

Oregon's Drinking Water State Revolving Fund: Frequently Asked Questions

Oregon's Drinking Water State Revolving Fund: Frequently Asked Questions

Regarding Updates to the Definition of "Disadvantaged Community"

What is the Drinking Water State Revolving Fund?

The Drinking Water State Revolving Fund (DWSRF) is a federally funded program that provides low-cost loans to community water systems and non-profit, non-community water systems for planning, design, and construction of drinking water infrastructure improvements. The U.S. Environmental Protection Agency (EPA) is the federal agency that administers the DWSRF. In Oregon, the DWSRF program is funded through the Safe Drinking Water Revolving Loan Fund (SDWRLF). The Oregon Health Authority (OHA) and Business Oregon are state agencies that co-administer the program.

Why does the program have a definition for "disadvantaged community"?

Nationally, the DWSRF was created in 1996 by amendments to the federal Safe Drinking Water Act (SDWA). The SDWA requires state DWSRF programs to establish affordability criteria. Under the SDWA, a disadvantaged community (DAC) is defined as the service area of a public water system that meets the state's affordability criteria. The SDWA also allows for additional subsidies to disadvantaged communities, including partial or full loan forgiveness (principal forgiveness).

What is Oregon's current definition?

Oregon's current definition for a disadvantaged community is:

"a public water system with a service area that has a Median Household Income (MHI) less than the state MHI."

The MHI is determined using the most recent American Community Survey five-year data available from the U.S. Census Bureau.

Why does it matter if a water system is designated as a disadvantaged community?

The DWSRF program is governed by various laws, regulations, and policies that set specific requirements for the loans states can offer, including limits on the amount of funding that can be awarded as principal forgiveness. The DWSRF also has specific requirements regarding subsidies for disadvantaged communities.

For the regular or “base” program, any water system interested in applying for funding is eligible for some form of subsidy, whether it is a reduced interest rate or some level of loan forgiveness. If the water system meets the DAC definition, they are eligible for lower interest rates and increased principal forgiveness, depending on available funding.

Receiving subsidies as part of a loan can affect the affordability for needed drinking water infrastructure projects for water systems.

In 2021, the federal government passed the Infrastructure Investment and Jobs Act (IIJA), commonly known as the Bipartisan Infrastructure Law or BIL. For a limited time, BIL offers a significant amount of increased funding to drinking water infrastructure projects through the DWSRF. The law requires a set portion of BIL funding be awarded as loan subsidies. BIL also requires that, in most cases, these loan subsidies be provided *only* to water systems that meet the DAC definition.

Additionally, projects submitted by water systems that are disadvantaged communities receive extra rating points, which improves their ranking on the project priority list (PPL). The PPL determines funding priorities, and because funding is limited, projects with a higher ranking are invited to apply first.

Why is Oregon updating its definition?

The Oregon Health Authority and Business Oregon decided to review and consider updates to the definition for several reasons.

- The agencies felt that relying solely on MHI may result in needed assistance not being provided to communities that have a portion of their populations that are disadvantaged based on other socioeconomic factors.
- BIL funding and its requirements mean that meeting the DAC definition has even more significance for a community in terms of receiving loan subsidies through the SDWRLF.
- The EPA’s guidance for implementing BIL funding seeks to ensure equitable benefits from the funding by including a wider array of socioeconomic factors when establishing an “affordability criteria” as required under the SDWA.

What has been done so far in this process?

Several steps have been completed so far to get to the draft preferred alternative of a new DAC definition.

- The EPA contracted with the consultant group Cadmus Group LLC (Cadmus) to assist Oregon through a process to consider options for change.
- Over the first half of 2024, OHA and Business Oregon staff met several times with and without Cadmus and the EPA. Cadmus facilitated a review of Oregon’s current definition and DAC determination process, available data sources, options of other socioeconomic indicators, and examples of other states’ DAC definitions.
- With the analytical support of Cadmus, OHA and Business Oregon staff assessed several socioeconomic indicators that Oregon’s DWSRF could consider including in its definition, such as rate of poverty, rate of unemployment, and percent of population that is housing cost-burdened.
- OHA staff developed different scenarios incorporating various combinations of indicators and thresholds and the group examined the results of each scenario. For example, the agencies

assessed the increase or decrease in the number of water systems or population served under each scenario.

- The agencies selected a few top options to examine more closely and then reached consensus on the draft preferred alternative of a new definition of disadvantaged community. The draft definition includes communities that currently meet the DAC definition and will include additional water systems based on expanded criteria.
- Cadmus drafted a report and incorporated feedback from OHA and Business Oregon. Once the report is ready, it will be available on [OHA's website](#) and include details on the process, data sources, the draft preferred definition, and more.

What happens next?

- The agencies are holding a virtual Open House on Tuesday, October 29, from 2:00 to 4:00 pm, to share more information about how they arrived at this draft preferred alternative and what criteria are included in the proposed new definition. There will be time allotted for Q&A and discussion. Use this [link](#) to register for the online event. Registration will also be available on [OHA's website](#) and via email notices.
- After the Open House, OHA will post a recording of the Open House on [their website](#) along with other materials related to the process.
- Opportunities will be available for direct meetings with OHA and Business Oregon staff. Agency staff will be available to schedule a time to meet directly with those that can't attend the Open House or attended the Open House and are seeking an opportunity for further discussion or clarification.
- OHA and Business Oregon will consider any necessary adjustments to the proposed draft definition based on feedback received through the Open House, public comment, and other discussions.
- OHA will release the final proposed definition for a public comment period.
- The agencies will adopt a final definition after the public comment period.

The target timeline for the new DAC definition to be finalized is before 2025. The next Letter of Interest (LOI) review deadline for submitting a project to seek funding through the SDWRLF program will be February 15, 2025. The goal is to have the new definition adopted in time for the LOI review period in early 2025.

Where can I learn more?

- Interested parties can contact the Oregon Health Authority at dws.srf@odhsoha.oregon.gov for questions, Open House registration information, or to set up direct meetings with staff from OHA and Business Oregon.
- To receive regular updates, [sign up for email notices from OHA](#).
- The recording of the Open House, the report on the process and proposed definition, and information about the public comment process will be updated on [OHA's website](#) as the process moves forward.