

Appendix 3. Disadvantaged Community Criteria

Background

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. Based on conditions established in the annual Clean Water and Drinking Water State Revolving Fund capitalization grants, a portion of each grant must be provided as an additional subsidy. The Alaska SRF Program provides this subsidy in the form of principal forgiveness of low-interest loans.

In 2023, the Alaska SRF Program reviewed its disadvantaged community criteria and proposed a revised method. The SRF Program historically focused on three metrics--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 included additional socioeconomic metrics as well as a factor to account for rural status.

Recent Modifications to Criteria

Project Priority Type: Federal Disaster Declarations

In January 2025, the Disadvantaged Community Criteria was modified to identify projects directly related to a federal disaster declaration as priority projects. In the context of the Disadvantaged Community Criteria, a "federal disaster declaration" refers to a declaration made by the President of the United States and includes both emergency and disaster declarations.

Recent federal disaster declarations impacting Alaska have been related to earthquakes, landslides, flooding, severe storms, and fires. While the SRF Program is already positioned to provide low-interest loans to eligible borrowers with critical water and wastewater infrastructure or water quality impacted by such disasters, many were not eligible to receive loan forgiveness for such projects under the previous Disadvantaged Community Criteria. Incorporating federal disaster declarations as a Priority Project Type allows ADEC to ensure that all communities with a federal disaster declaration have an opportunity to apply for a low-interest loan and also qualify for loan forgiveness, if funding is available to provide loan forgiveness.

Rural Community Status Scoring

In this version of the Disadvantaged Community Criteria presented in the SFY26 Intended Use Plan, the rural community score was increased from 2 points to 4 points. This increase in the score for rural communities is intended to serve as an indicator of the higher cost of living generally associated with rural communities.

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.”

DWSRF Additional Subsidy – Base Capitalization Grants

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. Additional subsidization is funding beyond the savings provided by a below market rate subsidized loan. In Alaska, additional subsidization is provided in the form of principal forgiveness.

In addition to the additional subsidization identified in the SDWA, Congress has included further additional subsidization requirements through the annual appropriation language. For Federal Fiscal Year 2025 (FFY25), the Congressionally mandated subsidy requirement is 14% of the capitalization grant with no specific eligibility requirements. The two required groups of subsidies are additive, meaning that the state is obligated to offer 26 to 49% of the FFY25 base capitalization grant as additional subsidy. As noted previously, Alaska regulations restrict subsidy eligibility to disadvantaged communities.

CWSRF Additional Subsidy – Base Capitalization Grants

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.

The Congressionally mandated subsidy requirement is 10% of the FFY25 capitalization grant with no specific eligibility requirements. As with the DWSRF, the two groups of subsidies are additive, meaning that the state is obligated to offer a minimum of 20% and a maximum of 40% of the FFY25 capitalization grant as additional subsidy.

CWSRF / DWSRF Additional Subsidy - Infrastructure Investment and Jobs Act (IIJA) Grants

The additional subsidy amounts specified for grants authorized under IIJA are listed in the table below:

Program / Grant	Additional Subsidy Amount
CWSRF General Supplemental	49% of capitalization grant
CWSRF Emerging Contaminants	100% of capitalization grant amount
DWSRF General Supplemental	49% of capitalization grant amount
DWSRF Emerging Contaminants	100% of capitalization grant amount, net of set asides taken
DWSRF Lead Service Line	49% of capitalization grant amount

Criteria for Defining Disadvantaged Communities

Disadvantaged community status is determined by considering four factors: household burden, socioeconomic indicators, rural community status and priority projects. Projects that are associated with a federal disaster declaration are also given consideration with regard disadvantaged criteria. 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 socio-economic 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 four additional points in the scoring process. The following definition is used for a rural community:

- A community that is eligible for assistance under the Village Safe Water Act, or
- A community that meets each of the following criteria:
 - 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**
 - is at least 300 road miles from a Metropolitan or Micropolitan area **and**
 - has a population that exceeds 25 but is less than 4,500.

Rural community status	4 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.

Project Priority Type	Points
Project will result in completion of a Lead Service Line Inventory or replace known lead service lines.	6 points
Project will provide treatment to address an emerging contaminant.	6 points
Project will resolve a health-based violation of the SDWA.	6 points
Project will plan, design, and/or construct domestic wastewater treatment to meet the minimum treatment requirements of 18 AAC 72.050	6 points
Project will result in consolidation of two or more public water systems or wastewater systems	6 points
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 points
A wastewater collection system will be expanded to provide service to individual services that use on-site wastewater	6 points
Project will improve the water quality of an impaired water body.	5 points
Project will result in development of an Asset Management Plan.	4 points
Project will address or mitigate a water or wastewater utility infrastructure issue or a water quality concern directly related to a federal disaster declaration.	Tier 5

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
Unemployment rate of borough/census area	Alaska Department of Labor
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 9	\$1,000,000	\$2,500,000
Tier 4	10+	\$2,000,000	\$3,500,000
Tier 5	N/A	\$2,000,000 or 50% of project cost, whichever is greater	\$3,500,000 or 50% of project cost, whichever is greater

Disadvantaged Communities – Base Scores and Tiers

The following table shows the Household Burden, Socioeconomic and Rural Community 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.

If a community proposes a project that qualifies as a "priority project" as defined by the SRF Program, additional Disadvantaged Community criteria points may be added to the proposed project. The higher level of forgiveness resulting from meeting the "priority project" definition can be used for the associated proposed project. The community cannot re-assign the higher level of forgiveness to other non-priority projects. If the community's ceiling for loan forgiveness is met by a priority project, no additional loan forgiveness will be assigned for the year.

Community	Household Burden Score (1)	Socioeconomic Factors Score (2)	Rural Community (3)	Base Score (1)+(2)+(3)	Base Score Tier
Anchorage	0	0	0	0	Tier 1
Bethel	2	5	4	11	Tier 4
Cordova	0	2	4	6	Tier 2
Craig	2	4	4	10	Tier 4
Dillingham	1	4	4	9	Tier 3
Fairbanks	1	2	0	3	Tier 1
Gustavus	1	5	4	10	Tier 4
Haines	3	3	4	10	Tier 4
Homer	3	2	0	5	Tier 2
Hoonah	1	7	4	12	Tier 4
Hooper Bay	4	6	4	14	Tier 4
Juneau	0	0	0	0	Tier 1
Kenai	3	2	0	5	Tier 2
Ketchikan	3	2	0	5	Tier 2
King Cove	1	4	4	9	Tier 3
King Salmon	0	2	4	6	Tier 2
Kodiak	2	4	0	6	Tier 2
Kotzebue	0	5	4	9	Tier 3
Naknek	0	2	4	6	Tier 2
Nenana	4	5	4	13	Tier 4
Nome	0	3	4	7	Tier 3
North Pole	0	0	0	0	Tier 1
Palmer	2	3	0	5	Tier 2
Petersburg	1	1	4	6	Tier 2
Sand Point	2	3	4	9	Tier 3
Selawik	4	6	4	14	Tier 4
Seldovia	0	1	4	5	Tier 2
Seward	4	3	0	7	Tier 3
Sitka	1	0	0	1	Tier 1
Skagway	0	4	4	8	Tier 3
Soldotna	3	5	0	8	Tier 3
St. Paul	1	3	4	8	Tier 3
Talkeetna	4	5	0	9	Tier 3
Togiak	3	6	4	13	Tier 4
Unalakleet	3	6	4	13	Tier 4
Unalaska	0	0	4	4	Tier 2
Utqiagvik	0	2	4	6	Tier 2
Valdez	0	2	0	2	Tier 1
Wasilla	4	6	0	10	Tier 4
Whittier	3	7	4	14	Tier 4
Wrangell	2	3	4	9	Tier 3
Yakutat	0	1	4	5	Tier 2

Appendix 4.

Listing of Capitalization Grant Awards Reference for Potential Transfers Between DWSRF and CWSRF

DWSRF Grant Number	Award Amount	33% of Award
FS-980058-97	\$27,039,000	\$8,922,870
FS-980058-98	7,121,300	2,350,029
FS-980058-99	7,463,800	2,463,054
FS-980058-00	7,757,000	2,559,810
FS-980058-01	7,789,100	2,570,403
FS-980058-02	8,052,500	2,657,325
FS-980058-03	8,004,100	2,641,353
FS-980058-04	8,100,000	2,673,000
FS-980058-05	8,485,500	2,800,215
FS-980058-06	8,229,300	2,715,669
FS-980058-07	8,229,000	2,715,570
FS-980058-08	8,146,000	2,688,180
2F-960915-01	19,500,000	6,435,000
FS-980058-09	8,146,000	2,688,180
FS-980058-10	13,573,000	4,479,090
FS-980058-11	9,418,000	3,107,940
FS-980058-12	9,001,056	2,970,348
FS-980058-13	8,421,000	2,778,930
FS-980058-14	8,845,000	2,918,850
FS-980058-15	8,787,000	2,899,710
FS-980058-16	8,312,000	2,742,960
FS-980057-17	8,241,000	2,719,530
FS-980058-18	11,107,000	3,665,310
FS-980058-19	11,004,000	3,631,320
FS-980058-20	11,011,000	3,633,630
FS-980058-21	11,001,000	3,630,330
FS-980058-22	7,008,000	2,312,640
FS-02J39101 FFY23 Base	5,037,000	1,662,210
4E-02J39201 FFY22 EC	7,555,000	2,493,150
4D-02J39501 FFY22 GS	17,992,000	5,937,360
FS-98005825 FFY24 Base	4,661,000	1,538,130
4D-02J77801 FFY23 GS	21,055,000	6,948,150
4E-02J75201 FFY23 EC	7,690,000	2,537,700
4E-02J75101 FFY24 EC	7,640,000	2,521,200
FFY25 Base Grant (estimated)*	10,906,000	3,676,533
FFY24 General Supplemental*	22,985,000	7,585,050
FFY25 Emerging Contaminant*	7,640,000	2,521,200
FFY22/23 EC Re-allotments*	217,000	71,610
TOTAL	\$381,169,656	\$127,785,986
SFY08 Transfer CWSRF to DWSRF		(29,000,000)
BALANCE		\$96,785,986

The total amount of authority being reserved for transfer purposes is 33% of each DWSRF capitalization grant to the CWSRF or an equivalent amount from the CWSRF to the DWSRF. The sum of grants received to date in addition to those applied for in the SFY26 IUPs is \$381,169,656.

The total authority for transfers is 33% of that total or \$96,785,986. This total includes the transfer of \$29,000,000 from the CWSRF to the DWSRF in SFY08.

The FFY22 Lead Service Line Replacement grant award is not included in this grant award list because there is no equivalent fund in the CWSRF; therefore, the Lead Service Line grant award is not transferable.

* Grant applications submitted but not yet awarded.