of the work. This procedure restricts the architect from submitting a price for services until the prospective client has selected, on the basis of qualifications and competence, one architect or firm for negotiations.

CWSRF assistance applicants are required to certify the following:

1. That the applicant sought the most-qualified firm for professional services, by issuing a Request for Proposals (RFP) or a Request for Qualifications (RFQ).
2. That the applicant made a good faith effort to seek proposals or qualifications from at least 3 firms, as evidenced by a public notice, advertisement, or other appropriate means.
3. That the applicant evaluated the proposals or qualifications and selected a firm based on professional competency, past performance, specialized experience, and other factors deemed critical for success of the project.

4. That only upon making a selection based on qualifications did the applicant negotiate a contract and determine compensation. (If the applicant was unable to negotiate a contract with the most qualified firm, the applicant may then negotiate with the next-most-qualified firm)

Attachment 4: Additional Subsidization and Affordability Criteria

Alabama Clean Water State Revolving Fund Additional Subsidization and Affordability Criteria Effective September 30, 2015

Purpose:

This document establishes the additional subsidization and affordability criteria for the Alabama Clean Water State Revolving Fund. The criteria are effective September 30, 2015, and may be modified from time-to-time upon notice.

Background:

Section 603(i) of the Federal Water Pollution Control Act states the following:

Additional Subsidization-

(1) IN GENERAL- In any case in which a State provides assistance to a municipality or intermunicipal, interstate, or State agency under subsection (d), the State may provide additional subsidization, including forgiveness of principal and negative interest loans--

(A) to benefit a municipality that--

(i) meets the affordability criteria of the State established under paragraph (2);
or

(ii) does not meet the affordability criteria of the State if the recipient--

(I) seeks additional subsidization to benefit individual ratepayers in the residential user rate class;

(II) demonstrates to the State that such ratepayers will experience a significant hardship from the increase in rates necessary to finance the project or activity for which assistance is sought; and

(III) ensures, as part of an assistance agreement between the State and the recipient, that the additional subsidization provided under this paragraph is directed through a user charge rate system (or other appropriate method) to such ratepayers; or

(B) to implement a process, material, technique, or technology--

(i) to address water-efficiency goals;

(ii) to address energy-efficiency goals;

(iii) to mitigate stormwater runoff; or

(iv) to encourage sustainable project planning, design, and construction.

(2) AFFORDABILITY CRITERIA-

(A) ESTABLISHMENT-

(i) IN GENERAL- Not later than September 30, 2015, and after providing notice and an opportunity for public comment, a State shall establish affordability criteria to assist in identifying municipalities that would experience a significant hardship raising the revenue necessary to finance a project or activity eligible for assistance under subsection (c)(1) if additional subsidization is not provided.

(ii) CONTENTS- The criteria under clause (i) shall be based on income and unemployment data, population trends, and other data determined relevant by the State, including whether the project or activity is to be carried out in an economically distressed area, as described in section 301 of the Public Works and Economic Development Act of 1965 (42 U.S.C. 3161).

(B) EXISTING CRITERIA- If a State has previously established, after providing notice and an opportunity for public comment, affordability criteria that meet the requirements of subparagraph (A)--

(i) the State may use the criteria for the purposes of this subsection; and

(ii) those criteria shall be treated as affordability criteria established under this paragraph.

(C) INFORMATION TO ASSIST STATES- The Administrator may publish information to assist States in establishing affordability criteria under subparagraph (A).

(3) LIMITATIONS-

(A) IN GENERAL- A State may provide additional subsidization in a fiscal year under this subsection only if the total amount appropriated for making capitalization grants to all States under this title for the fiscal year exceeds \$1,000,000,000.

(B) ADDITIONAL LIMITATION-

(i) GENERAL RULE- Subject to clause (ii), a State may use not more than 30 percent of the total amount received by the State in capitalization grants under this title for a fiscal year for providing additional subsidization under this subsection.

(ii) EXCEPTION- If, in a fiscal year, the amount appropriated for making capitalization grants to all States under this title exceeds \$1,000,000,000 by a percentage that is less than 30 percent, clause (i) shall be applied by substituting that percentage for 30 percent.

(C) APPLICABILITY- The authority of a State to provide additional subsidization under this subsection shall apply to amounts received by the State in capitalization grants under this title for fiscal years beginning after September 30, 2014.

(D) CONSIDERATION- If the State provides additional subsidization to a municipality or intermunicipal, interstate, or State agency under this subsection that meets the criteria under paragraph (1)(A), the State shall take the criteria set forth in section 602(b)(5) into consideration.

Discussion:

On June 10, 2014, the Water Resources Reform and Development Act of 2014 was signed into law. Among the provisions of the Act is the new Section 603(i), which details how a state Clean Water State Revolving Fund (CWSRF) program may provide additional subsidization. It also requires that each program establish an affordability requirement that can be a consideration in granting additional subsidization.

The American Recovery and Reinvestment Act of 2009 was the first time that Congress applied the principle of principal forgiveness to the CWSRF. In response, the Alabama CWSRF program utilized additional subsidization in the form of principal forgiveness to construct green infrastructure. In Alabama, green infrastructure (stormwater) projects are constructed very infrequently, even though stormwater runoff is a major source of pollutants. Many local communities lack a dedicated revenue stream to pay for stormwater projects; thus, the CWSRF program has applied principal forgiveness to these projects in order for them to be economically viable. It is hoped that in time, the success of these projects will encourage the construction of more improvements without the need for additional subsidy. The Alabama CWSRF intends to continue this practice to ensure nonpoint source projects are constructed along with the traditional point source projects.

In previous years, the amount of additional subsidization was set by Congress through the annual appropriations process. The amount available varied from year to year and may have been subject to a minimum or maximum. Under the new 603(i)(3), a state may provide up to a maximum of 30% of its capitalization grant if the total appropriations equal or exceed \$1.3 billion. The project priority list will be used to determine which projects are provided principal forgiveness. The highest ranking green infrastructure project will receive principal forgiveness in order to continue to incentivize green projects. Additionally, principal forgiveness will be allocated based on the projects which have the highest priority rankings until all additional subsidization has been allocated.

The amount of principal forgiveness allocated to each project will be determined by a number of factors. These include affordability, need (priority ranking), and type of project (resolving compliance, etc.). 603(i)(2) also requires state CWSRF programs to establish affordability criteria. The criteria *“shall be based on income and unemployment data, population trends, and other data determined relevant by the State”*. Traditionally, affordability has been determined by the CWSRF through a comparison of median household income and annual sewer use charges. The new requirements take a broader approach, focusing more on income and employment of the affected population. In response, the Alabama CWSRF program will utilize 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 to determine how much of a typical SRF loan a community can afford and utilization of the Justice40 Mapping Tool to verify disadvantaged communities within large service areas.

Final Criteria for Additional Subsidy and Affordability:

Additional subsidy in the form of principal forgiveness shall be made available in a total amount per year not to exceed the cap set at 603(i)(3). Funding will be provided in rank order on the project priority list, until the maximum amount has been allocated.

The Affordability Measure for Alabama will be 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;
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 Mapping Tool – if the Justice40 Mapping Tool indicates that the project area or immediate surrounding area is disadvantaged based on the criteria set within the mapping tool the value shall be 1.



Form 340: Clean Water State Revolving Fund Preapplication

Project Name	
Assistance Amount Requested	\$
Date Submitted	



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

Section 1: Contact Information

Loan Applicant

Applicant Name			
Authorized Representative (Signatory of Loan Agreement)		Title of Authorized Representative	
Email Address		Telephone Number	
Contact Person (Daily SRF Communications)		Title of Contact Person	
Email Address		Telephone Number	
Mailing Address		City, Zip Code	
County		UEI Number	
Fax Number		PWSID Number	
AL House District(s)		AL Senate District(s)	
NPDES Permit Number of Facility (if applicable)		Population of System	
Names and 12-digit HUC Codes of Watersheds Impacted			

Project Engineer:

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

Section 2: Project Information

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

1. List all other funding sources to be utilized to complete this project.

Other Funding Source(s)	Amount(s)	Commitment Date

2. Provide demographic information about the affected community

Community is defined as the township or county that best represents the system. Please identify what community is being used.

Median Household Income		Source/Date:	
Unemployment Rate		Source/Date:	
Population Trend Over 10 Years (+%)		Source/Date:	
Community			

Priority Ranking System

The following factors are used to rank the proposed project, and will ultimately determine if it falls in the fundable portion of the priority list. The applicant must provide documentation where required in order to receive credit.

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

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

Ranking Criteria		Point Value
1	Facility is under formal enforcement action by ADEM and is currently in significant non-compliance. The project will bring the facility into compliance. (A copy of the enforcement order must be attached)	50
2	Project is a voluntary effort to resolve violations and will mitigate the issuance of a formal enforcement action.	40
3	The facility is currently in compliance with permit limits, but will fall out of compliance without the proposed project.	25

B. Water Quality Improvement Criteria (Maximum: 135 points) *

Ranking Criteria		Point Value
1	Project will significantly address water quality standards in a water body that:	
	a) Has an approved TMDL	25
	b) Is subject to a draft TMDL, dated 0-2 years from present	15
	c) Is subject to a draft TMDL, dated 3-5 years from present	10
	d) Is subject to a draft TMDL, dated 6-10 years from present	5
2	Project will implement TMDL(s) for:	5
	a) Pathogens (i.e., fecal coliform/E. coli)	15
	b) Mercury	10
	c) Nutrients (i.e., phosphorous, nitrogen)	5
	d) Organic Enrichment/Dissolved Oxygen	5
	e) Ammonia (toxicity)	15
	f) Siltation (sediment)	
3	a) Project will benefit a Category 5 or Category 4 listed water body.	5
	a) Project takes place in an EPA-identified priority watershed and reduces/eliminates one or more sources of impairments (point and nonpoint source).	5
	b) Project will improve water quality in an Outstanding Alabama Water (OAW).	5
	c) Project will improve water quality in an Outstanding National Resource Water (ONRW).	5
4	Project will upgrade or replace existing failing or inadequate decentralized wastewater treatment systems, or construct septage treatment facilities that are crucial to the proper operation of decentralized wastewater treatment systems.	10
5	Project will protect a public drinking water source from contamination that will negatively impact public health.	15
6	Project will implement a National Estuary Program Comprehensive Conservation Management Plan	10

C. Water/Energy Efficiency Rating (Maximum: 65 points) *

Ranking Criteria		Point Value
1	Project incorporates energy efficient design considerations with established objectives and targets for energy reduction opportunities, performed energy audits or developed energy conservation plans.	5
2	Project uses renewable energy to provide power to a POTW.	10
3	Project implements upgrades to pumps and treatment processes which result in:	
	a) 20 percent or greater reduction in energy consumption at a POTW.	10
	b) Less than a 20 percent reduction in energy consumption at a POTW.	5
4	Infiltration/Inflow correction projects that save energy from pumping and result in reduced treatment costs, and I/I projects in cases where excessive groundwater infiltration is contaminating the influent.	10
5	Projects that incorporate recycling and/or reuse of gray water or wastewater.	20
6	Production of treated effluent for groundwater recharge, industrial operations, or agricultural purposes.	5

D. Stormwater Management Criteria (Maximum: 50 points)

Ranking Criteria		Point Value
1	Project will implement stormwater harvesting and reuse.	10
2	Project incorporates wet weather management systems including: permeable pavement, bioretention, tree plantings, green roofs, rain gardens and other practices that can be designed to mimic natural hydrology and reduce effective imperviousness.	10
3	Project will create riparian buffers, floodplains, vegetated buffers and additional streambank restoration methods.	10
4	Project supports wetland protection or restoration, including constructed wetlands.	10
5	Downspout disconnection to remove stormwater from sanitary sewers and manage runoff onsite.	5
6	Project incorporates green streets for new development, redevelopment or retrofits.	5

E. Agricultural and Nonpoint Source Pollution Criteria (Maximum: 35 points)

Ranking Criteria		Point Value
1	Project addresses water quality impacts associated with farming operations by: a) Implementing water-saving irrigation systems in farms currently using inefficient watering systems. b) Implementing methods to reduce soil and stream bank erosion. c) Utilizing BMPs including no-till farming practices, rotational grazing, cropland conversion and winter cover crops. d) Utilizing alternative watering sources including effluent or grey water reuse.	5 10 10 10
2	Project addresses water quality impacts associated with animal feeding operations by: a) Developing a Nutrient Management Plan. b) Establishing heavy –use protection areas. c) Implementing onsite waste management systems for manure and poultry litter; including recycling, spreading, and storage systems, and digester gas technologies. d) Utilizing dead bird composters and/or incinerators. e) Implementing BMPs (including exclusion fencing and stream crossings).	10 5 10 5 5

F. Sustainability Criteria (90 possible bonus points) *

Ranking Criteria		Point Value
1	Project incorporates one or more of the following planning methodologies: a) Comprehensive Land Use Plan (must designate areas where public infrastructure will and will not be supported) b) Asset Management Plan c) Watershed Management Plan d) Nutrient Management Plan e) Nutrient Trading f) Open Space Preservation g) Integrated Water Resource Plan that stresses water efficiency, reuse and conservation	5 10 5 5 5 5 5
2	Project includes one or several of the following design considerations: a) Site fingerprinting for minimized landscape disturbance and sustainable landscape design. b) LEED certified or other ADEM-approved green building techniques for POTWs. c) Minimizes the environmental and water quality impact of construction through the use of clean fuel construction vehicles, construction waste reduction and other innovative methodologies. d) Project envelope is located in a previously developed area. e) Use of environmentally friendly post-consumer recycled or reclaimed materials.	5 5 5 5 5
3	Project implements at least one of the following construction methods: • Innovative erosion control practices; • Protection of onsite trees, vegetation, native habitats and urban forests; or • Replanting of disturbed areas with native plant species.	5
4	Project will utilize one or more of the following water conservation strategies: a) Development of a water conservation program. b) Incorporates sustainable water pricing practices and rate structures. c) Completion of EPA's Water Quality Scorecard (see http://www.epa.gov/smartgrowth/water_scorecard.htm).	5 10 5

G. Growth Criteria (50 possible bonus points)

Ranking Criteria		Point Value
1	Project includes a significant growth component. (See PER instructions)	0
2	Project does not include a significant growth component. (See PER instructions)	50

Sum the points from each category below.

Part A: Enforcement and Compliance (50 points maximum)	
Part B: Water Quality (135 points maximum)	
Part C: Water/Energy Efficiency (65 points maximum)	
Part D: Stormwater Management (50 points maximum)	
Part E: Agricultural/Non-Point Source (35 points maximum)	
Part F: Sustainability (90 bonus points maximum)	
Part G: Growth (50 bonus points maximum)	
TOTAL POINTS CLAIMED:	

This form should be signed by the official who is authorized to execute contracts on behalf of the applicant jurisdiction.

ONE SIGNED COPY (including attachments) should be emailed to the address shown on Page 1 of this form.

Attachments to be included with this form:

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

Preliminary Engineering Report Outline:

- 1. Description of Project**
 - a. Brief description and background of project
 - b. Purpose of project
 - c. Location of project
 - d. Project Scope
 - e. Average annual household water bill
 - f. Population and median household income
- 2. Proposed Improvements**
 - a. System connections and connections that benefit from construction
 - b. System plan for water conservation
 - c. Proposed operation and management
 - d. Improvements to system
- 3. Project Maps**
 - a. Include all affected water bodies
- 4. Projected Outlay Schedule**
- 5. Cost Breakdown**
 - a. Estimated cost outline for entire project
- 6. Supporting Documentation*** for priority points claimed, as required above. Any points claimed that cannot be readily substantiated from the information submitted will not be counted. The Department reserves the right to make the final determination of all points awarded.
- 7. Growth Criteria:** If the project includes any of the following components, enter a point value of 0:
 - a. New (not a replacement) wastewater treatment plant (excluding decentralized systems).
 - b. Upgraded/expanded/replacement wastewater treatment plant where the purpose of the project is to increase the design flow or projects where the design flow of the facility incidentally increases by more than 20%.
 - c. Collection system improvements that increase design flow (excluding rehabilitation projects where the original design flow is restored).
 - d. New or expanded collection systems.
 - e. Any POTW project that serves future growth.

If none of the criteria above apply, the project will be awarded points as shown.

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

Signature of Authorized Representative	Print or Type Name
Title	Date