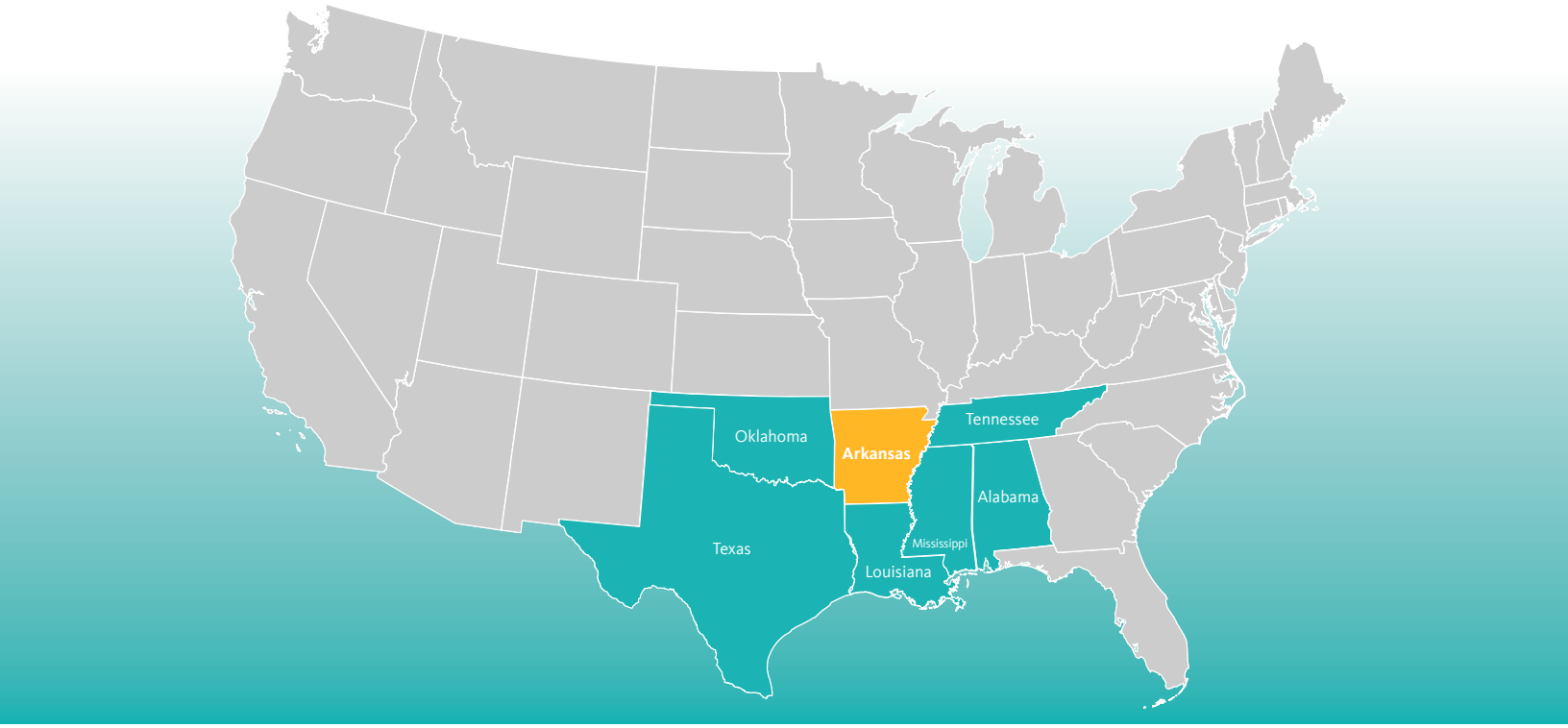

Analysis of the Arkansas Drinking Water State Revolving Fund and the Clean Water State Revolving Fund

Preface

The State of Water Infrastructure

Water infrastructure in the United States is aging and in need of replacement, and many systems are already failing. Estimates suggest $1.25 trillion ($625 billion for Drinking Water infrastructure and $630 billion for Clean Water infrastructure) is needed over the next 20 years to invest in wastewater, stormwater, and drinking water systems. Inadequate investments in water infrastructure has a significant negative impact on the health and well-being of communities, and disproportionately impacts low-income communities and communities of color.

The Bipartisan Infrastructure Law (**BIL**), passed in November of 2021, was the single largest federal investment in water infrastructure to date. Of the $55 billion to be administered by the Environmental Protection Agency (**EPA**), $43 billion is being distributed through the Clean Water State Revolving Fund (**CWSRF**) and the Drinking Water State Revolving Fund (**DWSRF**) over Federal Fiscal Year (**FFY**) 2022–2026. Although 49% of these funds must be distributed to "disadvantaged communities" as grants or forgivable loans (rather than loans that need to be repaid), communities with the greatest need still face several barriers in accessing these funds. Interventions to address these barriers include reforms to State Revolving Fund (**SRF**) policies that determine how SRF funds are allocated to communities within each state.

Why and How This Project Came to Be

In early 2023, PolicyLink started its three-year "Southern State Revolving Fund (**SRF**) Analysis and Advocacy Project" to help ensure equitable implementation of BIL SRF funds and base SRF programs in the South. In focusing on the South, we recognized that the racial and economic disparity in clean and affordable water is particularly pronounced there and that there was a need for strong community-based advocacy.

This project consists of two main phases:

- **Phase I: Analyses of DWSRF and CWSRF Across Seven Southern States**
  In early 2023, PolicyLink partnered with the Environmental Policy Innovation Center (**EPIC**) to train and support policy analysts across seven southern states (Alabama, Arkansas, Louisiana, Mississippi, Oklahoma, Tennessee, and Texas) to conduct equity analyses of each state's Clean Water and Drinking Water State Revolving Fund. These analyses are being used to inform advocacy in Years Two (2024) and Three (2025) of the project.

- **Phase II: Community-Based-Organization (CBO) Led Advocacy Across Four States**
  Of the seven states, PolicyLink selected four states—Alabama, Louisiana, Tennessee, and Texas—for Phase II (supporting CBO-led SRF Advocacy). These represent two states from EPA Region Four (Tennessee and Alabama) and two states from EPA Region Six (Louisiana and Texas). PolicyLink selected a cohort of 16 CBOs (Four CBOs per state) to undergo SRF Advocacy training (administered by River Network) and supports them in their state and regional SRF advocacy efforts.

This document is part of the larger series of SRF program analyses (Phase I deliverables) developed by individual consultants, with guidance from PolicyLink and the Environmental Policy Innovation Center (**EPIC**).

To learn more about the project and/or to access other material related to the state analyses, please see the project site.

Acknowledgments

For the first phase of this project, we want to thank our partner, Janet Pritchard, from the Environmental Policy Innovation Center (**EPIC**), for providing a template for conducting the equity analyses, training our consultants, and reviewing each of the state outputs. We also want to thank our individual consultants who conducted analyses of SRF programs within their states:

- **Alabama:** Victoria Miller and Cindy Lowry, Alabama Rivers Alliance
- **Arkansas:** EPIC
- **Louisiana:** Rebecca Malpass, The Water Collaborative of Greater New Orleans
- **Mississippi:** Dr. Christine Curtis, Grow Where You're Planted
- **Oklahoma:** EPIC
- **Tennessee:** Grace Stranch and Anne Passino, Harpeth Conservancy
- **Texas:** Danielle Goshen (while at National Wildlife Federation)
- **Regional Overview:** Danielle Goshen, EPIC

PolicyLink is grateful to the Robert Wood Johnson Foundation for supporting this project.

Abbreviations Sheet

ADA-NRD – Arkansas Department of Agriculture Natural Resources Division

ADFA – Arkansas Development Finance Authority

ADHE – Arkansas Department of Health Engineering Section

AMHI – Area Median Household Income

ASCE – American Society of Civil Engineers

BEAD – Broadband Equity, Access, and Deployment

BIL – Bipartisan Infrastructure Law

CBP3 – Community-Based Public-Private Partnership

CBO – Community-Based Organization

CDBG – Community Development Block Grant

CDC – Centers for Disease Control and Prevention

CWSRF – Clean Water State Revolving Fund

DAC – Disadvantaged Community

DOLA – Department of Local Affairs

DWSRF – Drinking Water State Revolving Fund

EC – Emerging Contaminants

EPA – Environmental Protection Agency

EPIC - Environmental Policy Innovation Center

EJ – Environmental Justice

EJScreen – Environmental Justice Screening and Mapping Tool

FFY – Federal Fiscal Year

FPL – Federal Poverty Level / Fundable Project List

GAO – Government Accountability Office

HBI – Household Burden Indicator

IIJA – Infrastructure Investment and Jobs Act

IUP – Intended Use Plan

LMI – Low-to-Moderate Income

LQI – Lowest Quintile Income

LSLR – Lead Service Line Replacement

MCL – Maximum Contaminant Level

MHI – Median Household Income

PF – Principal Forgiveness

PFAS – Per- and Polyfluoroalkyl Substances

PFOS – Perfluorooctane Sulfonic Acid

PPI – Poverty Prevalence Indicator

PPL – Project Priority List

PWS – Public Water Systems

RSEI – Risk-Screening Environmental Indicators

SRF – State Revolving Fund

SSF – State Set-aside Fund

SVI – Social Vulnerability Index

TA – Technical Assistance

USDA – United States Department of Agriculture

Contents

I. Introduction

In 2021, the U.S. Congress passed the Infrastructure Investment and Jobs Act (**IIJA**) also known as the Bipartisan Infrastructure Law (**BIL**), allocating $50 billion over five years to the Environmental Protection Agency's (**EPA**) existing State Revolving Fund (**SRF**) programs, consisting of the Drinking Water State Revolving Fund (**DWSRF**) and the Clean Water State Revolving Fund (**CWSRF**).[1] Funds available under the IIJA have represented a massive opportunity for Arkansas to transform its water infrastructure landscape—with an estimated $528 million provided to improve drinking water and wastewater systems.[2] In Arkansas, the Arkansas Department of Agriculture Natural Resources Division (**ADA-NRD**) Water Resources Development Section is the administering agency for the SRF programs. However, the Arkansas Development Finance Authority (**ADFA**), assisting ADA-NRD, acts as agent, financial advisor, and purchaser and seller of bonds for the CWSRF program, and the Arkansas Department of Health Engineering Section (**ADHE**) is in charge of the State Set-aside Fund (**SSF**) program under the DWSRF.

While $528 million was estimated to be provided to Arkansas for SRF activities over the five years of IIJA funding, since earmarks returned in 2022, net federal funding under Arkansas's CWSRF program has been cut by more than $3.6 million, and more than $16.6 million has been cut from Arkansas's DWSRF program.[3]

The ADA-NRD articulates how it intends to administer the SRF programs through annual Intended Use Plan (**IUPs**). Contained within the IUPs is specific information about eligible project types, eligible applicants, the types of funding and financing available; project ranking or prioritization, and funding available for technical assistance, among other key policy decisions. The ADA-NRD has two IUPs: (1) the DWSRF IUP, which covers the general DWSRF program, the DWSRF Emerging Contaminants (**EC**) program, and the DWSRF Lead Service Line Replacement (**LSLR**) program; and (2) the CWSRF IUP, which covers the general CWSRF program and the CWSRF Emerging Contaminants (**EC**) program.

- Drinking Water State Revolving Fund SFY 2024 IUP **(Draft)**
- Clean Water State Revolving Fund SFY 2024 IUP **(Final)**[4]

Note that while the CWSRF SFY 2024 IUP general program has been approved, the CWSRF EC Program for SFY 2024 IUP, and all programs under the DWSRF IUP for 2024, including the EC and LSLR programs have not yet been approved by the EPA at the time of this report. **Therefore, all recommendations that relate to the DWSRF are all based on the Draft DWSRF SFY 2024 IUP, as it is still awaiting approval by the EPA.**

Arkansas should utilize the historic SRF funds to address key drinking water and wastewater concerns in the state. The American Society of Civil Engineers (**ASCE**) gave Arkansas a D+ in drinking water infrastructure and C+ in wastewater infrastructure in its 2014 report card, showing that major investments are needed to improve the state of water infrastructure in Arkansas.[5] Among other issues, the SRFs in Arkansas can be used to address the following infrastructure problems such as:

- **Aging Infrastructure**[6]—In Arkansas, the infrastructure for water transmission and distribution, primarily composed of underground pipelines, accounts for 72% of the total capital requirements for drinking water facilities. Within the upcoming two decades, there is a need to replace or rehabilitate approximately 2,615 miles of these water transmission and distribution lines. Currently, 14% of these projects are in urgent need of attention.

- **Poor Water Quality**[7]—Both groundwater and surface water sources in Arkansas face significant contamination risks. Groundwater quality, especially in southern and eastern Arkansas, has declined due to heavy pumping, while surface water is susceptible to contamination from both natural and man-made sources. Contaminants include natural compounds like salt or sediment from land erosion, as well as man-made chemicals from industry, urban and rural human and animal waste, and disease-causing bacteria and viruses.

In addition to addressing main concerns over Arkansas's drinking water and wastewater concerns, while states are given significant leeway in administering SRF funds, there was a particular focus through IIJA on the use of these funds to benefit "disadvantaged communities" (or "DACs"). In particular, states must ensure that at least 49% of the funds provided under IIJA ("additional capitalization") go towards projects in these communities as principal forgiveness under the general DWSRF and CWSRF programs. Meanwhile, under the DWSRF Emerging Contaminants program, 25% of principal forgiveness must be provided to DACs, and 49% of the DWSRF LSLR principal forgiveness must be provided to DACs (see **Image 1**, below). In addition to these federal requirements, investments in dis- and under-served communities in Arkansas is essential to ensuring safe, affordable, and clean water for all communities.

To this end, the ADA-NRD has incorporated multiple policy choices into the DWSRF and CWSRF programs that effectively promote resiliency and the equitable distribution of resources to communities most in need. Among others, we support the following ADA-NRD's SRF policy decisions:

- CWSRF goals promoting climate resiliency at outreach events;
- Providing up to 100% principal forgiveness to communities; and
- Reducing lending rates for sponsorship projects to protect, conserve, and restore natural resources.

However, more can be done in Arkansas to help communities access SRF funding and invest in essential projects in the areas that need it most. The following policy recommendations are additional ways Arkansas can improve equitable outcomes through its SRF programs and to increase program transparency and accessibility.

Image 1: BIL SRF Funding Details [8]

SRF Funding Program	Total Funding	State Match	Additional Subsidy	Eligible for Additional Subsidy
Clean Water SRF Supplemental	$11,713,000,000	10% in 2022 & 2023 20% in 2024–2026	49%	Assistance recipients that meet the state's affordability criteria or project types as described in section 603(i) of the CWA
Drinking Water SRF Supplemental	$11,713,000,000	10% in 2022 & 2023 20% in 2024–2026	49%	Disadvantaged Communities
Clean Water Emerging Contaminants	$1,000,000,000	0%	100%	No restriction
Drinking Water Emerging Contaminants	$4,000,000,000	0%	100%	25% for Disadvantaged Communities or Public Water Systems Serving Fewer Than 25,000 Persons
Drinking Water Lead	$15,000,000,000	0%	49%	Disadvantaged Communities

II. State Revolving Fund (SRF) Goals

ADA-NRD is required to develop goals to help guide their implementation of SRF funding. Goals under Arkansas's SRF programs are divided into short term and long-term goals. The goals established under both the CWSRF and DWSRF largely stick to fulfillment of administrative duties. However, we encourage additional goals to help guide the agency when navigating policy choices throughout the IUP. The following subsections will provide recommendations on how ADA-NRD can improve the goal sections under the DWSRF and CWSRF.

A. Improve Drinking Water State Revolving Fund (DWSRF) Goals

While some states highlight goals related to equity, affordability, climate resilience, and workforce development, these goals are largely missing from the Arkansas DWSRF Draft IUP. The DWSRF goals could be improved by adding goals prioritizing the following:

- **Green infrastructure**, **sustainable,** and **resilient** projects;
- Projects that invest in **workforce development;**
- Providing funding to **disadvantaged** and **historically dis- and under-invested communities**; and
- Incentivising projects that will lead to increased **water affordability**.

While we strongly recommend incorporating the revision and additional items into the DWSRF program goals, we also believe that these goals need to be supported throughout the rest of the IUP, especially as it relates to defining DACs and project ranking.

B. Improve Clean Water State Revolving Fund (CWSRF) Goals

ADA-NRD has done a good job selecting program goals for the CWSRF that promote the equitable and resilient distribution of funds. For example, CWSRF goals include promoting nonpoint source and water reuse projects, promoting climate resiliency at outreach events, and providing outreach to DACs to provide subsidies. However, in addition to these goals we recommend incorporating the following to help guide use of funds:

- Add a goal to prioritize **green infrastructure** projects;
- Add a goal to increase **water affordability** through use of CWSRF funds; and
- Add a goal to encourage and prioritize projects that invest in **workforce development**.

As with the DWSRF goals, we also believe that these goals need to be supported throughout the rest of the CWSRF IUP, especially as it relates to project ranking.

III. Program Accessibility and Transparency

The IUPs should strive to be transparent and user-friendly in order to help provide clear guidance to potential applicants and stakeholders. The following subsections provide recommendations on how to improve the organization and communication of the IUPs.

A. Clearly Articulate How Much Funding ADA-NRD Expects to Commit as Principal Forgiveness (PF), Loans, and Set-asides

Under the ADA-NRD 2024 IUPs, it is difficult to ascertain how much funding the state anticipates to provide as principal forgiveness, loans, and set-asides, and how much favorable financing is available for DACs and other priority applicants. For example, the CWSRF IUP states that for projects that meet the affordability criteria "[a]s of June 30, 2023, a maximum of $245,976 is available for additional subsidization (FFY 22 Cap Grant), $21.5 million approved for principal forgiveness on June 22, 2023."[9] We are unclear as to what these numbers refer to.

In order to help stakeholders better understand how ADA-NRD is allocating resources and the different opportunities available to communities for principal forgiveness, we recommend clearly communicating expected allocation of principal forgiveness, favorable financing, loans, and set-asides in a single table. **Image 2** below provides an example from Texas, where all anticipated allocations are clearly summarized.

Image 2: Texas Allocation Summary[10]

		Regular/Base Appropriations		IIJA's Supplemental Appropriations		Total for IUP
Clean Water SRF SFY 2024		$34,286,000	% of Grant	$95,270,000	% of Grant	$129,556,000
Minimum & Maximum - Principal Forgiveness						
Minimum (Special criteria)		$3,428,600	10%	$46,682,300	49%	$50,110,900
Minimum (Any CWSRF-eligible recipient)		$3,428,600	10%	$0	0%	$3,428,600
Minimum (Total)		**$6,857,200**	20%	**$46,682,300**	49%	**$53,539,500**
Optional Additional Amount		$6,857,200	20%	$0	0%	$6,857,200
Maximum		$13,714,400	40%	$46,682,300	49%	$60,396,700
Current Allocation of Principal Forgiveness						
	Eligibility					
Disadvantaged Community:	Disadv.	$3,500,000	10%	$32,000,000	34%	$35,500,000
Disadvantaged Community-Small / Rural only:	Disadv.	$1,000,000	3%	$10,682,300	11%	$11,682,300
Subsidized Green:	All	$2,400,000	7%	$0	0%	$2,400,000
	Spec.	$1,000,000	3%	$0	0%	$1,000,000
Urgent Need:	All	$800,000	2%	$0	0%	$800,000
	Disadv.	$0	0%	$2,000,000	2%	$2,000,000
Very Small Systems:	Disadv.	$0	0%	$2,000,000	2%	$2,000,000
Total Currently Allocated		**$8,700,000**	25%	**$46,682,300**	49%	**$55,382,300**
Additional amount of grant that could be allocated to principal forgiveness		*$5,014,400*	*14.6%*	*$0*	*0.0%*	*$5,014,400*
Total Breakdown						
Total Principal Forgiveness Allocated to Projects		$8,700,000	25%	$46,682,300	49%	$55,382,300
TWDB Administration (incl. Project Manag. System)		$1,371,440	4%	$3,810,800	4%	$5,182,240
Loans/Bonds		$24,214,560	71%	$44,776,900	47%	$68,991,460
Total		**$34,286,000**	100%	**$95,270,000**	100%	**$129,556,000**

B. Identify Which Projects Would Serve Disadvantaged Community (DAC) (DWSRF) and Meet the Affordability Criteria (CWSRF) in the Project

Currently, neither the Draft DWSRF nor CWSRF Priority Project Lists (**PPL**s) provide any information on whether an applicant qualifies as a DAC or is otherwise eligible for principal forgiveness. However, the Draft DWSRF IUP does provide this information on the Fundable Project List (**FPL**), while the CWSRF IUP has a column for the amount of additional subsidy on the FPL.

This information is useful to advocates and the agency when developing technical assistance programs to better target DACs. In order to increase program transparency and to facilitate greater understanding about who is trying to access SRF funding, we recommend providing information on both PPL and FPL lists as to whether the entity is considered disadvantaged, as is done under Draft DWSRF FPL.

IV. Improve Disadvantaged Community (DAC) and Affordability Criteria Policies

One of the ADA-NRD's primary goals for the distribution of funds under the SRF programs should be to prioritize funding to disadvantaged and historically dis- and under-invested communities. While there is this need to precisely construct the DAC policies (under the DWSRF) and affordability criteria policies (under the CWSRF), Arkansas's current policies are narrow and provide much discretion to ANA-NRD with little transparency to the public. However, there are multiple policy recommendations that can be incorporated in order to ensure the SRF programs are accessible to communities most in need. Note, that many of these recommendations interact with each other and the success of the program to meet this goal depends on the proper implementation of a combination of these reforms.

For example, as will be further discussed below, we recommend creating a DAC score **(Recommendation 4(a))** to influence both whether a community qualifies as a DAC, the amount of principal forgiveness available to a community, and the project ranking. Second, the definition of disadvantaged community should be broad enough to encompass all underserved communities and provide an attractive opportunity for eligible applicants to apply for funding yet should not be so broad as to make favorable financing available to communities that can easily pay for projects through other means. Third, while the recommended changes would effectively broaden the list of entities eligible as disadvantaged, we believe that funds can still be targeted to areas most in need through proper project ranking **(Recommendation 5)**, where communities that are most disadvantaged are ranked higher than other communities that are more able to pay for projects.

A. Create a Disadvantaged Community (DAC) Score

For less resourced communities, a big driver for whether they will be able to address their water infrastructure needs through the SRF program is whether they qualify as a DAC under the DWSRF or meet the CWSRF affordability criteria. This is the case because whether or not a community qualifies as a DAC under the DWSRF or meets the CWSRF affordability criteria determines whether they are eligible for additional subsidization in the form of principal forgiveness.

In order to better target principal forgiveness and prioritize projects in higher need areas, we suggest creating a DAC score. A DAC Score would look at different factors that lead to a community meeting DAC or affordability criteria. Once factors have been chosen for the DAC score, points can be provided for each factor utilizing a scaled approach. Then, once a DAC score has been tallied using all of the different DAC score factors, this score can be used to:

- Determine which applicants are considered a DAC using a minimum threshold as will be discussed in **Recommendation 4(b)**;
- Determine how much principal forgiveness a project should be eligible for as is discussed in in **Recommendation 4(c)**; and
- Provide priority point to projects based on the applicant's DAC Score as will be discussed in **Recommendation 5**.

Image 3: Wisconsin DAC Score[11]

Table 1	
Points	**Population**
0	≥10,000
10	8,500–9,999
20	5,000–8,499
30	3,000–4,999
40	2,000–2,999
50	1,500–1,999
60	1,000–1,499
70	500–999
80	250–499
100	0-249

Table 2	
Points	**MHI Percent**
0	126%+
5	116% to <126%
10	106% to <116%
15	101% to <106%
20	96% to <101%
25	91% to <96%
30	86% to <91%
40	81% to <86%
50	76% to <81%
60	71% to <76%
70	66% to <71%
85	61% to <66%
100	<61%

Table 3	
Points	**Family Poverty Percentage**
0	<8%
5	8% to <12%
10	12% to <16%
20	16% to <20%
30	20% to <24%
40	24% to <28%
50	28% to <32%
65	32% to <36%
80	36% to <40%
100	40%+

Table 4	
Points	**Population Trend**
5	Projected to lose 5% to less than 10% of population over 20 years
10	Projected to lose 10% to less than 15% of population over 20 years
15	Projected to lose 15% or greater of population over 20 years

Table 5	
Points	**County Unemployment Rate**
10	County unemployment rate is greater than the state's rate by less than one percentage point
20	County unemployment rate is greater than the state's rate by one to less than two percentage points
25	County unemployment rate is greater than the state's rate by two percentage points or greater

Table 6	
Points	**Lowest Quintile Household Income Upper Limit (LQI)**
10	Municipal LQI 70% to less than 80% of Wisconsin LQI
15	Municipal LQI 60% to less than 70% of Wisconsin LQI
20	Municipal LQI less than 60% of Wisconsin LQI

Table 7	
Points Received in Tables 1-6	**Qualified PF Percentage**
0-59	No PF
60-69	10%
70-79	15%
80-94	20%
95-109	25%
110-124	30%
125-139	35%
140-154	40%
155-169	45%
170-184	50%
185-199	55%
200-249	60%
250-360	65%

For example, in **Image 3** above, Wisconsin used population, AMHI, poverty level, population trend, unemployment, and LQI as factors in their DAC score. Then it allowed projects scoring more than 59 points to be eligible for additional subsidization as principal forgiveness.

Among others, we recommend that Arkansas look at factors such as population, AMHI, household affordability, and environmental justice concerns—all of which can help influence whether or not a community is disadvantaged and in need of additional subsidization. These factors will be discussed in subsections, below. Importantly, these factors can be weighted when creating the DAC score, providing more points for factors that more heavily impact whether or not a community should be eligible as a DAC.

i. Replace Current Median Household Income (MHI) and Low-to-Moderate Income (LMI) Criteria with a Household Burden Indicator and Poverty Prevalence Indicator

When considering factors to be included in the DAC Score, we suggest tweaking the current DAC definition (DWSRF) and affordability criteria (CWSRF) to better identify areas of disadvantage. While the DWSRF LSLR and EC programs have additional metrics which will be discussed in the next subsection, the ADA-NRD uses two metrics to determine if an applicant meets the affordability criteria for the DWSRF general program and CWSRF general and EC programs:

- The current utility rates or proposed utility rates for 4,000 gallons of water on an annual basis is at least 1.5% of the Median Household Income for the project area; or

- If 51% of the customers who benefit from a project are either low or moderate income as defined by the U.S. Department of Housing and Urban Developments' Community Block Grant (**CDBG**) Program; and have 1.25% of median household income.

This criteria is ambiguous[12] and can be improved to better identify communities with affordability concerns. One reason for improvement is that current criteria relies too heavily on MHI. While service-area MHI is a good indication of the fiscal capacity of the water system, it is a poor measure of water affordability at the household level. Measuring affordability based on the average income level of a community does not indicate if substantial segments of residents, or even a majority of residents, can afford water services. Overreliance on MHI risks masking overburdened communities in water systems that serve affluent communities as well as low-income, low-wealth communities, because one will offset the other to arrive at an MHI that does not reflect household water affordability challenges for substantial segments of residents. Because these low-income communities will be overlooked, affordability criteria that turn primarily on MHI are likely to be underinclusive.

At the same time, because the same water burden standard (1.5% of MHI) is applied to affluent and financially struggling communities alike, the existing affordability criteria are also likely to yield overinclusive outcomes. Water bills in the amount of 1.5% of MHI may be easily affordable for an affluent community, whereas for a more financially constrained community, even bills in the amount of 1% or less of MHI might pose significant financial hardship.

Through literature review and stakeholder outreach (which included utilities, low-income advocacy groups, and academics, among others) the American Water Works Association (**AWWA**) developed a report in 2019 evaluating various affordability metrics and proposing a new framework for measuring household and community affordability in order to improve the EPA's own household and community affordability indicators. Through this research, AWWA recommended, as an alternative to the EPA's Residential Indicator(which assessed service cost per household as a percentage of AMHI for the service area) the following indicators:

- Household Burden Indicator (**HBI**): Total basic water service costs (combined) as a percent of the 20th Percentile of Community Household Income (the lowest quintile income, **LQI**); plus

- Poverty Prevalence Indicator (**PPI**): The percentage of community households at or below 200% of federal poverty level (**FPL**).

The rationale for these metrics is that HBI reflects the economic burden that relatively low-income households in that community face and the PPI reflects the degree to which poverty is prevalent in the community. Therefore, in combination, the metrics provide an improved assessment of household-level burden and a community-based level of prevalence of the affordability challenge posed by water sector costs.[13]

As it relates to HBI, the AWWA recommends that if combined water costs are:

- Below 7% then affordability may be deemed low burden;

- Between 7-10% of service area LQI, then water costs should be deemed as high burden and potentially unaffordable; and

- Above 10%, then water services are highly burdensome and not affordable.

For the PPI, if a community has less than 20% of households below 200% of the FPL, then that community may be relatively affluent, with greater than or equal to 35% of the households meeting the 200% FPL threshold exhibiting higher levels of poverty.

As the HBI and PPI provide better indicators of economic burden, we suggest utilizing these metrics instead of the current formulation used by the ADA-NRD to determine DACs.

ii. Disadvantaged Community (DAC) Criteria Under the Draft Drinking Water State Revolving Fund (DWSRF) Lead Service Line Replacement (LSLR) and Emerging Contaminants (EC) Programs

In addition to the metrics used above to determine if an applicant meets the DAC definition under the DWSRF general program and affordability criteria under the CWSRF general and EC programs, the DWSRF LSLR and EC programs have two additional metrics to determine DAC status.

Under the DWSRF Draft IUP, all projects "addressing PFOS/PFAS" and all "projects eligible LSLR [sic], activity directly connected to the planning, design, and replacement of lead service lines"[14] are eligible for additional subsidization as a DAC. While we understand the need to have sufficient applications for these programs so as to not leave funds on the table, we encourage the ADA-NRD to have some differentiation of disadvantaged applicants moving forward, even if the DAC definitions for these programs is more broad than the general programs.

This is especially the case for the DWSRF LSLR program, since only 49% of the funding is eligible as principal forgiveness. Since the ADA-NRD effectively does not have a DAC definition for LSLR projects, all projects will likely be eligible for the same ratio of loans to principal forgiveness. Instead of treating all projects equally, we encourage the ADA-NRD to have a way to differentiate disadvantaged applicants through the DAC definition so that those in need of additional subsidization are able to receive more favorable financing terms. By differentiating applicants this way, the ADA-NRD will utilize limited principal forgiveness wisely.

iii. Consider Using Social Vulnerability Index (SVI) as an Additional Disadvantaged Community (DAC) Factor Under the Drinking Water State Revolving Fund (DWSRF)

We believe that the ADA-NRD should strongly consider the use of Social Vulnerability scores to identify an additional approach for communities to qualify as disadvantaged. As per the Centers for Disease Control and Prevention (**CDC**), social vulnerability pertains to the potential adverse impacts on communities resulting from external stresses on human health, encompassing natural or human-induced disasters, as well as disease outbreaks. A higher Social Vulnerability score results in a higher Risk Index score.

While acknowledging that the Social Vulnerability Index is not a flawless metric, it can effectively serve as a proxy for recognizing historically marginalized and overburdened communities. Leveraging this index can therefore pave the way for the equitable allocation of resources and benefits to these underprivileged communities in the hopes of increasing the resilience of these communities. Therefore, we recommend adding SVI to the list of factors utilized when determining a community's DAC score, with areas of higher social vulnerability eligible for more points. This will help promote a fairer and more inclusive distribution of resources, ultimately contributing to the overall well-being and resilience of these communities.

iv. Consider Using the Environmental Protection Agency's (EPA's) Environmental Justice Screening and Mapping Tool (EJScreen) as an Additional Factor Under the Clean Water State Revolving Fund (CWSRF) Affordability Criteria

The EPA's Environmental Justice mapping and screening tool ("**EJScreen**[5]") creates a nationally consistent dataset and approach for combining environmental and demographic socioeconomic indicators. While the CDC's SVI ranking predicts how vulnerable a population may be due to demographic data, the EJScreen is more suited as an additional indicator used to identify DACs under the CWSRF as it has the additional benefit of considering areas that may have potential environmental quality issues.

For example, under the Environmental Justice Indexes, the wastewater discharge layer shows block groups with the highest intersection of five socioeconomic factors and wastewater discharges, which uses Risk-Screening Environmental Indicators (**RSEI)** modeled toxic concentrations at stream segments within 500 meters, divided by distance in kilometers (km).[15] This layer represents the amount of toxic chemicals released from industrial and federal facilities as well as each chemical's relative toxicity, or the potential impacts it could have on human and environmental health.[16] As the CWSRF program works to offer funding and financing for a wide variety of water quality projects, projects in areas already experiencing environmental quality issues should be prioritized for principal forgiveness. Areas with higher water quality concerns, as indicated by EJScreen should be eligible for more points under the DAC Score.

B. Modify Disadvantaged Community and Affordability Criteria to Consider DAC Score

Once the DAC score is created using the factors discussed above, a simple threshold score can be utilized to determine whether or not an applicant meets the DAC definition under the DWSRF or affordability criteria under the CWSRF. For example, under Wisconsin's IUP, only applicants with a DAC score of 60 and above are eligible to receive principal forgiveness as a DAC. By utilizing the approach outlined above, that provides more DAC points for areas of greater disadvantage, and includes additional metrics that factor into whether an applicant is disadvantaged or not, the ADA-NRD can help better target resources to communities.

C. Create a Sliding Scale for Principal Forgiveness (PF) Based on Disadvantaged Community (DAC) Score

Under the current Arkansas IUPs, there is no guidance on how much principal forgiveness communities will receive. The only information regarding this states that "[o]nce a project has been determined to be eligible for additional subsidization from the CWSRF, additional priority will be given to projects that meet the Regionalization or Green standards set by the ADA-NRD and additional principal forgiveness may be provided."[17] The same is provided for the DWSRF.

We highly recommend that ANA-NRD provide principal forgiveness based on the level of need felt by the applicant, with the goal of providing higher amounts of principal forgiveness to areas of greater disadvantage (i.e. up to 100% principal forgiveness to areas unable to repay loan commitments). In order to achieve this, we recommend ANA-NRD utilize the DAC Score. Once an entity reaches a certain threshold score, they should be eligible to receive principal forgiveness. However, the higher score an applicant has, the more principal forgiveness they should be eligible for, with up to 100% principal forgiveness available for the most disadvantaged communities. By allocating principal forgiveness in this manner, ANA-NRD will be better able to allocate limited principal forgiveness out to communities. Further, communicating this in the IUP will provide communities with greater transparency about the amount of favorable financing they would be eligible for.

D. Articulate How Lending Rates are Devised

As **Image 4** and **Image 5** show, below, lending rates in the 2023 IUP were nearly 2.5% less than lending rates under the 2024 CWSRF IUP. Note that the Draft 2024 DWSRF IUP has the same standard lending rates as the CWSRF.

Image 4: Arkansas CWSRF 2023 IUP Variable Lending Rates[18]

Standard Lending Rates:
- 1.00% for a 10-year repayment period (0% interest, 1% fee)
- 1.75% for a 20-year repayment period (0.75% interest, 1% fee)
- 2.25% for a 30-year repayment period (1.25% interest, 1% fee)

Image 5: Arkansas CWSRF 2024 IUP Variable Lending Rates[19]

Standard Lending Rates (effective July 1, 2023)
- 3.5% for a 10-year repayment period (2.5% interest, 1% fee)
- 4.0% for a 20-year repayment period (3.0% interest, 1% fee)
- 4.5% for a 30-year repayment period (3.50% interest, 1% fee)

While there is an explanation provided for the variable lending rates, there is no explanation as to how lending rates are set, and why lending rates may increase year to year under the IUP. One possible explanation for this increase may be that interest rates have gone up, and the rate provided by ADA-NRD is tied to market interest rates. To facilitate greater transparency, we encourage the ADA-NRD to communicate how interest rates are devised in the IUP, so as to provide an explanation as to why interest rates under the program have gone up.

E. Revise Standard Lending Rates to Provide Discounted Rates for Disadvantaged Communities (DACs)

Currently, the ADA-NRD provides variable lending rates to prioritize repayment of loans as quickly as possible (see **Image 5**, above). While variable interest rates can be utilized to distribute limited funds effectively, we are concerned that incentivising quick repayment of loans through reduced interest rates may exacerbate barriers to disadvantaged borrowers.

For example, communities are already incentivized to repay loans as quickly as possible so as to not continue to pay interest on financing. Further incentivizing quick repayments through favorable lending rates will result in communities that are already able to quickly repay loans will be at an even greater advantage than more disadvantaged and smaller communities who may need more time to repay loan portions of their SRF financing. Therefore, we recommend providing special lending rates based on need rather than speed.

In addition to the special lending rates provided for Illinois River Basin and Buffalo River Watershed projects, regionalization, cybersecurity, equivalency and sponsorship projects, we suggest providing special lending rates to disadvantaged communities based on the DAC Score. Applicants with higher DAC score should be eligible for the lowest lending rates, recognizing the financial hardship these communities face, while communities with the lowest DAC score should be provided with higher lending rates, encouraging quick repayment. Tweaking the lending rates in this manner will help encourage more equitable distribution of limited SRF funds.

V. Revise Project Ranking Criteria

In addition to refining the DAC policies and providing a sliding scale for principal forgiveness, there are multiple ways the prioritization scheme can be improved to better prioritize not only DACs, but projects more broadly. Properly prioritizing projects will ensure that SRF funding can effectively address particular water concerns facing Arkansas communities. The following sections will provide recommendations on how to improve both the Draft DWSRF and CWSRF project ranking criteria to ensure improved program outcomes.

A. Rank General Program, Emerging Contaminants (EC) Program, and Lead Service Line Replacement (LSLR) Program Projects Separately

To enhance the fairness and specificity of project evaluations within the DWSRF and CWSRF programs, it is proposed that separate rankings be instituted for general applications, LSLR projects, and EC projects. This separation would permit the implementation of tailored ranking criteria for LSLR and EC initiatives, reflecting their unique challenges and objectives. Such a delineation ensures a more equitable comparison and prioritization, enabling the ADA-NRD to address each project category's distinctive requirements and facilitate a more strategic allocation of funds.

B. Revise Ranking Criteria for All Clean Water State Revolving Fund (CWSRF) and Drinking Water State Revolving Fund (DWSRF) Programs

In addition to ranking the different programs under the SRFs separately, we also recommend providing additional ranking criteria to all programs. The following subsections will provide recommendations for all SRF programs, including the EC and LSLR programs, followed by recommendations specific to the EC and LSLR programs.

i. Provide Project Ranking Points Based on Disadvantaged Community (DAC) Score

In addition to utilizing the DAC Score to meet affordability criteria and to determine principal forgiveness, the DAC Score can also be used to provide priority ranking points on a sliding scale. Under the current ranking system, disadvantaged communities do not receive any priority points. To better target commitments for SRF investments, we encourage the ANA-NRD to provide points based on a sliding scale for disadvantaged communities. This can be done by multiplying the DAC Score created in **Recommendation 4(a)** above and using that number as priority ranking points. By utilizing a sliding scale to provide points to communities based on level of disadvantage, the ANA-NRD will be able to better ensure that the communities that have the least ability to pay for their projects are prioritized higher than more resourced communities.

ii. Provide Project Ranking Criteria for Green Projects in Proportion to Green Costs

"Green infrastructure" encompasses natural features and solutions that mimic, use or restore natural ecological processes. These methods are aimed at lessening the effects of flooding and diminishing the amount of pollutants and debris entering water bodies. Green infrastructure enables water to be absorbed by soil and plants, rather than allowing it to enter groundwater or surface water, thus preventing water from overwhelming sewer systems and reducing sewer overflows. Green infrastructure, whether used independently or in conjunction with traditional gray infrastructure, offers economical and sustainable measures to address various natural threats, such as drought, fire mitigation, and flooding.

The CWSRF provides 5 project ranking points for green projects, however, the same is not provided under the DWSRF. While Arkansas routinely meets its goals for the green project reserve under the SRFs, more can be done to prioritize green and nature-based projects. We recommend that the ADA-NRD provide further incentives for entities to apply for green projects through providing ranking points during project prioritization under both the DWSRF and CWSRF. In order to incentivize projects with the most green benefits, we recommend providing points to green projects in proportion to costs associated with nature-based components compared to total project costs.

iii. Include a Project Ranking Criterion for Projects that Invest in Workforce Development

According to the EPA, there are multiple challenges for the water sector workforce.[20] These challenges include:

- Aging workforce, with many workers eligible to retire in the next decade;
- Training to keep workforce up to date as technology rapidly advances across the sector;
- Industry lacking gender and racial diversity, especially in skilled trade positions; and
- Difficulties recruiting, training, and retaining trained operators in rural and tribal areas.

In order to incentivize applicants to address these issues, the ADA-NRD can provide prioritization points for projects that promote workforce development in the water sector. Examples of ways a project can show workforce development can include hiring a certain percentage of local employees or providing on the job training and skill development, among others.

C. Additional Ranking Criteria for Lead Service Line Replacement (LSLR) Projects

As noted above, the LSLR projects are ranked on the same list as the general DWSRF projects. This does not make sense for multiple ranking criteria. We suggest providing a separate ranking list and criteria for the LSLR projects to properly account for the differences between regular drinking water infrastructure projects and projects working to replace lead service lines. We strongly encourage the ADA-NRD to go through the current DWSRF priority points list and remove categories that do not make sense for LSLR Projects. Among others, this could include removing the following:

- **Treatment technique violations, microbiological MCL violations**
  - — While systems could have compounding effects, we believe that this ranking criteria is more suitable for regular DWSRF projects.
- **Source Vulnerability Factors**
  - — It is unclear how these factors interact with LSLR projects since LSLR will not be impacting source water directly.

In addition to removing ranking categories that should not apply to LSLR projects, we recommend the following additional ranking criteria to be used for LSLR projects.

i. Incentivize Rapid Replacement of Lead Service Line Replacement (LSLR) Through Ranking Criteria Providing Points on a Sliding Scale

The current project ranking scheme provides 100 points to all projects whose purpose is to locate or replace lead service lines. As will be recommended however, in **Recommendation 7(a)**, we recommend utilizing LSLR funding for replacement of lead service lines, while the LSLR set-asides should aggressively help communities with LSLR inventories.

In doing so, the LSLR ranking could instead focus on rapid replacement of lead service lines. We recommend that instead of providing 100 points to projects whose purpose is to locate or replace lead service lines, the project ranking formula should incentivize projects that would deliver rapid replacement. For example the ADA-NRD could provide points to projects that ensure 100% line replacement within x number of years. For larger systems where 100% replacement may not be feasible within a quick time frame, 25 points could be eligible for projects that ensure x number of lines (minimum 500) or x% (e.g., 10%), whichever is larger, of the system's LSLs are replaced per year. We recommend that points be provided on a sliding scale, providing more points to projects that ensure the quickest line replacement.

ii. Add Additional Ranking Criteria Aimed at Prioritizing Projects in Vulnerable Subpopulations, Including Percent of Children Under Five Years of Age

There are numerous subpopulations that are particularly vulnerable to lead exposure. Unfortunately, some of the characteristics of subpopulations are not systematically quantified through for example, American Community Survey data. For example, the CDC has identified pregnant parents and immigrant and refugee children from less developed countries as particularly vulnerable subpopulations. Gathering statewide data on these subpopulations may be difficult and potentially problematic. However, the need to replace lead service lines is urgent, as lead is a neurotoxin that can damage the brain and cause lifelong developmental and behavioral problems in children.

According to the CDC, children less than six years old are at a higher risk of lead exposure.[21] Luckily, the ACS collects data on percent of persons under five years of age. We therefore recommend prioritizing communities with large populations under five years of age, to better target communities most at risk. Points can also be provided on a sliding scale, providing more ranking points to areas with greater populations of children under five years of age.

D. Additional Ranking Criteria for Emerging Contaminants (EC) Projects

Similar to the LSLR recommendations above, there are multiple ranking criteria under the DWSRF and CWSRF IUPs that do not pertain to EC projects. We encourage the ADA-NRD to go through the current priority points criteria and remove categories that do not make sense for EC Projects, when creating a separate ranking list for EC projects. In addition to tailoring the current ranking to EC projects, we encourage the ADA-NRD to consider the following ranking criteria.

i. Add Additional Project Ranking Criteria for Vulnerable Populations

There are numerous subpopulations that are particularly vulnerable to PFAS exposure. The EPA has identified children, pregnant parents, and some industrial workers as particularly vulnerable subpopulations. While we are not aware of statewide data on the second two of these subpopulations, the ACS collects data on percent of persons under 18 years of age. We believe that prioritizing communities with large populations under 18 years of age will better target communities most at risk to PFAS exposure, and therefore those that will benefit most from the Emerging Contaminants programs.

Additionally, distance from former and current military sites correlates with PFAS exposure, due to the use of firefighting foam on bases. We recommend adding a ranking criteria for distance from military bases to address these areas of high exposure. The ADA-NRD should also consider ranking projects based on distance from oil and gas drilling sites, as it has been reported that there is wide use of PFAS in oil and gas drilling. Additional ranking criteria aiming at prioritizing projects in other vulnerable communities should also be considered. Note that these project ranking criteria should be provided on a sliding scale basis, with more priority ranking points provided to projects with more vulnerability.

VI. Improve Readiness to Proceed Procedures

Even if project ranking effectively ranks projects based on the above criteria, high ranking projects can still get bypassed by lower ranking projects if they are not ready to proceed. The following recommendation aims to ensure that all high ranking projects are eventually able to receive funding under the SRF program.

A. Provide Planning Loans to High Ranking Projects that are Not Ready to Proceed

In the Draft DWSRF 2024 IUP, the ADA-NRD states that it "does not plan to bypass a project that is ready to proceed for another project with a lower ranking."[22] This may happen when a project's readiness to proceed status changes after it was placed on the Fundable Project List. While the ADA-NRD states that "it reserves the right to put the project on hold and take another project from the Priority List that is ready to proceed in its place,"[23] we believe that such projects should be provided with project planning grants in order to ensure their projects are ready to proceed.

In other words, high ranking projects, especially those for under-served communities, should not risk losing an opportunity to get funding due a lack of capacity to meet arduous ready-to-proceed criteria such as engineering, environmental impact, or financial reports. Offering short-term, low or zero interest planning loans is a strategy employed by SRF programs in several other states to help communities procure the expertise and other resources needed to meet these requirements. Any project at risk of being bypassed by a lower ranking project should be offered a planning loan, which would allow them to become ready to proceed in time for a subsequent funding cycle. The planning loan can then be rolled into the construction loan when it is finalized. By providing planning loans in this manner, the ADA-NRD can ensure that all high ranking projects have a good opportunity to receive funding.

VII. Technical Assistance and Administration

The IIJA emphasizes directing supplemental SRF dollars to disadvantaged communities, requiring at least 49% of funds to be allocated towards entities that meet that definition. States, however, are given significant leeway in developing a definition for disadvantaged communities, prioritizing projects, and developing technical assistance programs that all work together to shape how disadvantaged communities access SRF funds. While states retain broad discretion over their SRF programs, the EPA has stated an expectation that the states will evaluate and revise their definition of disadvantaged communities, project prioritization scheme, and Technical Assistance programs to direct more SRF investments to disadvantaged areas.[24]

The following recommendations are provided to help guide ANA-NRD in developing more robust Technical Assistance programs.

A. Fully Utilize Set-asides and Improve the Drinking Water State Revolving Fund (DWSRF) Technical Assistance Programs

Under the Draft DWSRF IUP, ADA-NRD has elected to reserve the following set-asides:

- All of the 4% set-asides under the IIJA general, LSLR, and EC programs (totalling $3,186,200) leaving $236,480 reserved from the base DWSRF funding for **Administration**;
- All of the base and IIJA set-asides for the general program and LSLR program (totalling $1,528,400) leaving $182,940 reserved under the IIJA EC program for **Small Systems Technical Assistance**;
- All of the base and IIJA set-asides for the general program and LSLR program (totalling $17,642,000) leaving $914,700 reserved under the IIJA EC program for **State Program Management**—note ADHE utilizes state program management funds for their Wellhead Protection Program.
- All of the base set-asides and IIJA LSLR set-asides (totalling $5,416,700) leaving $2,264,950 reserved for **Capacity Development**—note that the LSLR capacity development funds will be used to fund technical assistance projects related to lead service line inventories.

We generally support Arkansas's use of set-asides. In particular we support the use of the LSLR set-asides under Capacity Development to go towards LSLR inventories. However, the state can utilize the full 31% of funds under the LSLR program to go towards LSLR inventories, and does not need to be limited to the 15% Capacity Development set-asides. Until all water systems have their lead service lines inventoried, we strongly suggest utilizing as many set asides under the LSLR program as possible to provide technical assistance to communities to perform LSLR inventory work. Notably, in doing this, communities will not need to repay set-aside funds and LSLR construction projects will be provided with a more attractive loan-to-principal forgiveness ratio. Instead of providing $49 in principal forgiveness for every $51 loaned, $49 in PF can be issued for every $20 loaned, with the remaining $31 provided as through set asides for inventories and other activities that could lead to more cost-efficient LSLR projects.[25]

i. Provide Technical Assistance for Workforce Development

As noted in **Recommendation 5(b)(iii)** above, there are many workforce challenges facing the water and sewer system providers. Many water utility workers are expected to retire, creating the need to attract and retain new workers. The Bureau of Labor Statistics estimated that 8.2% of existing water operators will need to be replaced annually between 2016 and 2026.[26] In order to help address this issue, using currently unutilized set-aside funds, the ADA-NRD should consider creating a technical assistance program to partner with technical assistance providers and professional organizations to develop new strategies and initiatives to avoid the potential crisis of a diminishing workforce. Among others, such set-aside funds could be used to support the following:

- **Community Benefit Agreements**—A Community Benefit Agreement (**CBA**) commits the developer to work with local CBOs and workforce development agencies to create opportunities for local workers, mitigate environmental and public health harm, and otherwise positively contribute to the local community[27];
- **Community-Based Public-Private Partnerships**—A Community-Based Public-Private Partnership (**CBP3**) involves a partnership between the public and private sectors to deliver infrastructure while prioritizing community-based benefits, aimed at generating superior results in terms of speed, efficiency, cost-effectiveness, and equity[28];

- **Establishing an Equitable Workforce Development Advisory Groups**—Community-based organizations (**CBOs**) and other nonprofits play a crucial role in advocating for stronger workforce development policies and programs and by creating an advisory group to serve as a framework for regular dialogue between water utilities and local CBOs and nonprofits concerned with workforce development can help build shared understanding about workforce development issues, challenges, goals, and opportunities, and lead to collaboration on workforce development initiatives in the sector[29]; and

- **Facilitating Regional Collaboration**—States could use set-aside funds to support regional roundtables convening relevant drinking water utility staff, community stakeholders, and elected officials, together with local water infrastructure contractors and workforce development agencies to ascertain the readiness and capacity needs of area contractors.[30]

More information on use of set-asides for these activities can be found in the Environmental Policy and Innovation Center's Report, *How State Revolving Fund Policies Can Support Equitable Water Workforce Development*.

B. Fully Utilize Set-asides and Improve the Clean Water State Revolving Fund (CWSRF) Technical Assistance Programs

Under the CWSRF IUP, Arkansas is not fully utilizing set-aside funds. In order to increase assistance available to communities we suggest the following recommendations:

i. Provide Additional Information on the Intended Use Plans (IUPs) Regarding the Technical Assistance Programs in a Workplan

There is limited information in the CWSRF IUP regarding the technical assistance programs. All that is said regarding these programs in the IUP is that "[t]he 2% technical assistance funding will be used to provide training for wastewater and solid waste operators and managers."[31] We highly recommend providing more information about the technical assistance programs available to communities in the IUP. Providing this information can help educate eligible applicants about additional resources available to help them access SRF funding.

To do this, we recommend developing a workplan for technical assistance under the CWSRF, as is done on the drinking water side. Among other items, a technical assistance work plan would provide more detail on TA programs, eligibility, and how to access TA. A work plan could also include metrics for assessing the impact of TA provided, and provide a report on the successes of the TA programs. In addition to providing more clarity to communities seeking assistance, developing a workplan in this manner would allow stakeholders to better understand the TA landscape and help identify potential gaps.

ii. Utilize the Full 2% Technical Assistance Set-aside under the Clean Water State Revolving Fund (CWSRF)

For FY 2023, ADA-NRD is choosing to use $232,840 of the FY22 BIL GS and reserve of $562,300. It is not utilizing any of the set-asides under the FY 2023 funds, leaving $562,300 reserved. We recommend utilizing the full 2% for set-asides in order to help communities, especially those in dis- and under-served areas apply for and receive funding. Further, these set-asides can be used to educate communities about the EC program, as the current IUP did not have enough applications for emerging contaminants projects resulting in funds potentially being left on the table under the CWSRF program. Therefore, we recommend utilizing the full 2% set-aside under the CWSRF to provide technical assistance to communities, especially dis- and under-served ones, and communities facing emerging contaminants problems in order to help eliminate barriers to applying for and receiving funding under the CWSRF.

Notes

1 *Infrastructure Investment and Jobs Act*, Pub. L. No. 117-58 (2021), https://www.govinfo.gov/app/details/PLAW-117publ58.

2 White House, *Fact Sheet: The Infrastructure Investment and Jobs Act Will Deliver for Arkansas*, https://web.archive.org/web/20250118123656/https://www.whitehouse.gov/wp-content/uploads/2021/08/ARKANSAS_The-Infrastructure-Investment-and-Jobs-Act-State-Fact-Sheet.pdf.

3 Council of Infrastructure Financing Authorities, *Arkansas: Annual Funding for Clean Water Projects*, https://www.cifanet.org/_files/ugd/ce9ad4_23122b9fbc9f4a04bcb53e64e4967d00.pdf.

4 Note that the CWSRF Emerging Contaminants program has not been approved by the EPA as Arkansas did not submit enough projects to cover the full amount of FFY 2023 BIL EC funds. The EPA has given Arkansas additional time to submit enough projects to cover the full amount before approving the Emerging Contaminants portion of the IUP.

5 "Arkansas' Infrastructure Earns D+ Grade," *American Society of Civil Engineers*, https://arasce.org/ASCE_Infrastructure_Report_Cards#:~:text=Arkansas'%20Infrastructure%20Earns%20D%2B%20Grade,communities%20aren't%20using%20infrastructure.

6 Ibid.

7 Arkansas Geological Survey, *Water Issues in Arkansas*, https://www.geology.arkansas.gov/water/water-issues.html.

8 U.S. Environmental Protection Agency (EPA), *Fact Sheet: Bipartisan Infrastructure Law: State Revolving Funds Implementation Memorandum*, March 2022, https://www.epa.gov/system/files/documents/2022-03/bil-srf-memo-fact-sheet-final.pdf.

9 *Arkansas CWSRF Intended Use Plan*, at 14, https://www.agriculture.arkansas.gov/wp-content/uploads/00-AR-CWSRF-IUP-SFY-2024-Final-11.27.23-EPA-approved-12-04-2023.pdf.

10 *Texas CWSRF Intended Use Plan*, at 11, https://www.twdb.texas.gov/financial/programs/CWSRF/doc/SFY2024/SFY2024-CWSRF-IUP.pdf.

11 State of Wisconsin, *Safe Drinking Water Loan Program Intended Use Plan, SFY 2024*, https://dnr.wisconsin.gov/sites/default/files/topic/Aid/loans/intendedUsePlan/SDWLP_SFY2024_IUP.pdf.

12 In particular, the 1.25% median household income criteria could use additional clarity on who the 1.25% median household income applies to (i.e., does it apply to a majority of customers in the project area, or does 51% of low- and moderate-income customers also have to have 1.25% of median household income?) and whether it is supposed to capture all communities that have a median household income 1.25% or less.

13 American Water Works Association, R. Raucher, PhD., J. Clements, E. Rothstein, J. Mastracchio, and Z. Green, *Developing a New Framework for Household Affordability and Financial Capability Assessment in the Water Sector*, April 17, 2019, https://www.acwa-us.org/wp-content/uploads/2019/05/Developing-New-Framework-for-Affordability-Report-Final.pdf.

14 *Arkansas DWSRF Intended Use Plan*, at 12, https://www.agriculture.arkansas.gov/wp-content/uploads/00-AR-DWSRF-IUP-SFY-2024-Final-Draft-10-02-2023.pdf.

15 EJScreen reconstruction accessed February 25, 2025. Tool accessible at https://screening-tools.com/epa-ejscreen.

16 "Background Review: Presentation of Findings," *City of San Diego*, https://www.sandiego.gov/sites/default/files/background_review_presentation_of_findings_final_compressed_5pollution.pdf.

17 *Arkansas 2024 CWSRF Intended Use Plan*, at 51.

18 *Arkansas 2023 CWSRF Intended Use Plan*, at 10.

19 *Arkansas 2024 CWSRF Intended Use Plan*, at 8.

20 U.S. Environmental Protection Agency (EPA), *America's Water Sector Workforce Initiative: A Call to Action* (2020), https://www.epa.gov/sites/default/files/2020-11/documents/americas_water_sector_workforce_initative_final.pdf.

21 Centers for Disease Control and Prevention (CDC), *Lead Poisoning Prevention: Children*, https://www.cdc.gov/lead/prevention/children.html.

22 *Arkansas DWSRF Intended Use Plan*, at 9, https://www.agriculture.arkansas.gov/wp-content/uploads/00-AR-DWSRF-IUP-SFY-2024-Final-Draft-10-02-2023.pdf.

23 Ibid.

24 U.S. Environmental Protection Agency (EPA), *Implementation of the Clean Water and Drinking Water State Revolving Fund Provisions of the Bipartisan Infrastructure Law*, March 8, 2002, at 4, https://www.epa.gov/system/files/documents/2022-03/combined_srf-implementation-memo_final_03.2022.pdf.

25 Environmental Policy Innovation Center (EPIC), Janet Pritchard, *State SRF Policies to Help Communities Fully Take Up the New Federal Funding for Lead Service Line Replacement*, January 2023, https://www.policyinnovation.org/blog/setasidefunds.

26 Bureau of Labor Statistics, *Report to the Chairman, Subcommittee on Interior, Environment, and Related Agencies, Committee on Appropriations, House of Representatives, Water and Wastewater Workforce: Recruiting Approaches Helped Industry Hire Operators, but Additional EPA Guidance Could Help Identify Future Needs*, January 2018, https://www.gao.gov/assets/gao-18-102.pdf.

27 Environmental Policy Innovation Center (EPIC), *State SRF Options*, https://static1.squarespace.com/static/611cc20b78b5f677dad664ab/t/65524fa3f801814ab0a7811f/1699893156241/StateSRFOptions_v4.pdf.

28 Ibid.

29 Ibid.

30 Ibid.

31 *Arkansas CWSRF Intended Use Plan*, at 17.

PolicyLink

Lifting Up What Works®

Headquarters
1438 Webster Street
Suite 303
Oakland, CA 94612
t (510) 663-2333

policylink.org
Facebook: /PolicyLink
Twitter: @policylink
Instagram: @policylink