

ALASKA DRINKING WATER FUND

Intended Use Plan

Emerging Contaminants

State Fiscal Year 2024

July 1, 2023 – June 30, 2024

**For Federal Emerging Contaminants
funds appropriated in Federal Fiscal Year 2022**



Submitted to the U.S. Environmental Protection Agency

By

Alaska Department of Environmental Conservation

Division of Water – State Revolving Fund Program

July 2023

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Acronyms

AAC	Alaska Administrative Code
ACWF	Alaska Clean Water Fund
ADEC	Alaska Department of Environmental Conservation
ADWF	Alaska Drinking Water Fund
AIS	American Iron and Steel
AWIA	America's Water Infrastructure Act of 2018
BABA	Build America, Buy America Act
BIL	Bipartisan Infrastructure Law
CBR	Clean Water Benefits Reporting
CE	Categorical Exclusion
CWA	Clean Water Act
CWSRF	Clean Water State Revolving Fund
DBE	Disadvantaged Business Enterprise
DWSRF	Drinking Water State Revolving Fund
EPA	U.S. Environmental Protection Agency
FFATA	Federal Funding Accountability Transparency Act
FFY	Federal Fiscal Year
FOCUS	Financial Operations and Cash Flow Utilization System
GPR	Green Project Reserve
IUP	Intended Use Plan
MHI	Median Household Income
OASys	Online Application System
PPL	Project Priority List
SERP	State Environmental Review Process
SFY	State Fiscal Year
SRF	State Revolving Fund
WIIN	Water Infrastructure Improvements for the Nation Act of 2016

INTRODUCTION

The Drinking Water State Revolving Fund (DWSRF) was created by the 1996 amendments to the federal Safe Drinking Water Act (SDWA) to assist public water systems with financing the cost of infrastructure needed to achieve or maintain compliance with the SDWA. Section 1452 of the SDWA authorizes the Administrator of the US Environmental Protection Agency (EPA) to award capitalization grants to states to provide seed money for the purpose of establishing a low-interest loan program (the DWSRF) and other types of assistance to eligible water systems. In Alaska, this loan program is administered by the Alaska Department of Environmental Conservation (ADEC) State Revolving Fund (SRF) Program.

The Infrastructure Investment and Jobs Act of 2021 (also referred to as the Bipartisan Infrastructure Law or BIL) includes three new appropriations for the DWSRF, one of which is specific to Emerging Contaminants. The DWSRF Emerging Contaminants appropriation is authorized for five years starting with Federal Fiscal Year 2022 (FFY22).

For a project or activity to be eligible for funding under the DWSRF Emerging Contaminants grant, it must be otherwise DWSRF eligible, and the primary purpose must be to address emerging contaminants in drinking water. The intent is that these funds focus on projects addressing perfluoroalkyl and polyfluoroalkyl substances (PFAS). However, projects for a contaminant on any of EPA's Contaminant Candidate Lists may be funded.

This Intended Use Plan (IUP), required under the SDWA, describes how Alaska proposes to use available funds for State Fiscal Year 2024 (SFY24) from July 1, 2023 through June 30, 2024 provided by federal funds allocated to Alaska through the DWSRF Emerging Contaminants appropriations for FFY22. Eligibility for the DWSRF loans and DWSRF program requirements, including any requirements of the applicable appropriation legislation are also included in the IUP.

At the time of the application submittal to EPA to receive the SFY24 grant funds, two projects had been submitted to the SRF Program for consideration of Emerging Contaminant funding. These two projects are listed in Appendix 2. PFAS contamination issues have been identified in several locations throughout the state. It is anticipated that additional requests for financing will be submitted to fully utilize the full capitalization grant amount for Emerging Contaminants.

Once prepared, an IUP must be noticed for a period of at least 30 days to accept comments from the public. Comments on all facets of the draft IUP are accepted. After considering comments received, the IUP is finalized and posted on the SRF Program's website at

<https://dec.alaska.gov/water/technical-assistance-and-financing/state-revolving-fund/intended-use-plans/>.

PROGRAM GOALS

Long-Term Goals

1. Assist local communities as they strive to address emerging contaminants in drinking water with a focus on PFAS.

Short-Term Goals

1. Collaborate with the ADEC Environmental Health Drinking Water Program to identify PFAS impacted communities.
2. Collaborate with other agencies to determine funding options for impacted communities.
3. Provide technical assistance to entities who request help with emerging contaminant issues.

EMERGING CONTAMINANTS - ELIGIBLE SYSTEMS AND ACTIVITIES

For a project or activity to be eligible under this appropriation, it must meet the following criteria:

- The project must be otherwise eligible under the DWSRF, and
- The primary purpose of the project must address emerging contaminants in drinking water with a focus on PFAS.

Planning and design projects to improve the capabilities of a system to address emerging contaminants in drinking water with a focus on PFAS are eligible. Also, projects to consolidate water supplies, for example, when a public water supply is contaminated, are eligible for DWSRF assistance.

Only capital costs (e.g., construction activities, equipment purchase) are eligible. The DWSRF cannot fund operation and maintenance activities, including monitoring, unless the monitoring is an integral part of the planning and design for a capital project. Planning and design for capital projects, as well as broader water quality planning where there is a reasonable expectation that the planning will result in an eligible capital project, are eligible.

Emerging contaminants refer to substances and microorganisms, including manufactured or naturally occurring physical, chemical, biological, radiological, or nuclear materials, which are known or anticipated in the environment, that may pose newly identified or re-emerging risks to human health, aquatic life, or the environment. These substances, microorganisms, or materials can include many different types of natural or manufactured chemicals and substances – such as those in some compounds of personal care products, pharmaceuticals, industrial chemicals, pesticides, and microplastics. Examples of emerging contaminants projects and activities eligible for DWSRF financing can be found in Appendix C of EPA’s March 2022 Memorandum [Implementation of the Clean Water and Drinking Water State Revolving Fund Provisions of the Bipartisan Infrastructure Law.](#)

For a project or activity to be eligible under the DWSRF Emerging Contaminant funds, the primary purpose must be to address emerging contaminants in drinking water with a focus on

PFAS. Projects that address any contaminant listed on any of EPA's [Contaminant Candidate List](#) (i.e., CCL – draft CCL5) are also eligible.

ADDITIONAL SUBSIDIZATION

The FFY22 DWSRF Emerging Contaminants appropriation requires that 100% of the capitalization grant, net of the set-asides, be used to provide additional subsidy to DWSRF projects, and that all additional subsidies must be in the form of assistance agreements with 100% forgiveness of principal or grants. The amount available for Emerging Contaminants projects is \$5,968,450. Alaska will use loan agreements with 100% forgiveness of principal to satisfy this requirement.

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. Of the total funds available, a minimum of \$1,303,237.50 will be provided as principal forgiveness loans to disadvantaged or small systems.

DISADVANTAGED COMMUNITY CRITERIA

A minimum of 25% of the Emerging Contaminants funds available for loans must be provided to disadvantaged communities. In Alaska, state regulations limit the distribution of subsidy through the SRF Program to borrowers who meet the state definition of a disadvantaged community. Several factors are considered in identifying disadvantaged communities including those related to the household burden associated with income and the cost of water and wastewater service, as well as socioeconomic factors including the percentage of households utilizing assistance programs, the percentage of households below the federal poverty level, unemployment rates, and long-term population trends in the community. ADEC also includes several priority project types that impact the economic viability of a water system, including the presence of emerging contaminants. These factors, considered in total, are used to determine tiers of criticality for disadvantaged status with associated levels of principal forgiveness. More information about the disadvantaged community criteria is provided in Appendix 3.

CRITERIA AND METHOD FOR FUND DISTRIBUTION

Project Priority List of DWSRF Projects

For a project to be considered for funding from the Alaska Drinking Water Fund (ADWF), it must be included in the Project Priority List (PPL) of DWSRF Emerging Contaminant projects. The process is initiated when an eligible borrower completes a project questionnaire through the ADEC Online Application System (OASys).

Questionnaires are accepted year-round through OASys and are reviewed by a scoring committee on a triannual basis. The submittal deadlines for questionnaire reviews are February 28, June 30, and October 31. An email was sent to eligible borrowers in January 2023 providing

information about the schedule and inviting submittal of Emerging Contaminants project questionnaires to be considered for SFY24 funding assistance.

The project scoring committee, made up of representatives from the SRF Program, as well as the ADEC Drinking Water, Wastewater, Source Water Protection, and Nonpoint Source Programs, evaluates the project questionnaires based on the DWSRF criteria and assigns a numeric score to each project. Projects are added to the PPL in rank order.

Emerging Contaminant Project Scoring Criteria

The SRF Program scores all DWSRF eligible projects based on information supplied in the questionnaire in the following categories: public health, water quality, project readiness, asset management, funding coordination, sustainability, operator certification status, affordability of user rates, and green projects. In addition to the standard DWSRF scoring criteria, projects that address PFAS contamination in finished water or a cyanobacterial toxin issue will receive additional points in the scoring process. See Appendix 1 for the scoring criteria.

Amendments to the Project Priority List

ADEC will amend the PPL to include additional projects after each triannual review and scoring of new project questionnaires. In updates to the PPL, any projects reviewed and scored will be added to the PPL in ranked order. The amended funding list will be publicly noticed for 10 days.

Project Readiness Bypass Procedure

When available funding exceeds demand, ADEC awards funding to ready-to-proceed projects without regard to project score or ranking because the Program has sufficient funds to finance all projects. This ensures timely utilization of federal funds.

In the event the SRF Program does not have sufficient funds available to offer loans to all projects that are ready to proceed, ADEC will work with water systems with the highest ranked projects on the PPL to ensure that those projects are given a chance to be funded first. However, the final funding selection of projects from the PPL will be based primarily on the projects' readiness to proceed.

Projects that are ready to proceed are prepared to begin design and/or construction and are immediately ready, or poised to be ready, to execute a loan agreement with ADEC. If, for whatever reason, an applicant is not ready to proceed with completing a loan application and initiating a project, ADEC may select a lower ranking project for funding based on its ability to proceed in a timely manner. This bypass procedure is necessary to ensure that the available funds will be disbursed in a timely manner.

ADEC reserves the right to fund lower priority projects over higher priority projects if, in the opinion of ADEC, a higher priority project has not taken the steps necessary to expeditiously prepare for funding and project initiation (e.g., ADEC has not received the required documents to execute a loan agreement, the project is not ready to proceed with construction, or the applicant withdraws the project for consideration).

In addition, a project may be bypassed, as necessary, for the State to meet federal grant requirements for equivalency and additional subsidy. In the event that two or more projects have

the same ranking, preference will be given to projects with the following criteria and in this order: ready to proceed; response to a compliance or legal order with a specific deadline; and inclusion of a green component.

SRF Program staff will regularly evaluate the status of available principal forgiveness funds and the outstanding projects list on the PPL. The intent of this evaluation is to determine if the projects currently identified as receiving principal forgiveness actually are capable of applying for and entering into a loan agreement within the current program year. If during this evaluation, a project is determined to be incapable of meeting the requirements of the program, that project may be bypassed and the corresponding principal forgiveness may be awarded to other eligible projects on the PPL. In addition to readiness-to-proceed, a project may be bypassed due to: an applicant's inability to meet all other program requirements; failure to develop an approvable, implementable project; or for other reasons applicable under state or federal law. Any projects bypassed during the program year may be reconsidered for principal forgiveness funds in a future year.

Emergency Procedures

For purposes of the SRF Program, an emergency refers to a natural disaster or manmade disaster that damages or disrupts normal public water system operations and requires immediate action to protect public health and safety. Upon issuance of an emergency declaration by a federal or state emergency response official, or upon a finding by ADEC, funds may be made available for projects not currently described in an IUP. Bypass procedures may be waived under direct threat of severe public or environmental harm. Reasonable efforts to fund projects in priority order will still be followed under emergency situations.

Removing Projects from the Project Priority List

Projects on the PPL will be monitored to ensure that applicants are proceeding with their projects in a timely fashion. A project may remain on the PPL for a maximum of two years. Projects will retain the same score originally assigned unless a revised questionnaire is submitted and reviewed by the project scoring committee. If an application has not been submitted for a project within two years of the questionnaire submittal, the project will be removed from the list and a new questionnaire will be required to relist the project.

Amendments to Existing Loans

A borrower may request an amendment to an existing loan agreement to modify the project scope, increase the loan amount, or both. Amendments that solely increase the loan amount by no more than 10% of the original loan amount, up to \$100,000, may be completed through an informal request for a loan amendment with the SRF Program Manager's approval. Similarly, minor scope changes that do not affect the location or purpose of the originally proposed project may also proceed with an informal request for a loan amendment with the SRF Program Manager's approval. Amendments that will increase the loan amount by more than 10% of the original loan, or more than \$100,000, and/or include scope modifications that affect the footprint or purpose of the project, are required to be public noticed in an update to the PPL before the loan amendment is issued.

FINANCIAL STATUS

Sources and Uses of Funds

Alaska's allotment from the FFY22 federal appropriation for DWSRF Emerging Contaminants is \$7,555,000. No state match is required for the FFY22 allotment.

In SFY24, the amount available for Emerging Contaminant loans is the difference between the funds received and total program commitments.

Estimated Available Funding

Sources of Emerging Contaminant Funds	
Federal Grant FFY22	\$7,555,000
State Match for FFY22 Grant	\$0
Total Sources of Funds	\$7,555,000
Uses of Emerging Contaminant Funds	
Emerging Contaminant Set-Asides from the FFY22 Grant	
Small System Technical Assistance (2%)	\$151,100
Administration and Technical Assistance (4%)	\$302,200
Program Management (10%)	\$0
Local Assistance (15%)	
Source Water Protection	\$377,750
Capacity Development	\$755,500
Total Uses of Funds	\$1,586,550
Estimated Total Funds for SFY24 Emerging Contaminant Loans	\$5,968,450

Set-Asides

States are given flexibility to set aside specified amounts of the Emerging Contaminants grant for specific activities. The SDWA authorizes each state to set-aside a maximum of approximately 31 percent of the capitalization grant for set-aside activities including administration of the loan fund and assistance to water systems in meeting SDWA requirements. ADEC evaluated each of the four set-aside activities with the goal of protecting public health while maximizing loan fund dollars for infrastructure improvement projects.

In support of the long- and short-term goals of the DWSRF, set-aside funds are used to fund a variety of technical assistance and capacity development activities as described in the following paragraphs. Detailed work plans for each set-aside will be submitted for EPA review within 90 days of award of the capitalization grant.

Per EPA Policy Memo of February 9, 1999, the SRF Program can reserve 1452 (g) (2) (B) Set-Aside funds that it intends to use at a later time and for which a workplan has not been prepared. These unspecified funds, also called "banked" funds, are deposited into the ADWF and would be directed toward Emerging Contaminant projects in the short-term. A state may reserve the authority to access up to 16% of a year's capitalization grant from a subsequent grant, to be used

for the activities allowed under the Administration and Technical Assistance set-aside (4%), the Small System Technical Assistance set-aside (2%), and the State Program Management set-aside (10%). When “banking” set-aside funds in this manner, the value of the banked funds from the current capitalization grant is placed in the loan fund. When banked funds are used in a new capitalization grant, the total set-aside use from that grant may exceed 31% and the funding allocated to the loan fund in that year is reduced.

There is a federal limit on the amount of funds used for each set-aside category and the types of activities funded. In accordance with keeping unliquidated obligations at a minimum, ADEC will fully expend set-aside funds within a two-year period.

Set-Aside for Small System Technical Assistance

The SDWA allows states to set aside up to 2% of each capitalization grant to fund technical assistance services to small water systems that serve fewer than 10,000 people. For the FFY22 grant, Alaska plans to provide technical assistance to small systems impacted by PFAS contamination or other emerging contaminants.

Set-Aside for Administration and Technical Assistance

The 2016 WIIN Act provisions provide states with three options with regard to the amount used for this set-aside, whichever is greatest, as listed below:

- Four percent of the capitalization grant,
- Flat \$400,000, or
- 1/5 percent of the total valuation of the state revolving fund balance.

This year, ADEC plans to utilize four percent of the grant award, totaling \$302,200. This amount will be used by the Division of Water for administration of loans for emerging contaminants projects.

The difference between the flat \$400,000 option and the amount requested for use in SFY24, \$302,200, will be banked for future use. The SRF Program retains the authority to reclaim \$97,800 for administration and technical assistance activities from a future capitalization grant.

Set-Aside for Program Management

The SDWA allows states to set aside up to 10% of the capitalization grant to fund program management. For the FFY22 grant, the DWP retains the authority to reclaim \$755,500 to program management activities from a future capitalization grant.

Set-Aside for Local Assistance

The SDWA allows states to set aside up to 15% of each capitalization grant to fund various state drinking water protection initiatives. No more than 10% of its annual DWSRF grant can fund any one initiative. For the FFY22 grant, the DWP will use 5% of this set-aside (\$377,750) to support activities for protection of source waters impacted by PFAS contamination. The Capacity Development Program will use 10% of this set-aside (\$755,500) to fund technical assistance activities to support systems impacted by PFAS contamination and other emerging contaminants.

Administrative Fee

Financing through the Emerging Contaminants funding source will be offered as loans with 100% principal forgiveness. An administrative fee will be assessed in the amount of 0.5% of the total dollars disbursed as prescribed in Title 18, Chapter 76 of Alaska Administrative Code (18 AAC 76). Fee revenue is kept in the ADWF Fee Account, separate from the regular loan fund, and is used exclusively to pay program administrative costs.

Loan Terms and Finance Rates for Eligible Projects

If the proposed project includes components that do not pertain to emerging contaminants, or if additional financing is requested in excess of funding available through the Emerging Contaminants funding source, the borrower may request additional loan funds for DWSRF eligible project activities. The additional loan funds would be subject to repayment according to the loan terms and finance rates applicable to the SRF Program.

ADEC adopted revisions to the finance charge calculations in 18 AAC 76 on September 10, 2017. The revised regulations modified the calculation of finance charges to reflect current market trends based on the Bond Buyer's Municipal Bond Index, as shown in Table 3. The revised regulations also increased the allowable financing term from 20 years to 30 years. The finance rate includes the interest rate and the administrative fee.

Finance Rates (effective September 10, 2017)

Loan Term	Finance Rate for Bond Rate*	Finance Rate for Bond Rate*
	Less than 4 Percent	Greater than 4 Percent
20-30 Years	2	$2 + (0.75 \times [\text{Bond Rate}^* - 4])$
5-20 Years	1.5	$1.5 + (0.625 \times [\text{Bond Rate}^* - 4])$
0-5 Years	1	$1 + (0.5 \times [\text{Bond Rate}^* - 4])$
<1 Year	0.5	0.5

**Bond Buyer's Municipal Bond Index Current Day – Yield to Maturity*

FEDERAL REQUIREMENTS

Loan agreements will include all applicable federal requirements. The following federal requirements are required of all DWSRF Emerging Contaminants funding recipients:

Build America, Buy America Act

The Build America, Buy America (BABA) provision that was included in the BIL requires domestic preference procurement for iron and steel products, manufactured products, and construction materials.

American Iron and Steel

The American Iron and Steel (AIS) provision requires SRF assistance recipients to use iron and steel products that are produced in the United States. This requirement applies to projects for the construction, alteration, maintenance or repair of a public water system. Compliance with BABA iron and steel provisions will satisfy the AIS requirements.

Davis-Bacon Act Wage Requirements

ADEC requires the inclusion of specific Davis-Bacon contract language in bid specifications and/or contracts and confirms that the correct wage determinations are being utilized. In addition, ADEC collects certifications of Davis-Bacon compliance from online project quarterly report statements.

Environmental Review

All proposed construction activities funded by the SRF Program undergo an environmental review in conformance with the EPA-approved State Environmental Review Process.

Disadvantaged Business Enterprise

Loan recipients and their contractors must comply with the federal Disadvantaged Business Enterprise requirements.

Signage to Enhance Public Awareness

The BIL signage term and condition requires a physical sign displaying the official Building a Better America emblem and EPA logo be placed at construction sites for BIL-funded projects. This requirement applies to all construction projects funded through the BIL Emerging

Contaminants grant. The EPA [Investing in America Signage](#) website provides more information about how to comply with the signage requirement

Single Audit

Borrowers who have received federal funds through ADEC's SRF Program may be subject to the requirements of the Single Audit Act and 2 CFR 200.

ASSURANCES AND CERTIFICATIONS

The Operating Agreement, as well as each capitalization grant, contain conditions that must be met. ADEC is committed to complying with all conditions in both the Operating Agreement and each capitalization grant.

Expeditious and Timely Expenditure

The State will commit and spend the capitalization grant in a timely and expeditious manner. Within one year of the grant award, the State will enter binding commitments with the recipients equal to the amount of the grant award.

The funds may be used for activities during more than one state fiscal year. To keep unliquidated obligations at a minimum, the State will fully expend the capitalization grant within a two-year period.

Fund Accounting Separation

The ADWF was established by statute as an enterprise fund of the State to serve as a revolving fund for financing water system improvement projects. Funds allocated for set-aside activities authorized in the SDWA are held in separate accounts; therefore, loan fund activities and set-aside activities are distinct and separate.

Federal Reporting

EPA's SRF Data System (previously identified as the Project Benefits Reporting (PBR) database) collects project level information and anticipated environmental benefits associated with DWSRF projects. This system is also used to collect annual financial information which was formerly collected through the National Information Management System (NIMS). This annual information submittal is used to produce annual reports that provide a record of progress and accountability for the Program. EPA uses the information provided to oversee the DWSRF state programs and develop reports to the U.S. Congress concerning activities funded by the DWSRF Program. ADEC commits to entering benefits information on all projects into the SRF Data System by the end of the quarter in which the assistance agreement is signed. ADEC also commits to entering all program information into the SRF Data System on an annual basis as EPA requests.

Federal Funding Accountability Transparency Act

ADEC will use the Federal Funding Accountability Transparency Act (FFATA) reporting system to report all SRF Program Emerging Contaminant projects, i.e. projects meeting all the federal cross-cutting requirements whose sum is at least equal to or greater than the capitalization grant amount less any non-applicable set-aside funds. In SFY24, the Emerging Contaminants

FFY22 capitalization grant amount, less the set-aside amounts, (\$5,512,950) will be reported. Information will be reported no later than the end of the month following the date of an equivalency project finalized loan agreement.

PUBLIC REVIEW AND COMMENTS

A notice of availability of the draft IUP was emailed directly to past, present and potential SRF borrowers throughout the state. In addition, the notification was distributed to 165 local governments through the Alaska Municipal League. The notice of public comment was also posted on the ADEC Public Notice website. The draft IUP was also available on the ADEC SRF Program website throughout the 30-day public comment period.

In addition, the SRF Program made three public presentations regarding the SFY24 IUPs and the revised disadvantaged community criteria. Those presentations were provided:

- in-person at the Alaska Municipal Water and Wastewater Association conference in Anchorage on May 9, 2023;
- via a webinar hosted by the Alaska Municipal League on June 6, 2023; and
- via a DEC-hosted webinar, also on June 6, 2023.

Comments were posted in an online application through the DEC Public Notice website. Appendix 4 includes the public comments received as well as responses for each comment.

Appendix 1.
Priority Criteria for SFY24 DWSRF Projects



Alaska Drinking Water State Revolving Fund

Priority Criteria for Drinking Water Projects – 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 Alaska Department of Environmental Conservation (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. Installation of new water mains in an area where there is a documented well contamination by a regulated contaminant that exceed safe standards, or a contaminant that is not regulated by EPA and/or the State but has an established health advisory level. 		100
<p>This project will eliminate acute risks to public health. Documentation required.</p> <p>Examples:</p> <ul style="list-style-type: none"> Provides potable water to a community or area currently not served by piped service but has existing water points or other haul systems. Will resolve microbial risk from inadequately treated surface water or groundwater with long term deadlines. Treatment for exceedances of acute contaminants such as nitrate, or treatment for long term (> 2 years) Maximum Contaminant Level (MCL) or Action Level exceedances for a chronic contaminant such as Disinfection By-products (DBPs), lead, arsenic, etc. Increase capacity where it is insufficient to meet public health needs. Examples include source quantity, raw or treated water storage capacity to meet demand, well intake, or distribution system pumps. 		75
<p>This project will correct potential long-term, chronic health threats or resolve serious distribution system problems or leaks. Documentation required.</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. VOC removal, pH adjustment, action level or primary MCL exceedances due to source water quality or contamination. Replacement of documented pipes or facilities that are leaking or constructed of inferior materials (example – asbestos cement pipe, structurally impaired water tank/reservoir). Correction of documented distribution system freeze-up problems. 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 eliminate potential hazards, provide treatment of secondary contaminants such as iron or manganese, or enhance system operations.</p> <p>Examples:</p> <ul style="list-style-type: none"> Periodic exceedances of action level or primary MCLs due to mechanical or structural problems, undersized or inadequate components or fixtures, or low-pressure issues. Replacement of pipe or facilities that are suspected to leak or constructed of inferior materials. Documentation of leaks is not required. Extension of water service for existing customers and/or water main looping to remove dead-end mains SCADA and other process instrumentation installations. 		30
<p>This project has no significant health hazard related issues.</p>		0
COMPLIANCE WITH SAFE DRINKING WATER ACT <i>(Select only one)</i>		
<p>This project will allow a system to come into compliance with an executed Compliance-Order-By-Consent, Administrative Order, Judicial Decision or Consent Decree. Documentation required.</p> <p><i>Points will be awarded only for agreements executed between the appropriate primary health agency (US Environmental Protection Agency or ADEC) and the system owner or for a judicial decree.</i></p>		35
<p>This project will resolve a significant compliance issue.</p> <p><i>Enforcement Targeting Tool violations, Notices of Violation, repeated or long-term boil water notices, one or more Revised Total Coliform Rule Level 2 Assessments</i></p>		25
<p>This project has no significant compliance related issues.</p> <p><i>Examples include relatively minor compliance issues documented by an agency notification letter.</i></p>		10
<p>This project has minimal impact on future pollution events.</p>		0
SOURCE WATER PROTECTION <i>(Select only one)</i>		
<p>This project specifically addresses system vulnerabilities or potential sources of contamination that are identified in the Drinking Water Protection Plan. Documentation must be provided and will be verified by ADEC.</p>		10
<p>The system's Drinking Water Protection Plan is current (within 3 years) and on file with ADEC Drinking Water Program. No documentation is required.</p>		5
<p>The system's Drinking Water Protection Plan is not current and/or the project does not address any vulnerabilities or potential sources of contamination.</p>		0

Priority Criteria for Point Source Projects

READINESS TO PROCEED (Up to 80 points)			
Construction documents have been prepared (under 18 AAC 80) and submitted to the appropriate ADEC Drinking Water program office.			50
A detailed engineering feasibility study, including detailed cost estimates, has been prepared and submitted to the ADEC SRF Program.			30
ASSET MANAGEMENT (Select only one)			
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
SUSTAINABILITY PROJECTS (Select only one)			
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 (Select only one)			
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 (Select only one)			POINTS
Points will only be given if a water system provides recent income data, population figures, and a fee structure or ordinance. The average monthly household cost for water service, after project completion, will be divided by the monthly mean household income. The monthly mean household income will be documented by a current survey or census data. The web page link for the data is located at the Department of Labor and Workforce Development Research & Analysis Section: http://laborstats.alaska.gov		Monthly Water 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
CONSOLIDATION	
This project will result in the regionalization and/or consolidation of two or more existing public water systems.	25
GREEN PROJECT	
The applicant has sufficiently demonstrated eligible Green components under the project.	25



Alaska Drinking Water State Revolving Fund

Priority Criteria for Emerging Contaminant Projects – Reference Sheet

Projects to address Emerging Contaminants will be ranked by the rating system set forth below, in addition to the standard Drinking Water project scoring criteria. The Alaska State Revolving Fund Program is prioritizing projects that address perfluoroalkyl and polyfluoroalkyl substances (PFAS) contaminants and cyanobacterial toxins, but will consider projects to address other emerging contaminants.

SCORING CATEGORY	POINTS	MAX POINTS
Finished Water PFAS Concentration <i>(Select only one)</i>		
<i>If the proposed project addresses a PFAS contaminant issue in finished drinking water, select the appropriate concentration. Documentation of the PFAS concentration is required.</i>		
Concentration ≥ 70 parts per trillion (ppt)	20	20
Concentration 20 - 69 ppt	15	
Concentration 4 - 19 ppt	10	
Cyanobacterial Toxin Contaminants <i>(Select only one)</i>		
<i>If the proposed project will address a cyanobacteria toxin issue, select the appropriate option below.</i>		
Source has experienced at least 1 Harmful Algal Bloom (HAB) per year for 3 consecutive years	15	15
Source has experienced at least 1 HAB per year for 2 consecutive years	10	
Source water has experienced a HAB in last 3 years	5	
Households/Connections that will Benefit from this Project <i>(Select only one)</i>		
Project will benefit 100 or more households/service connections	10	10
Project will benefit 50 - 99 households/service connections	8	
Project will benefit 1 - 49 households/service connections	6	
Consolidation		
Project will consolidate an existing system that has emerging contaminant issues with another public water system that can provide drinking water that meets all primary drinking water standards.	10	10
TOTAL		55

For a project to be eligible for Emerging Contaminants funding, it must be otherwise Drinking Water State Revolving Fund (DWSRF) eligible, and the primary purpose must be to address emerging contaminants in drinking water. Emerging contaminants refer to substances and microorganisms, including manufactured or naturally occurring physical, chemical, biological, radiological, or nuclear materials, which are known or anticipated in the environment, that may pose newly identified or re-emerging risks to human health, aquatic life, or the environment.

Ineligible Projects

If EPA has promulgated a National Primary Drinking Water Regulation (NPDWR) for a contaminant, then a project whose primary purpose is to address that contaminant is not eligible for funding under this appropriation, with the PFAS exception. For example, a project for which the primary purpose is to address arsenic or nitrate in drinking water is not eligible because arsenic and nitrate are regulated under the NPDWRs. It should be noted that these projects may be eligible for SRF financing but will not be eligible for financing as an Emerging Contaminant project. EPA expects to establish a NPDWR for PFOA and PFOS in the near future; however, based on the Congressional intent of the Bipartisan Infrastructure Law that appropriate this funding, PFAS-focused projects will be eligible for funding regardless of whether EPA has established a NPDWR for that particular PFAS or group of PFAS.

Questions about the eligibility of your project to receive Emerging Contaminant funding may be sent to dec.srfprogram@alaska.gov.

Appendix 2.
Project Priority List

Alaska Drinking Water Fund - State Fiscal Year 2024 (SFY24) Project Priority List - Bipartisan Infrastructure Law (BIL) Emerging Contaminants Funding

Note: The total available funding for SFY24 projects is \$5,968,450.

(1) Within Funding Limits column indicates that the project is within the current fundable limit of the BIL Emerging Contaminants Funding allotted to the Alaska SRF Program.

(2) BIL Emerging Contaminants Funding is provided as 100% forgivable loan.

(3) Loan repayment terms will be finalized when a loan agreement is offered. The finance rate will be based on a calculation identified in Alaska Administrative Code (18 AAC 76).

Rank	Score	Within Funding Limits ⁽¹⁾	Public Water System ID# (Community Population)	Applicant	Project Name and Description	Requested Loan Amount	Principal Forgiveness ⁽²⁾ (SFY24)	Disadvantaged Community	Green Project Amount (Type)	Sustainability Policy	Estimated Start Date	Added to PPL
1	71	X	AK2130172 (540)	City and Borough of Yakutat	Airport Water Line - Due to PFAS contamination of properties near the airport, this project will design an extension of the existing City and Borough of Yakutat water distribution system from the Yakutat townsite to serve the affected properties. Approximately 18,000 linear feet of 8-inch water main and approximately 150 linear feet of water service lines as well as a booster system would be required to connect municipal water service to the properties. Existing wells at the airport and surrounding properties would be decommissioned per the guidelines in 18 AAC 80.015(e), and water service lines will connect with existing water piping in each of the buildings or where the abandoned well connects into each building. Routing for the water pipeline would follow the paved Airport Road from the present edge of the water distribution system in the Yakutat townsite to the airport. The pipe would be constructed within a cleared right-of-way on the side of the existing road.	\$1,500,000	\$1,500,000	X	---	Planning	3/1/2023	SFY24-1
2	48	X	AK2224078 (147)	Unified Alaskan Utilities	Sherwood Estates Manganese Removal Study - Due to high manganese levels in source water, this project will produce a preliminary engineering report (PER) including an engineering alternatives analysis proposing recommended upgrades to the treatment system to more effectively remove manganese from the water.	\$75,000	\$75,000	X	---	Planning	4/30/2023	SFY24-1

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
------------------------	----------

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

Appendix 4
Comments and Responses

Appendix 4
State Fiscal Year 2024 (SFY24) Intended Use Plans
Comment and Response Document

A 30-day comment period was provided for the State Fiscal Year 2024 (SFY24) Intended Use Plans. Interested parties were asked to submit comments by June 12, 2023. The purpose of this document is to present the comments received, the SRF Program's responses to the comments, and explain how the comments were considered in finalizing the IUPs.

Name: Janette Keiser
City: Homer, Alaska
Submitted By: City of Homer

Comment: The City of Homer supports the ADEC's proposed Intended Use Plans and is grateful for the support for our water, sewer and storm water projects. We appreciate the ADEC staff's thoughtful deliberations regarding the health and environmental benefits of each project. We particularly appreciate addition of non-point source storm water projects. It is very difficult to get funding for such projects elsewhere; for example such projects cannot be funded through our water/sewer rate structure. We also appreciate the ADEC's support for planning projects, which are also difficult to fund, but totally necessary for proper utility planning. Thank you again, Janette Keiser, PE, Public Works Director/City Engineer

Response: Comment noted.

Name: Wayne Flint
City: Anchor Point, Alaska
Submitted By: Anchor Point Safe Water Corporation

Comment: Anchor Point Safe Water appreciates the opportunity to be able to submit a comment concerning ACWF and ADWF. Just one point concerns me as a former Alaska Department of Fish and Game employee developing King Salmon Enhancement. Communities along essential king salmon spawning grounds are growing. With king salmon populations dwindling, habitat protection is essential. So the dilemma is we want fiscal growth for utilities but protecting essential king salmon spawning grounds. While communities may be small and not qualify for grants and funding for wastewater disposal- an insidious ground water pollution continues degrading water runoff quality. If we want to preserve this amazing fish heritage, grant standards and funding really should be available to preemptively address sewage control and run-off in critical river and stream management areas. As it stands now, the Anchor Point Community is too small for normal grant and funding for wastewater treatment. This issue will only be realized when it's too late for salmon habitat such as the greater Seattle area. A wastewater package plant "facultative bioreactor" would take septic wastewater and purify it so the discharge would actually be cleaner than the Anchor River itself. After more than 5 years experience installing and maintaining "Biocycle" aerobic package plants and UAA advanced studies, I sincerely believe this is an issue that I hope these funding measures would take into consideration.

Otherwise, it just falls through the cracks and isn't recognized until its too late. A "small turn of the ecological rudder" now can have an amazing ecological impact for the good in the immediate future. Thank you, Wayne Flint- level 2 Operator Anchor Point Safe Water Corporation

Response: Projects that address water quality issues are eligible for financing through the Alaska Clean Water Fund. The Alaska Clean Water Fund primarily uses low-interest loans as the mechanism to finance eligible projects. Because Anchor Point is unincorporated, the community itself is not an eligible borrower. However, if another eligible entity is willing to sponsor the project, and a funding source for repayment of a loan can be identified, then a project of this nature to protect water quality would be eligible for financing through the State Revolving Fund Program.

Name: Melissa Haley

City: Sitka, Alaska

Submitted By: City and Borough of Sitka

Comment: I have a concern about the use of some of the proposed criteria for the household and socioeconomic burden. Specifically, for the % household below poverty level using the poverty level set by census bureau does not address the extremely high cost of living in some areas of Alaska. A family in Sitka may well be living in poverty with a household income higher than what is set by the census bureau. Similarly, comparing the lowest income quintile to the state as a whole may disadvantage communities with a higher cost of living, where income is often higher to compensate. I would propose that there be some way to adjust/account for cost of living for these areas.

Response: The disadvantaged community criteria proposed by the SRF Program uses several factors, one of which is the percentage of households below the poverty level, to identify economic stress in communities. By using multiple factors rather than relying on one or two factors, the intent is to capture information indicative of those communities that are most in need of financial assistance.

One way that the Disadvantaged Community Criteria considers the high cost of living in rural communities is by calculating the percentage of the lowest income quintile being used to pay the water and sewer utility bill. Those rural communities that need to charge higher user fees in order to operate and maintain their water and wastewater systems are recognized in this factor.

In recognition of the comments about the economic burden faced by rural communities, an additional Rural Community factor was added to the Disadvantaged Community Criteria. As explained in the revised Appendix, 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.

Name: Sarah E. McClellan
City: McGrath, Alaska
Submitted By: City of McGrath

Comment: Keep in mind that most remote communities in Alaska have very limited revenue and no guarantee of future income. Population in Alaska is dwindling and this hits small remote villages hard. Out-migration cuts user fees supporting services in remote communities, like water & sewer. State fees for services (especially those hidden fees we get hit with and don't even know it! Grrr...) and interest rates on loans are intolerable for our stressed operating budgets.

Response: In recognition of the comments about the economic burden faced by rural communities, an additional Rural Community factor was added to the Disadvantaged Community Criteria. As explained in the revised Appendix, Rural communities will receive two additional points in the scoring process. The following definition is used for a rural community:

- (3) A community that is eligible for assistance under the Village Safe Water Act, or
- (4) 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.

Name: Jill Weitz
City: Juneau, Alaska
Submitted By: Central Council of Tlingit and Haida Indian Tribes of Alaska

Central Council of Tlingit & Haida Indian Tribes of Alaska (Tlingit & Haida) is the largest federal and state recognized Tribe in Alaska, representing over 35,000 Tribal citizens.

In rural communities, it is hard to fund and train state certified water system operators. Those who do hold water operator certifications tend to take jobs in larger communities that can pay more. This often leads to small community water systems hiring personnel who are inadequately trained for the job. This lack of experience and training becomes apparent as we see frequent boil water notices, main line failures, and pump or purification system malfunctions.

To help prepare for these expected failures, Tlingit & Haida's Tribal Emergency Operations Center (TEOC) has purchased numerous water purification units that can be loaned out to communities in need. These units are limited in the quantity of water that can be purified before servicing. This leads to these units only being used to supply the most vulnerable populations with clean drinking water. Other community members must often gather and boil water on their own.

In the last two years alone, Tlingit & Haida's TEOC has responded with assistance to Saxman, Craig, Angoon, and Hydaburg related to water systems being out of commission. We have provided water purification systems and pallets of bottled water during emergencies. Additionally, the community of Kake had over a 6-month long boil water notice in 2021.

In the face of a rapidly changing climate and on the heels of the Covid-19 pandemic, rural communities in Alaska should be prioritized to receive the federal funds made available to the State of Alaska for the issuance of low-interest loans for planning, designing, and constructing sanitation and drinking water facilities. Investment should also be made in training local operators. The State of Alaska's existing criterion to determine need has not been updated since 2015 and does not consider the above challenges, including the inflated costs of living.

Luckily, the 2021 bipartisan Infrastructure Investment and Jobs Act has set aside significant hundreds of millions of dollars for the development of sanitation infrastructure in rural Alaska. Tlingit & Haida urges the State of Alaska to prioritize our rural areas, especially those communities off the road system and lacking basic sanitation infrastructure. 95 of 196 communities in Alaska do not meet the minimum threshold for funding through the Village Safe Water Program, and if the state continues to use the "best practices" score to determine eligibility and priority, then it will run the risk of having federal infrastructure (IIJA/BIL) funds expire or be reallocated elsewhere before they can be used to help these communities. How can we expect best practices from a community if their basic need for water is not being met? The State of Alaska must prioritize communities in greatest need.

Response:

The Alaska Clean Water Fund and the Alaska Drinking Water Fund are available, as low-interest loans to eligible borrowers as defined in Alaska Statutes 46.03.032 and 46.03.036, for water and wastewater infrastructure improvement projects, as well as activities to protect public health and achieve or maintain compliance with the Clean Water and Safe Drinking Water Acts. All proposed projects are evaluated and scored based on established criteria that prioritize the public health impact the project will provide, with the highest scoring projects prioritized for funding.

Historically, most rural Alaskan communities have sought sanitation infrastructure improvement funding through the State of Alaska's Village Safe Water Program and the Indian Health Service as these programs provide grant funding with no financial contribution required from the community. Despite the loan finance rates and extended financing terms, many rural Alaskan communities are not financially positioned to take on debt to fund their sanitation improvements and, therefore, have not generally sought funding through the SRF Program. Recently, in an effort to make SRF funding more accessible and to assist rural communities in addressing system deficiencies, the Alaska SRF created a microloan program offering substantial loan forgiveness targeted specifically at rural communities that have not been tradition borrowers.

As noted in the comment, the Infrastructure Investments and Job Act, also known as the Bipartisan Infrastructure Law, has created a unique opportunity to address a greater volume of need by allocating substantially larger amounts of funding to the SRF over the course of five years, as well as increasing the amount of those funds that must be offered as loan forgiveness to disadvantaged communities, making SRF funding a more viable option for some communities than in the past.

Based on comments received during the public comment period, and in recognition of economic burden faced by rural communities, an additional Rural Community factor was added to the Disadvantaged Community Criteria. As explained in the revised Appendix, 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.

Name: Kathy Leary

City: Gustavus, Alaska

Submitted By: City of Gustavus

The scope of the current and proposed criteria for identifying disadvantaged communities would benefit from consideration of a segment of rural communities whose unique financial circumstances pose a significant hardship in raising the revenue necessary to finance water and wastewater projects.

HOUSEHOLD BURDEN

Household income: Lowest Quintile Income (LQI)

As the gateway community to Glacier Bay National Park, the economy of Gustavus is primarily based on its largest employer, the National Park Service, including an influx of seasonal workers, and a seasonal tourism industry of lodges and charter fishing from end May (Memorial Day) to September (Labor Day). Another large segment of the population consists of retirees living on a fixed income. Aside from fixed income population, this retiree population would not be included in the unemployment calculation when comparing the percentage of state totals and for which points are given. Additionally, those who are chronically unemployed or who choose not to apply for work, do not show up in unemployment data. Year-round residents other than NPS and a few school employees, mostly rely on seasonal construction and fishing employment with a few scattered service industry employees. There is a dwindling number of commercial fishing boats, resulting from a reduction in fishing quotas and declines in fisheries populations. The decline in fishery resources is also affecting the charter fishing industry, which has to travel longer distances at greater expense to reach viable fishing grounds, reducing the number of businesses and visitors to the area.

The determination of the community's mean/average income is skewed by several management salaries paid by the NPS to its year-round staff (up to \$183,500 for the Park Superintendent). The community has a bimodal income distribution between the haves and the have nots. In addition, unemployment and food stamps are faulty metrics to apply to a community whose employment resources are largely seasonal and whose residents live subsistence lifestyles. Community members most in need often are unable to secure social benefits due to our location and challenges with communications to offices with services. Half of the community lacks cellular coverage, not all areas have access to internet, and our land line phone system has seen degradations from poor maintenance.

Proposed household burden indicator: water and sewer bills

The proposed indicator for determining household and socioeconomic burden: monthly and annual water and sewer bills, does not take into consideration the financial burden on a small, rural community without municipal water and dependent on septic systems. The expenses of living without a municipal system should be considered, such as:

- Reliance on sewage pumping trucks transported from Juneau by barge or ferry to pump septic tanks, (approx. \$1500).
- Reliance on shallow water table wells (most are less than 20' in well-drained sandy soil, so surface/ground water interactions are prevalent), which require water softeners and filtration systems for minerals, contaminants, and sediment, not including the electrical costs of the water pump, or alternative construction of rainwater catchment cisterns, with costs of treatment and

maintenance. A significant portion of our community has non-potable water from PFAS contaminants from the use of AFFF at our airport that has yet to find meaningful resolution.

- Without platting, zoning, or building permit authority, Gustavus has several subdivisions with 1-acre parcels. The shallow wells and proximity to leach fields on the property or adjacent properties leads to interactions, including drinking water with fecal coliform.

SOCIOECONOMIC FACTORS

Our second-class city supports a small clinic, a school, city staff of 8 with only 2 being full time (FTE), and a handful of small businesses and nonprofits. Gustavus has one of the highest effective per kw residential electrical rates in the state. (Due to PCE being a lower rate for this utility) Additionally, the residential community doesn't have the financial capacity to form an organized borough in order to impose property taxes, and the seasonal boost in sales, bed, and fish tax receipts is limited to a 3–4-month window.

Affordability impacts

Gustavus is not on the road system and is dependent on a variable ferry system schedule, fuel barges, landing craft, and expensive air transportation and cargo for food, heating and motor fuel, supplies, and building materials. There is only a small clinic, and residents have to pay to travel out of town for medical and dental appointments, including lodging and transportation costs. Costs of transportation for the provision of basic goods and services, as well as the increased cost of goods and services should be considered as an indicator of the socio-economic burden of a rural community.

Changing demographics

The population of Gustavus is growing (48% between 2020 and 2010 with a 2020 population of 655), with an increase in building construction, reliance for drinking water on a shallow water table, and increased expansion of septic systems. Gustavus's small population does not include large revenue streams. It has a small government, whose size and capacity to design projects and find funding resources is limited. Without qualifying as a disadvantaged community, and without community financial resources to develop municipal water services, the fragility of the community's health may be at a tipping point. In 2022, there were a cluster of giardia cases that were not connected to at risk water consumption patterns.

We would encourage you to include additional scoring points for 1- Economies of scale for small populations, irrespective of disadvantaged status, where building infrastructure (including a large match requirement) is unattainable by virtue of population size and therefore limits local tax and per capita governmental revenues. 2 - geographically isolated locations where transport of goods and services are both limited and expensive, 3 - the costs of maintaining well water and septic systems, 4- high electrical and other utility costs as indicators in defining a disadvantaged community or at least otherwise included in the scoring rubric.

Response:

Income: With regard to comments about income, it is agreed that measures of income for a community may be skewed by a small number of high-income households. By using the Lowest Income Quintile in the analysis, focus is placed on 20% of the households with the lowest incomes in the community. The Disadvantaged Community Criteria does not use average or median income as a factor.

Communities without municipal water or sewer systems: The SRF Program is limited to providing financing for public water systems, publicly owned treatment works for sewage, and certain types of decentralized sewage treatment systems. By including a factor that identifies the cost of utility service, the Disadvantaged Community Criteria recognizes rate affordability.

Rural community impacts – In recognition of the comments about the economic burden faced by rural communities, an additional Rural Community factor was added to the Disadvantaged Community Criteria. As explained in the revised Appendix

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

- (3) A community that is eligible for assistance under the Village Safe Water Act, or
- (4) 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.