



Guidance for Clean Water State Revolving Fund (CWSRF) Grant Eligibility Evaluation Based on Affordability

Requirements:

The Water Resources and Development Act of 2014 (WRRDA) included an amendment to Federal Water Pollution Control Act (FWPCA) Section 603(i) that changed additional subsidization implementation for states.

1. The FWPCA section 603(i) provides a CWSRF with the permanent authority to provide a certain percentage of its total capitalization grant award as additional subsidization under the circumstances outlined in the statute. The minimum and maximum amount of the state's CWSRF capitalization grant that is available to be provided as additional subsidization each year is determined by the U.S. Environmental Protection Agency on an annual basis.
2. Missouri's CWSRF provides additional subsidization as grant funding. The amended FWPCA section 603(i) identifies eligible grant recipients as a municipality or intermunicipal, interstate, or State agency.
3. The amended FWPCA section 603(i) explains that additional subsidization may only be provided to eligible recipients for the following:
 - to benefit a municipality that meets the State's affordability criteria as established under the FWPCA section 603(i)(2);10
 - to benefit a municipality that does not meet the State's affordability criteria but seeks additional subsidization to benefit individual ratepayers in the residential user rate class; or
 - to 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.
4. The Federal Water Pollution Control Act (FWPCA) section 603(i) requires states to develop affordability criteria to identify applicants that would have difficulty financing their proposed clean water infrastructure project without additional subsidization (see Attachment 1). The affordability criteria must include the applicant's income, unemployment data, population trends, and other data determined relevant by the State.

10 CSR 20-4.040

The Financial assistance Center (FAC) will award CWSRF Grant funding based on the project's affordability as determined utilizing the *Clean Water SRF Grant Eligibility Evaluation form* and the availability of grant funding. Each grant dollar awarded is offset by a corresponding reduction in the project's loan and also reduces the overall statewide loan funds allocated to the

current fiscal year Intended Use Plan (IUP) projects by an equal amount. Due to the limited nature of grant funds, by policy eligible applicants are municipalities and publicly owned facilities such as sewer districts that serve a population of 10,000 or less. Grant funds available to each eligible project will not exceed the lesser of \$2 million dollars; 50 percent of the eligible project cost; or grant funds available to award under the current year's IUP.

Purpose:

This guidance document provides a uniform and consistent approach to conducting an evaluation of CWSRF grant eligibility based on affordability in a manner that meets federal requirements. Preparation of a *Clean Water SRF Grant Eligibility Evaluation form* will provide the FAC with a method to identify eligible applicants that would have difficulty financing their proposed clean water infrastructure project without additional subsidization.

Process:

The FAC will use the process described within this document to determine CWSRF grant eligibility. All eligible applicants will be prioritized for grant funding by the project's priority points.

Clean Water State Revolving Fund Loan Application:

After a completed *Clean Water State Revolving Fund Loan Application*, available online at dnr.mo.gov/forms/780-1951-f.pdf is received by the annual submitted deadline and deemed complete, the application will be reviewed by staff to determine eligibility. If eligible, priority points are calculated for the CWSRF IUP. Staff will also complete a *Clean Water State Revolving Fund Grant Evaluation form* to determine grant eligibility.

Clean Water State Revolving Fund Grant Evaluation Form:

The criteria included in the *Clean Water SRF Grant Eligibility Evaluation form* includes population, unemployment rate, Median Household Income (MHI), user rate as a percentage of MHI, poverty level, and population trend.

FAC staff will utilize publicly available American Community Survey (ACS) data gathered by the U.S. Census Bureau because it is the most comprehensive source for municipalities and counties in the state of Missouri, is periodically updated, and is publicly available on the Census Bureau website (www.census.gov/programs-surveys/acs/). The only data the evaluation requires that is not publicly available is the applicant's proposed user rates, which is required information requested on the State Revolving Fund Loan application.

If the applicant believes that the ACS data that the FAC utilized to determine MHI does not accurately reflect their demographics, the applicant may submit an income survey. The Department does not currently have a policy or procedure to review and approve income surveys. Thus, the FAC will accept income surveys approved or approvable by the U.S. Department of Agriculture Rural Development or Missouri Department of Economic Development's Community Development Block Grant program. If provided, the income value from the survey will replace the reported MHI in the Clean Water SRF Grant Eligibility Evaluation form.

FAC Staff will use the form to enter the community's data and select the applicable statement in each category. Each statement has a given point value and the form will total points based on input. When completed, the point values will be totaled giving the applicant's affordability criteria score. The lower the affordability criteria measured, the more ability the borrower has to afford the project. The greater the affordability criteria score, the more assistance the borrower needs to be able to afford the project. Applicants who score 195 points (66% of the total points possible) or more will be eligible for a CWSRF grant.

When information specific to the applicant is not available (e.g. sewer districts) staff will use county data to determine eligibility. Although county data does not offer an exact representation of the service area, it is the most readily available data to the FAC.

Clean Water Intended Use Plan Grant Commitment:

If the evaluation table indicates the community qualifies for CWSRF grant funds and grant funds are available, the FAC will provide written notification that the grant funds are committed to the project when the IUP is placed on public notice. Grant funds will be allocated to qualifying applicants starting with applicants whose projects scored the highest priority points. Funds will be allocated until all available grant funds have been allocated or until all eligible applicants have grant funds allocated to them, whichever comes first.

Applicants with grant funds allocated within the IUP will have two years from the date of the IUP was adopted to utilize the funds. In the event the loan and grant are not awarded within this timeframe, the applicant will need to re-compete for both the loan and grant funds by re-applying. Applicants with grant funds committed in an IUP that are experiencing project delays should be regularly reminded through various forms of correspondence of the need to re-apply after two years.



**Water Protection Program, Financial Assistance Center
Clean Water State Revolving Fund Grant Eligibility Evaluation Form**

Applicant: _____	Project No.: _____
Facility: _____	Missouri State Operating Permit No.: _____
Date Reviewed: _____	County: _____
Total Project Amount: _____	Potential Loan: _____

The amount of additional subsidization (ie grant) funds available to Missouri Clean Water State Revolving Fund projects each year is determined by a formula in federal statute. Pursuant to the Federal Water Pollution Control Act section 603(i), the Missouri Department of Natural Resources' developed this evaluation form to determine Clean Water State Revolving Fund grant eligibility based on affordability. As available grants are limited, this evaluation provides the Department with a means to identify eligible grant recipients and obligate grant funds to applicants with the greatest need each year through a spending plan, referred to as the Clean Water State Revolving Fund Intended Use Plan.

This evaluation indicates the project IS/IS NOT grant eligible. This evaluation provides a grant eligibility score that will assist the Department to prioritize funding among eligible applicants in **[Fiscal Year xxxx] Clean Water State Revolving Fund Intended Use Plan**. However, this evaluation represents an eligibility determination and is not a binding commitment or an actual award of financial assistance. Applicants have 2 years from the date of the Intended Use Plan to utilize the funds. In the event the loan and grant are not awarded within this timeframe, the applicant will need to re-compete for both the loan and grant funds by re-applying.

POPULATION	
Total population served by project	
Population of municipality or service area =	Ineligible, Pop. > 10,000 <input type="checkbox"/>
Population 3,300 or less	<input type="checkbox"/> 50
Population of 3,301 to 7,500	<input type="checkbox"/> 30
Population of 7,501 to 10,000	<input type="checkbox"/> 0
UNEMPLOYMENT RATE	
Comparison of municipality or service area unemployment with State Average	
Recipient Unemployment Rate =	State Unemployment Rate = 6.6%
Unemployment Rate > 1% above State Average	<input type="checkbox"/> 50
Unemployment Rate ± 1% State Average	<input type="checkbox"/> 30
Unemployment Rate > 1% below State Average	<input type="checkbox"/> 0

