

Appendix 1.
Priority Criteria for SFY24 CWSRF Projects



Alaska Clean Water State Revolving Fund

Priority Criteria for Point Source Project – Reference Sheet

PUBLIC HEALTH CONSIDERATIONS <i>(Select only one)</i>		POINTS
<p>This project will correct the cause of a human disease event documented by ADEC or a recognized public health organization. Documentation required.</p> <p>Examples:</p> <ul style="list-style-type: none"> • Outbreaks of Hepatitis, Giardiasis or Cryptosporidiosis. • Upgrading facilities to meet new EPA/ADEC regulations or resolve violation(s) of a wastewater permit with short term compliance deadline (≤ 1 year). • Installation of new sewer mains in an area where there is documented well contamination resulting from sewer main leaks. 	100	
<p>This project will correct conditions severe enough that a disease event may occur, although an event may have not yet been reported.</p> <p>Examples:</p> <ul style="list-style-type: none"> • Violations of a wastewater permit with longer term compliance deadlines (> 1 year). Documented failure of on-site disposal systems. • Correction of documented Inflow and Infiltration issues that prevent the WWTP from meeting permit limits. • Construction to address documented surface water contamination violation. 	75	
<p>This project will minimize public health threats where the potential for a disease event exists.</p> <p>Examples:</p> <ul style="list-style-type: none"> • Correction of documented issues with a high potential to violate a wastewater permit condition or ADEC design criteria. • Replacement of pipes or facilities with documented leaks or constructed of inferior materials (example – asbestos cement pipe, structurally impaired lift station wet well). • Improvements to a collection system prone to freeze-up. • Installation of new sewer mains to an area that is currently served by on-site systems and has a high potential of regulated contaminants exceeding safe standards. 	50	
<p>This project will minimize potential future public health problems. There is no current threat of a disease event.</p> <p>Examples:</p> <ul style="list-style-type: none"> • Replacement of collection system components that are at end of life, but no documentation of significant failure. Wastewater Treatment Facility upgrades to increase capacity and/or replace obsolete equipment that is not related to a permit violation correction. • Improve system security, such as fencing, remote monitoring, access cards, etc. SCADA upgrades, backup power to a critical system component. 	25	
<p>This project will not address any significant health related issues.</p> <p>Examples:</p> <ul style="list-style-type: none"> • Sewer main alignment changes (rerouting mains that have little to no improvement on operation). Sewer main expansion for future development. • Wastewater treatment plant or collection system studies, unless required by compliance conditions. • Master plans, backup power to a tangential facility. 	0	
WATER QUALITY CONSIDERATIONS <i>(Select only one)</i>		
PROTECTION OF UNIMPAIRED WATERBODY		
The goal of the proposed project is prevention of water pollution in an unimpaired waterbody (Category 2 or Category 3) as reported in the Integrated Report (https://dec.alaska.gov/water/water-quality/).	35	
This project does not prevent water pollution in an unimpaired waterway.	0	
RESTORATION OF IMPAIRED OR POLLUTED WATER BODY <i>(Select only one)</i>		
The goal of the proposed project is to reduce pollution/improve water quality in a waterbody identified as impaired or polluted (Category 4 or Category 5) in the Integrated Report (https://dec.alaska.gov/water/water-quality/).		
This project will reduce pollution specifically related to the impairment.	35	
This project will reduce pollution to the waterbody that may not be specifically related to impairment.	25	
This project will minimize the potential for future pollution event.	10	
This project has minimal impact on future pollution event.	0	
RECEIVING WATERS		
This project addresses the following adverse impacts to receiving waters: <i>(Select only one)</i>		
Direct impacts to surface water or groundwater.	10	
Direct impacts to marine waters or estuaries.	5	
Indirect impacts to surface water or groundwater.	5	
This project will not address adverse impacts to receiving waters.	0	
ADMINISTRATIVE		POINTS
PROJECT READINESS <i>(Select only one)</i>		
Engineering plans and specifications have been approved by the ADEC Engineering Support and Plan Review (ESPR) Program in	50	

Priority Criteria for Point Source Projects

addition to having an approved environmental review. Documentation is required for both.			
Engineering plans and specifications have been approved by the ADEC ESPR Program. Documentation required.			40
Substantial engineering plans and specification (at least 65% complete) have been prepared. Documentation required.			30
A feasibility study, facility plan and/or set of engineering plans and specifications (at least 35% complete) has been prepared and are attached. Documentation required.			20
An up-to-date comprehensive study, master plan, a current project cost estimate, and/or approved environmental review has been prepared and is attached. Documentation required.			10
No project development has been accomplished.			0
ASSET MANAGEMENT <i>(Select only one)</i>			
An asset management plan that incorporates an inventory of all assets, an assessment of the criticality and condition of the assets, a prioritization of capital projects needed, and a budget, has been adopted and implemented within the past 5 years. Documentation is required.			30
An asset inventory has been prepared and are attached. The asset inventory must meet the requirements as outlined in the SRF Asset Inventory Guidance (https://dec.alaska.gov/media/ntcj1ess/srf-asset-inventory-guidance.pdf). Documentation is required.			20
An asset management plan will be prepared or updated as part of the proposed project. Completed plan to be provided to SRF.			15
An asset inventory will be prepared as part of the proposed project. Completed inventory to be provided to SRF.			10
Employees have attended an asset management training, approved by ADEC Operator Training and Certification Program for Continuing Education Units (CEUs), within the last year. Documentation is required.			5
The system has not planned, developed, or implemented an asset management plan or inventory, and staff have not attended asset management training.			0
FUNDING COORDINATION <i>(Select only one)</i>			
This loan will be used to match other state or federal funds, or this project will be coordinated with another municipal/state/federally funded project (e.g. DOT road construction). Documentation is required to identify each funding source.			15
Other funding sources have not been identified.			0
SUSTAINABILITY PROJECTS <i>(Select only one)</i>			
Fix it First Projects – These are projects currently located in an established area which is still suitable for use and should be encouraged over project in undeveloped areas. The repair, replacement, and upgrade of infrastructure in these types of areas are encouraged.			50
Effective Utility Management – Plans, studies and projects that improve the technical, managerial, and financial capacity of assistance recipients to operate, maintain and upgrade their infrastructure. Improved stewardship of the existing infrastructure will help improve sustainability and extend the useful life of the system.			25
Planning – Preliminary planning, development of alternatives, and capital projects that reflect the full life cycle cost of infrastructure, conserve natural resources or use alternative approaches to integrate natural systems in the built environment.			25
Not applicable.			0
OPERATOR CERTIFICATION <i>(Select only one)</i>			
The system employs, or has on contract, an operator certified to the level of the system.			5
The system does not employ, or have on contract, an operator certified to the level of the system.			0
AFFORDABILITY CRITERIA <i>(Select only one)</i>		Monthly Wastewater Cost/Monthly Income	
	High	>2%	15
	Medium	1.0% - 1.9%	10
	Low	<1.0%	5

To Be Completed by ADEC

EQUIVALENCY			
This project will be used as an equivalency project.			50
GREEN PROJECTS			
The applicant has sufficiently demonstrated eligible Green components under the project.			25



Alaska Clean Water State Revolving Fund

Priority Criteria for Nonpoint Source Project – Reference Sheet

WATER QUALITY CONSIDERATIONS		POINTS
PROTECTION OF UNIMPAIRED WATERBODY <i>(Select only one)</i>		
1	The goal of the proposed project is prevention of nonpoint source water pollution in an unimpaired waterbody (Category 2 or Category 3) as reported in the Integrated Report.	60
2	This project has minimal impact protecting water quality.	0
RESTORATION <i>(Select only one)</i>		
The goal of the proposed project is to reduce pollution/improve water quality in a waterbody identified as impaired or polluted (Category 4 or Category 5) in the Integrated Report.		
1	This project will reduce pollution specifically related to the impairment.	75
2	This project will reduce pollution to the waterbody that may not be specifically related to impairment.	50
3	This project has minimal impact on restoring water quality.	0
ADMINISTRATIVE		
PROJECT READINESS <i>(Select only one)</i>		
1	Engineering documents have been prepared and are attached. Documentation is required.	15
2	Preliminary engineering documents have been prepared and are attached. Documentation is required.	10
3	Key planning document(s) (e.g. TMDL, Watershed Plan, Corrective Action Plan, Comprehensive Plan) have been prepared and are attached. Documentation is required.	5
4	A feasibility study that demonstrates the need and costs for the project have been prepared and are attached. Documentation is required.	2
5	No project development has been accomplished.	0
FUNDING COORDINATION <i>(Select only one)</i>		
1	This loan will be used to match other state or federal funds. Documentation is required to identify each funding source.	5
2	Other funding sources have not been identified.	0

To Be Completed by ADEC

2021 – 2025 NONPOINT SOURCE STRATEGY IDENTIFIED PRIORITIES		
1	The project is located in an underserved community.	15
2	The project monitors waters for Best Management Practices (BMP) Effectiveness at reducing nonpoint source pollution.	10
3	The project conducts education or outreach related to reducing nonpoint source pollution.	10
4	The project evaluates which BMPs are most effective for Alaska's environment to reduce nonpoint source water pollution.	10
GREEN PROJECT		
1	The applicant has sufficiently demonstrated eligible Green components under the project.	25
EQUIVALENCY		
1	This project will be used as an equivalency project.	50

Resources

- **Integrated Report** can be found on the following webpage: <https://dec.alaska.gov/water/water-quality/>
- For additional information on **Nonpoint Source** water pollution control, visit: <https://dec.alaska.gov/water/nonpoint-source-control/>

Appendix 3.
Disadvantaged Community Criteria

Defining Disadvantaged Communities

Providing resources for water and wastewater infrastructure projects
Alaska State Revolving Fund

Introduction

The Safe Drinking Water Act (SDWA) and the Clean Water Act (CWA) allow states to define communities most in need of financial assistance through affordability criteria. State Revolving Funds (SRFs) are required to provide subsidy to disadvantaged communities based on conditions established in the annual Clean Water and Drinking Water SRF capitalization grants. The Alaska SRF Program provides this subsidy in the form of principal forgiveness of low interest loans.

In 2023, the Alaska SRF Program reviewed current criteria used to identify disadvantaged communities and proposed a revised method. The SRF Program has historically focused on metrics such as income, unemployment and population to identify borrowers that would experience a significant hardship raising the revenue necessary to finance a project. In an effort to develop a more comprehensive definition of what it means to be a disadvantaged community, the Alaska SRF Program proposed a range of metrics by which SRF applicants will be evaluated to include other social, economic, and demographic information.

This summary describes the federal and state requirements associated with defining disadvantaged communities, the objectives identified for the Alaska SRF Program's analysis of this issue and summarizes the changes to the criteria. The revised definition of disadvantaged communities is presented in the State Fiscal Year 2024 (SFY24) Intended Use Plans for the Alaska Clean Water Fund and the Alaska Drinking Water Fund. Public review and comments are welcomed through the public notice and comment process.

Disadvantaged Community Criteria - Federal and State Requirements

Under the Drinking Water State Revolving Fund (DWSRF) program, states may establish separate eligibility criteria and special funding options for economically disadvantaged communities. Section 1452 of the SDWA defines a disadvantaged community as “the service area of a public water system that meets affordability criteria established after public review and comment by the State in which the public water system is located.” Under this section, states may provide additional subsidies (including forgiveness of principal) to communities that meet the established criteria, or that are expected to meet these criteria as a result of a proposed project.

In 2014, the Water Resources Reform and Development Act (WRRDA) revised the CWA to require all CWSRF programs to develop affordability criteria to be used by the state when

determining which CWSRF borrowers are economically disadvantaged and eligible for additional subsidy. Pursuant to WRRDA, the affordability criteria must be based on the income data, unemployment rates, and population trends, as well as any other components deemed relevant by the state.

In Alaska, state regulations limit the distribution of subsidy through the SRF Program to borrowers who meet the state definition of a disadvantaged community. As noted in regulations for the Alaska Clean Water Fund (Alaska Administrative Code, Title 18, Chapter 76.035 (18 AAC 76.035)), “the department may provide a subsidy to an applicant in the form of principal forgiveness...if the applicant demonstrates that it meets affordability criteria.” Similarly, the Alaska Drinking Water Fund regulations indicate that “the department may provide a subsidy to a disadvantaged system in the form of principal forgiveness.”

Additional Subsidy

The SDWA mandates that states use at least 12% but no more than 35% of the annual base capitalization grant to provide additional subsidization for state defined disadvantaged communities.

Additionally, in recent years, Congress has included further additional subsidization requirements through the annual appropriation language. For Federal Fiscal Year 2022 (FFY22), the Congressionally mandated subsidy requirement is 14% of the capitalization grant with no specific eligibility requirements. The two required groups of subsidy are additive, meaning that the state is obligated to offer 26 to 49% of the FFY22 grant funds as additional subsidy. As noted previously, Alaska regulations restrict subsidy eligibility to disadvantaged communities.

The CWA mandates that states use at least 10% but no more than 30% of the annual base capitalization grant to provide additional subsidization for:

- any municipalities that meet the state’s affordability criteria;
- municipalities that do not meet the state’s affordability criteria but seek additional subsidization to benefit individual ratepayers in the residential user rate class; or
- entities that implement a process, material, technique, or technology that addresses water or energy efficiency goals; mitigates stormwater runoff; or encourages sustainable project planning, design, and construction.

For SFY23, the Congressionally mandated subsidy requirement is 10% of the capitalization grant with no specific eligibility requirements. As with the DWSRF, the two groups of subsidy are additive.

Bipartisan Infrastructure Law (BIL)

A key priority of the BIL is to ensure that disadvantaged communities benefit equitably from this investment in water infrastructure. Disadvantaged communities can include those with environmental justice concerns that often are low-income. Disadvantaged communities

experience, or are at risk of experiencing, disproportionately high exposure to pollution—whether in air, land, or water.

The BIL mandates that 49% of funds provided through the DWSRF General Supplemental Funding and the DWSRF Lead Service Line Replacement Funding be provided as grants and forgivable loans to disadvantaged communities. The BIL also requires that at least 25% of funds provided through the DWSRF Emerging Contaminants Funding be provided as grants and forgivable loans to disadvantaged communities or public water systems serving fewer than 25,000 people.

For the CWSRF, the law mandates that 49% of funds provided through the CWSRF General Supplemental Funding be provided as grants and forgivable loans to communities that meet the state's affordability criteria or certain project types, consistent with the CWA.

To accomplish this, the Environmental Protection Agency (EPA) recommends that states may need to:

- Evaluate and revise, as needed, the DWSRF disadvantaged community definition and CWSRF affordability criteria.
- Evaluate the SRF priority point system for project ranking commensurate with need.
- Use technical assistance funding to help disadvantaged communities identify needs and access funding.
- Engage residents and community stakeholders in disadvantaged communities.

Objectives in Analysis of Disadvantaged Community Criteria

As suggested by EPA, the Alaska SRF Program evaluated the current criteria used to define disadvantaged communities and affordability for both the DWSRF and CWSRF with the goal of determining their effectiveness in reflecting the current affordability issues within Alaska.

In considering potential criteria revisions, the SRF seeks to ensure:

- Any changes are relevant and applicable to SRF Program objectives, and compliant with rules, regulations, and intent of the disadvantaged community criteria.
- Data sources are accessible, reliable, and regularly updated.
- Data is available at the necessary granular geographic level as applicable, e.g. community, borough, or census area.
- The methodology for determining status of communities is straightforward, simple, and easy to implement.
- The criteria selected is common between the two loan funds.
- The data must represent Alaskan communities.

Previous Criteria for Defining Disadvantaged Communities

Prior to SFY24, the disadvantaged community criteria used by the Alaska SRF Program categorized communities as either disadvantaged or not disadvantaged. For example, the Alaska Drinking Water Fund relied primarily on two characteristics of the community: median household income (MHI) and unemployment rate. The Alaska Clean Water Fund also relied on MHI and unemployment rate information and, in addition, also included a measure of population trend in compliance with CWSRF requirements. For both loan funds, communities with income below the statewide average or an unemployment rate for the borough or census area above the statewide average qualified as disadvantaged. Those communities that had a higher MHI than the statewide average or lower unemployment rates than statewide automatically did not qualify as disadvantaged.

Among the communities that qualified as disadvantaged, all had the same status. There was no ranking to indicate which communities were most in need; therefore, a community with a household income far below the statewide median was eligible for the same level of assistance as one just below the cutoff. This method of identifying disadvantaged communities was easy to administer but not necessarily effective.

Revised Criteria for Defining Disadvantaged Communities

The revised disadvantaged community status is determined by considering four factors: household burden, socioeconomic indicators, rural community status and priority projects. Points are assigned for each factor as noted below.

Household Burden

The Household Burden indicator focuses on household income and the affordability impacts on those households most effected by the cost of utility service. Income quintiles are a socioeconomic measure that groups a community's household income data into five equal parts. Each quintile represents 20% of the population.

Upper limit of lowest quintile income (LQI) – Income quintiles group a community's household income data into five equal parts. Each quintile represents 20% of the population.

If the LQI is greater than the statewide LQI	No points
If the LQI is less than the statewide LQI	1 point
If the LQI is less than 80% of the statewide LQI	2 points

Cost of service as a percentage of LQI – The annual cost of service for both water and wastewater service (user fees) for residential connections is divided by the upper limit of the LQI to provide an indicator of the burden on lowest income earners in the community.

If the Cost of Service/LQI is less than 4%	No points
If the Cost of Service/LQI is greater than 4%	1 point
If the Cost of Service/LQI is greater than 6%	2 points

Socioeconomic Factors

Socioeconomic factors are used to consider a variety of indicators that may demonstrate economic stress in a community including the percentage of household receiving public assistance, the percentage of households below the poverty level, unemployment rates, and population trends.

Percentage of households receiving Supplemental Nutrition Assistance Program (SNAP) benefits relative to the statewide average.

If the % of households receiving SNAP is less than statewide average	No points
If the % of households receiving SNAP is greater than statewide average	1 point
If the % of households receiving SNAP is 150% of statewide average	2 points

Percentage of households below poverty level relative to the statewide average. The poverty level is determined by the U.S. Census Bureau.

If the % of households below poverty level is less than statewide	No points
If the % of households below poverty level is greater than statewide	1 point
If the % of households below poverty level is 150% of statewide or greater	2 points

Unemployment Rate – The monthly unemployment rates posted by the Alaska Department of Labor for the borough or census area where the community is located for the previous calendar year are averaged and compared to the statewide unemployment rates.

If the unemployment rate is less than statewide rate	No points
If the unemployment rate is greater than statewide rate	1 point
If the unemployment is 150% of statewide rate or greater	2 points

Population Trend – The 2010 population from the decennial Census data compared to the 2020 population.

If the community population increases or decreases by less than 10%	No points
If the community population changes by 10-20%	1 point
If the community population change exceeds 20%	2 points

Rural Communities

Rural communities will receive two additional points in the scoring process. The following definition is used for a rural community:

- (1) A community that is eligible for assistance under the Village Safe Water Act, or
- (2) A community that meets each of the following criteria:
 - (a) is not located in an area that is identified as a Metropolitan or Micropolitan according to the U.S. Office of Management and Budget **and**
 - (b) is at least 300 road miles from a Metropolitan or Micropolitan area **and**
 - (c) has a population that exceeds 25 but is less than 4,500.

Rural community status	2 points
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Priority Projects

Eligibility for loan forgiveness will also be assessed based on the project type. If the project aligns with one of the priority types listed below, points will be added to the project's score as noted.

Priority Project Type	Points
Project will result in completion of a Lead Service Line Inventory or replace known lead service lines.	6
Project will provide treatment to address an emerging contaminant.	6
Project will resolve a health-based violation of the SDWA.	6
Project will install domestic wastewater treatment to meet the minimum treatment requirements of 18 AAC 72.050	6
Project will result in consolidation of two or more public water systems or wastewater systems to address violations	6
A water distribution system will be expanded to provide service to replace private sources that exceed the MCL for a primary drinking water contaminant.	6
A wastewater collection system will be expanded to provide service to individual services that use on-site wastewater	6
Project will improve the water quality of an impaired water body.	5
Project will result in development of an Asset Management Plan.	4

Data Sources

Data sources for the information included in the Household Burden and Socioeconomic indicators are listed below:

Category / Metric	Source
Income and Poverty	
Lowest quintile income	American Community Survey
% below poverty level	American Community Survey
% Public Assistance/SNAP	American Community Survey
Labor Force	
Unemployment rate of borough/census area	Alaska Department of Labor
Demographics	
Population Trend	Decennial Census

Disadvantaged Community - Tiers

Each loan applicant will be assessed based on household burden and socioeconomic factors to represent a base score for the community. Depending on the type of project proposed, additional points may be assigned to specific priority projects based on the criteria in the preceding section. Based on the points allotted, each project will be assigned to a tier with an associated percentage of loan forgiveness. To the extent that additional subsidy funds are available, disadvantaged communities may receive principal forgiveness associated with the base and supplemental capitalization grants as shown in the table below.

Tier	Point Range	Maximum Loan Forgiveness per Community/System	
		Clean Water Projects	Drinking Water Projects
Tier 1	0 to 3	Not applicable	Not applicable
Tier 2	4 to 6	\$500,000	\$1,500,000
Tier 3	7 to 10	\$1,000,000	\$2,500,000
Tier 4	10+	\$2,000,000	\$3,500,000

Disadvantaged Communities – Base Scores and Tiers

The table below shows the Household Burden and Socioeconomic Factors scores for several communities throughout the state. The communities represented in this table are either past or present SRF borrowers or have expressed an interest in pursuing financing through the SRF Program.

The base score in this table combines the Household Burden and Socioeconomic Scores. The disadvantaged community tier in this table reflects only the base score for the community. If a

community proposes a “priority project” as defined by the SRF Program, then additional points may be added to a particular project.

Community	Household Burden Score (1)	Socioeconomic Factors Score (2)	Rural Community (3)	Base Score (1)+(2)+(3)	Base Score Tier
Anchorage	0	2	0	2	Tier 1
Bethel	2	5	2	9	Tier 3
Cordova	0	3	2	5	Tier 2
Craig	1	5	2	8	Tier 3
Dillingham	1	3	2	6	Tier 2
Fairbanks	0	3	0	3	Tier 1
Gustavus	0	6	2	8	Tier 3
Haines	1	6	2	9	Tier 3
Homer	1	5	0	6	Tier 2
Hoonah	0	8	2	10	Tier 4
Juneau	0	2	0	2	Tier 1
Kenai	1	6	0	7	Tier 3
Ketchikan	1	6	0	7	Tier 3
King Cove	0	6	2	9	Tier 3
King Salmon	0	4	2	6	Tier 2
Kodiak	2	4	0	6	Tier 2
Kotzebue	2	5	2	9	Tier 3
Nome	0	3	2	5	Tier 2
North Pole	1	2	0	3	Tier 1
Palmer	0	5	0	5	Tier 2
Petersburg	0	4	2	7	Tier 3
Sand Point	0	6	2	9	Tier 3
Seldovia	0	5	2	7	Tier 2
Seward	1	5	0	6	Tier 2
Sitka	1	3	0	4	Tier 2
Skagway	1	7	2	10	Tier 4
Soldotna	0	4	0	4	Tier 2
Talkeetna	1	7	0	8	Tier 3
Togiak	1	7	2	10	Tier 4
Unalakleet	1	8	1	11	Tier 4
Unalaska	0	2	1	3	Tier 1
Valdez	0	3	0	3	Tier 1
Wasilla	1	8	0	9	Tier 3
Whittier	1	6	0	7	Tier 3
Wrangell	0	6	2	8	Tier 3
Yakutat	0	4	2	6	Tier 2