Defining
Disadvantaged Communities

Providing resources for drinking water and wastewater infrastructure projects

State Revolving Fund

What is a DAC?

Disadvantaged Communities

Colorado communities vary in population, socio-economic status and many other factors. In some cases, small communities have challenges completing water or wastewater projects that may be related to funding, population size or other factors. A disadvantaged community, in general terms, has a population of 10,000 or less and meets other defining factors. This community also has a median household income, or the money one household makes over the course of the year, that is 80 percent or less than the state value.

We want to help you understand the way the Colorado's State Revolving Fund program defines a disadvantaged community. If your community meets the criteria to be considered a disadvantaged community, your project may be eligible for planning grants, design/engineering grants, principal forgiveness, and reduced interest rates.

Disadvantaged Community

Primary factors

Factor 1
Community MHI is equal to or less than 80 percent of State MHI.
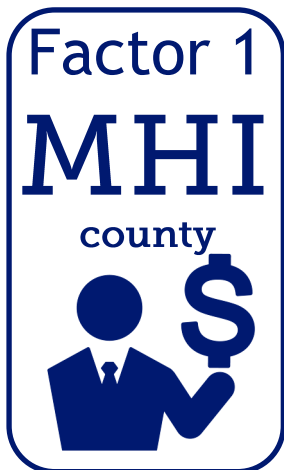
Factor 2
Community MHV is less than 100 percent of State MHV.

Factor 3
A.) County 24-month unemployment average is greater than the state average plus 1 percent. OR
B.) Loss in the number of jobs in the county over 10-year period.

Factor 1
MHI community

Factor 2
MHV community

Factor 3
County Unemployment OR Job Loss

Secondary factors

Factor 1
MHI county

Factor 2
Community 10-year Population loss

Factor 3
Community Assessed Value per Household

Factor 4
Current and Projected System Debt Per Tap to MHV

Factor 5
System full-cost Per tap to MHI OR Required revenue per tap to MHI
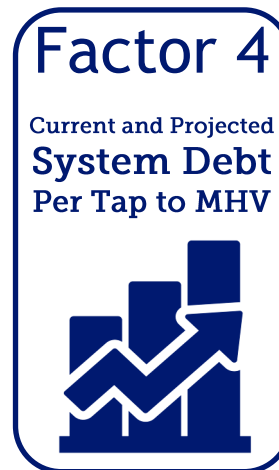
Community is in a county that is equal to or less than 80% of the state MHI.

Community or system shows a decline in population over a ten-year period.

Community's total assessed value per household is less than the median Colorado municipality's.

Community's current and projected debt per tap to median home value is more than median Colorado municipality.

A.) Revenue per tap to MHI necessary to cover operations and depreciation for a system. OR B.) Revenue per tap to MHI necessary to achieve 110 percent coverage ratio for approved SRF loan. Either must be greater than the median Colorado municipality

April 2021

Definitions

County unemployment rate
24-monthly average of those who are jobless and actively seeking work and available to take a job as compared to the total labor force.

Current and projected system debt per tap to MHV
Measures an applicant's current and projected debt burden as a proportion of the community's median home value.

Current System full cost per tap
Estimates the average rate necessary as a proportion of the community's median household income.

Household
A household includes all the people , related or not, who occupy a housing unit as their usual place of residence.

Household income
A measure of the combined incomes of all people sharing a particular household or place of residence. It includes every form of income, e.g. salaries and wages, retirement income, near cash government transfers like food stamps, and investment gains. Data is from the Census Bureau's American Community Survey (ACS) 5-year estimates.

Median household income (MHI)
The amount that divides the income distribution into two equal groups. Half of the households above that amount and half of the households below that amount.

Home value
The estimate of how much the property (house and lot, mobile home and lot, or condominium unit) would sell for if it were for sale.

Median home value (MHV)
The amount that divides the home value distribution into two equal groups. Half of the homes above that amount and half of the homes below that amount.

Assessed home value
The dollar value assigned to a property to measure applicable taxes. Determine the county assessors value of a residence for tax purposes and takes comparable home sales into consideration.

Required revenue per tap to MHI
Projects the average revenue necessary as a proportion of MHI to meet SRF required loan covenant coverage ratio of 110 percent.

Unreliable data
Data from surveys of small or rural areas may be statistically unreliable. This definition takes this into account by allowing substitution of more reliable data using alternative measures or considering a business case scenario.

Testing for DAC

Starting scenarios

Determining disadvantaged communities

Tests have been created to help determine which communities fall within the disadvantaged community definition, and are thereby eligible for additional resources during the life of their loan. Applicants are put through the test sequence to determine their category. Communities begin in one of the scenario positions, and move forward through the factors until status is determined.
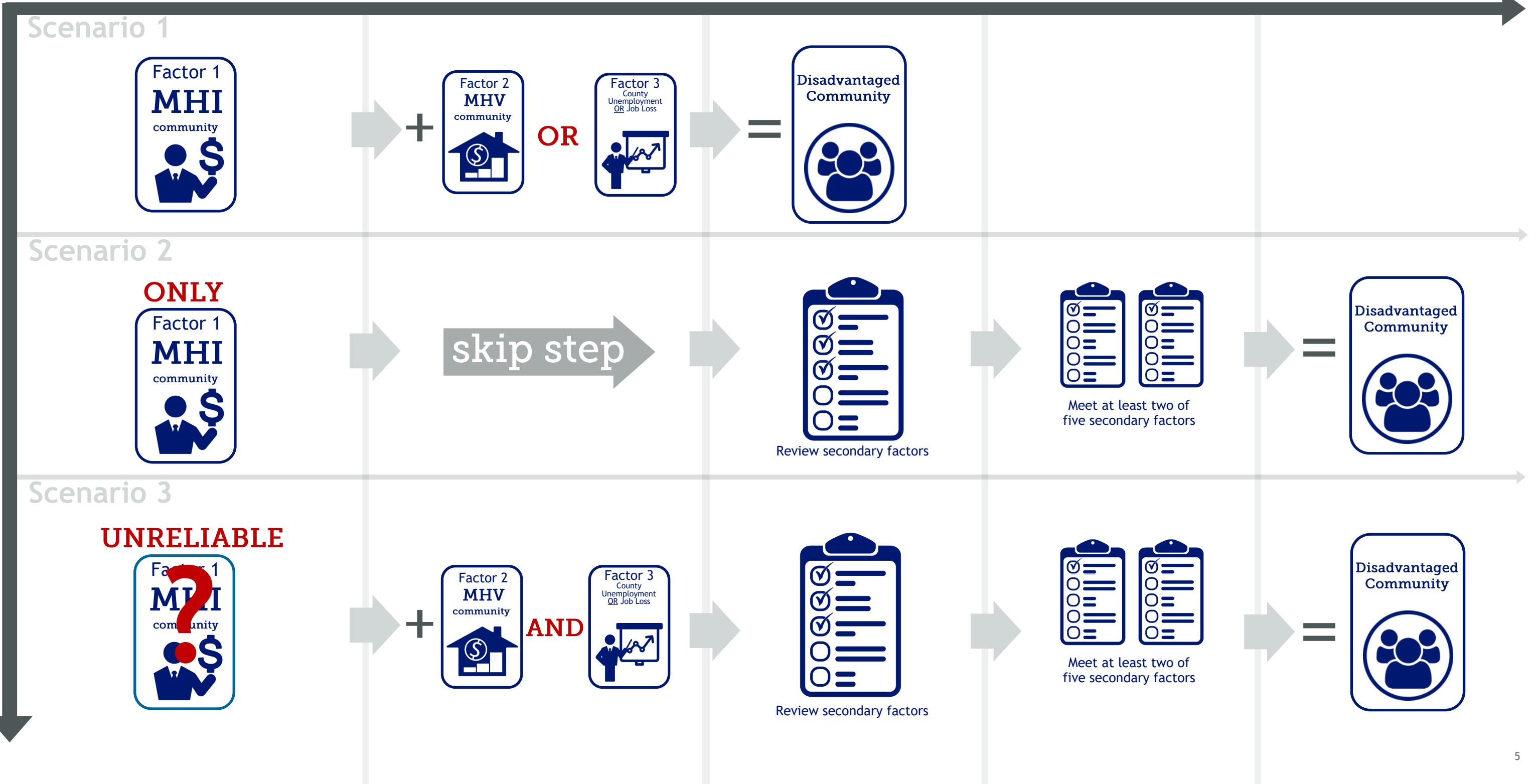
Starting Scenarios	Test 1	Results	Test 2	Results

Scenario 1

Factor 1 MHI community + Factor 2 MHV community **OR** Factor 3 County Unemployment OR Job Loss = Disadvantaged Community

Scenario 2

ONLY Factor 1 MHI community → skip step → Review secondary factors → Meet at least two of five secondary factors = Disadvantaged Community

Scenario 3

UNRELIABLE Factor 1 MHI community + Factor 2 MHV community **AND** Factor 3 County Unemployment OR Job Loss → Review secondary factors → Meet at least two of five secondary factors = Disadvantaged Community

DAC Categories

Category 1

Communities that meet Scenario 1, 2, or 3 are qualified to receive a 1.5%* interest rate on loans up to $3 million, or the prevailing direct loan limit.

Category 2

Communities that meet Scenario 1, 2 or 3, and both Current & Projected System Debt to MHV and Required Revenue per Tap to MHI exceed the municipal 80th percentile for each factor are qualified to receive a 0.5% interest rate* on loans up to $3 million, or the prevailing direct loan limit.

Both categories are eligible for planning grants, design/engineering grants and other benefits.

* All interest rates are determined on or before December 31 each year for the upcoming calendar year.

What if you don't qualify?

Business Case Scenario

If your community does not pass the traditional tests to qualify as a disadvantaged community, you may still be able to receive benefits. Business case scenarios are presented in situations when there is no data, data is marginal or data does not capture recent socio-economic changes in a community. Check with your Water Quality Control Division project manager for more information.

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Partners and resources

Colorado Water Resources and Power Development Authority
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Colorado Department of Local Affairs
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Colorado Department of Public Health and Environment
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Data

Data

- Data sources and definitions can be found in the Colorado SRF DAC Data Glossary

Sources
- Census Bureau
- American Community Survey
- US Bureau of Labor Statistics
- Other state and local data