



# Alabama State Revolving Fund (SRF) Program Fact Sheets

## Preface

### The State of Water Infrastructure

Water infrastructure in the United States is aging and in need of replacement, and many systems are already failing. Estimates suggest \$1.25 trillion ([\\$625 billion](#) for Drinking Water infrastructure and [\\$630 billion](#) for Clean Water infrastructure) is needed over the next 20 years to invest in wastewater, stormwater, and drinking water systems. Inadequate investments in water infrastructure has a significant negative impact on the health and well-being of communities, and disproportionately impacts low-income communities and communities of color.

The Bipartisan Infrastructure Law (**BIL**), passed in November of 2021, was the single largest federal investment in water infrastructure to date. Of the \$55 billion to be administered by the Environmental Protection Agency (**EPA**), \$43 billion is being distributed through the Clean Water State Revolving Fund (**CWSRF**) and the Drinking Water State Revolving Fund (**DWSRF**) over Federal Fiscal Year (**FFY**) 2022-2026. Although 49% of these funds must be distributed to “disadvantaged communities” as grants or forgivable loans (rather than loans that need to be repaid), communities with the greatest need [still face several barriers](#) in accessing these funds. Interventions to address these barriers include reforms to State Revolving Fund (**SRF**) policies that determine how SRF funds are allocated to communities within each state.

## Why and How This Project Came to Be

In early 2023, PolicyLink started its three-year “Southern State Revolving Fund (SRF) Analysis and Advocacy Project” to help ensure equitable implementation of BIL SRF funds and base SRF programs in the South. In focusing on the South, we recognized that the racial and economic disparity in clean and affordable water is particularly pronounced there and that there was a need for strong community-based advocacy.

This project consists of two main phases:

- **Phase I: Analyses of DWSRF and CWSRF Across Seven Southern States** In early 2023, PolicyLink partnered with the Environmental Policy Innovation Center (EPIC) to train and support policy analysts across seven southern states (Alabama, Arkansas, Louisiana, Mississippi, Oklahoma, Tennessee, and Texas) to conduct equity analyses of each state’s Clean Water and Drinking Water State Revolving Fund. These analyses are being used to inform advocacy in Years 2 (2024) and 3 (2025) of the project.
- **Phase II: Community-Based-Organization (CBO) Led Advocacy Across Four States** Of the seven states, PolicyLink selected four states—Alabama, Louisiana, Tennessee, and Texas—for Phase II (supporting CBO-led SRF Advocacy). These represent two states from EPA Region 4 (Tennessee and Alabama) and two states from EPA Region 6 (Louisiana and Texas). PolicyLink selected a cohort of 16 CBOs (4 CBOs per state) to undergo SRF Advocacy training (administered by River Network) and supports them in their state and regional SRF advocacy efforts.

This document is part of the larger series of SRF program analyses (Phase I deliverables) developed by individual consultants, with guidance from PolicyLink and the Environmental Policy Innovation Center (EPIC).

To learn more about the project and/or to access other material related to the state analyses, please see the project [site](#).

## Acknowledgments

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- Alabama: Victoria Miller and Cindy Lowry, Alabama Rivers Alliance
- Arkansas: EPIC
- Louisiana: Rebecca Malpass, The Water Collaborative of Greater New Orleans
- Mississippi: Dr. Christine Curtis, Grow Where You’re Planted
- Oklahoma: EPIC
- Tennessee: Grace Stranch and Anne Passino, Harpeth Conservancy
- Texas: Danielle Goshen, National Wildlife Federation

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# Abbreviations Sheet

ADEM - Alabama Department of Environmental Management

ADPH - Alabama Department of Public Health

ARPA - American Rescue Plan Act

BIL - Bipartisan Infrastructure Law (also the Infrastructure Investment in Jobs Act)

CWA - Clean Water Act

CWNS - Clean Watershed Needs Survey

CWSRF - Clean Water State Revolving Fund

Disadvantaged community - per the requirements of the DWSRF, states are required to explain how they define “disadvantaged community” and must use this definition to identify applicants serving DACs. If a community is identified as a DAC, they may receive additional benefits for their projects, like additional subsidization in the form of principal forgiveness.

DWINSA - Drinking Water Infrastructure Needs Survey & Assessment

DWSRF - Drinking Water State Revolving Fund

EC - Emerging Contaminants, usually refers to BIL funds distributed for projects aimed at mitigating emerging contaminants from drinking water or wastewater

EPA - Environmental Protection Agency

FFY - Federal Fiscal Year

GPR - Green Projects Reserve

IUP - Intended Use Plan

LSLR - Lead Service Line Replacement, usually refers to BIL funds distributed for projects to identify and remove lead service lines from drinking water systems

PPL - Project Priority List

SFY - State Fiscal Year

SRF - State Revolving Fund

SDWA - Safe Drinking Water Act

# How Water Infrastructure Is Funded in Alabama

Water infrastructure is primarily funded through Alabama's state-revolving loan programs—the Clean Water State Revolving Fund (CWSRF) and the Drinking Water State Revolving Fund (DWSRF), which are both administered by the Alabama Department of Environmental Management (ADEM). Alabama's annual Intended Use Plans (IUPs) are the key policy documents outlining the state's distribution of State Revolving Funds (SRFs), including supplemental funds from the Bipartisan Infrastructure Law (BIL).

## Impact of Federal Funding on Alabama's SRF

The BIL dedicated significant investments to water infrastructure in the US, which are being distributed through SRFs. Alabama has also opted to use a significant portion of the federal funds allotted to Alabama from the American Rescue Plan Act for water infrastructure. These acts will bring an estimated \$1.5 billion to Alabama for water infrastructure from 2022 to 2026, while existing infrastructure needs are over \$3 billion.<sup>1</sup> This historic funding availability alone is not adequate to meet the current or future needs of water infrastructure across the state, especially when considering the need to address failing decentralized wastewater, emerging contaminants, and lead.

## Shortcomings of Alabama's Current SRF

Alabama's SRF program falls short of leveraging the complete range of tools made available by the BIL, Clean Water Act (CWA), and Safe Drinking Water Act (SDWA) to meet the state's infrastructure needs. Under-utilization of SRF tools such as flexible funding options and set-aside activities leads to challenges for small, rural, disadvantaged, and otherwise underserved communities when attempting to access SRF loans for projects. Of the allowable 31% set-aside, ADEM directed an average of 7.1% of their DWSRF for set-aside activities, falling short of the national average use rate of 22%.<sup>2</sup> Alabama communities struggle with difficult financial requirements, lengthy and cumbersome application processes, and a lack of communication and transparency in the SRF process in Alabama.

## Key Facts & References

- The most recent available IUPs were issued on 2/1/2024, about federal capitalization grants allocated to Alabama from the federal fiscal year 2023 BIL appropriations.
- Up to 7 IUPs are released in each fiscal year:
  - CWSRF: base IUP, BIL-supplement IUP, & BIL-emerging contaminants IUP
  - DWSRF: base IUP, BIL-supplement IUP, BIL lead-service-line replacement IUP, & BIL emerging contaminants IUP
- ADEM's State Revolving Fund [webpage](#) & Guidance for SRF Applicants [webpage](#)
- Alabama Water Project Status [website](#)
- Alabama statutes guiding ADEM's SRF:
  - [AL Code Section 22-23B](#) created the DWSRF
  - [AL Code Section 22-34](#) created the CWSRF
  - [Division 11](#) of ADEM's Administrative Code describes CWSRF & DWSRF rules

## Policy Reform Recommendations

ADEM should evolve its SRF program to meet the water infrastructure needs of the state and to provide more accessibility for small, rural, disadvantaged, and otherwise underserved communities unable to afford upgrades without SRF assistance. This could be accomplished by (1) expanding SRF eligibility to meet the needs of nontraditional applicants, (2) offering more flexible financing options as allowed federally, (3) expanding set-aside activities for technical assistance, and (4) promoting SRF communication, outreach, and education for communities, lawmakers, and advocates.

Alabama's SRF program has the potential to build a robust and resilient portfolio of water infrastructure for the 21st century. However, current program policies limit ADEM's ability to meet the broader needs of communities throughout the state. ADEM is primarily focused on existing SRF demands, rather than evaluating program structures and expanding the SRF to serve more communities and enhance climate resiliency. By updating its practices and programs, ADEM could continue to work to address existing demands and expand the SRF's reach. With the current funding availability, now is the time to grow the

SRF into the powerhouse mechanism it could be to equitably address water infrastructure needs, invest in clean water for our future, and promote a healthy environment in Alabama. For a more comprehensive assessment of policy reform opportunities in Alabama, see the accompanying memo and policy recommendation documents associated with this project. Produced by the Alabama Rivers Alliance for the Southern States SRF Analysis Project with EPIC and PolicyLink.

## Notes

1. ADEM Funding of Water & Sewer Updates State Report, as of 12/31/22. Available at [adem.alabama.gov/programs/water/srfreports/ARPA-1updatepartA.pdf](https://adem.alabama.gov/programs/water/srfreports/ARPA-1updatepartA.pdf)
2. “The EPA Could Improve Its Review of DWSRF Programs to Help States Assist Disadvantaged Communities” EPA Audit Report, available at [epa.gov/system/files/documents/2023-07/epa\\_oig\\_20230711\\_23-P-0022\\_2.pdf](https://epa.gov/system/files/documents/2023-07/epa_oig_20230711_23-P-0022_2.pdf)

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