APPENDIX 3: DRINKING WATER AFFORDABILITY CRITERIA

Section 603(i)(2) of WRRDA requires States to develop affordability criteria that will assist in identifying applicants that would have difficulty financing projects without additional subsidization. The law requires that states establish affordability criteria by September 30, 2015, after providing notice and an opportunity for public comment, which is being accomplished through this new feature of NJ's DWSRF Intended Use Plan.

In New Jersey, those applicants that meet either of the following two criteria are considered to have satisfied the State's **DWSRF Affordability Criteria**:

1. **Project Affordability Score** of 80 or less; or
2. The project is eligible to receive 80 **Environmental Justice Economic Overburdened Community Criteria** DWSRF ranking points.

Project Affordability Score = Project Median Household Income (MHI) Factor – Project Unemployment (UE) Factor – Project Population Trend (PT) Factor

> Project MHI Factor =100 x (Project MHI/State MHI)
> Project UE Factor = 1 if Project Unemployment Rate > State Unemployment Rate
> Project UE Factor = 0 if Project Unemployment Rate < or = State Unemployment Rate
> Project PT Factor = 1 if Project Population Trend < State Population Trend
> Project PT Factor = 0 if Project Population Trend > or = State Population Trend

Project Unemployment Rate is equal to weighted unemployment rate of the project service area using service area populations and county unemployment data. Calculation is similar to weighted MHI example below.

Project Population Trend is equal to the weighted population trend for the project service area using service area populations and municipal population trend data. Calculation is similar to weighted MHI example below.

Consideration will be given for projects with a qualifying service area population within a municipality that does not meet the DWSRF Affordability Criteria.

Data Sources:

> **MHI Percent -** Municipal median reported household income (MHI) as a percent of the statewide MHI. The income reported is an estimate from 2019 from the U.S. Census Bureau's ACT 2014-2019 5-year estimates, as found in the 2020 Municipal Revitalization Index (link) (https://www.nj.gov/dca/home/MuniRevitIndex.html) provided by the New Jersey Department of Community Affairs. Values are expressed in 2020 dollars. Values over 100 indicate that the municipality has a MHI greater than the state as a whole. Conversely, values under 100 show that the MHI in the municipality is lower than state. This statewide MHI used was $85,245.

> **County Unemployment -** Annual average county unemployment rate as provided by the New Jersey Department of Labor (link) https://www.nj.gov/labor/labormarketinformation/assets/PDFs/employ/uirate/fmth_2010-2021.xlsx). These values are compared to the statewide annual average unemployment rate. The statewide annual average used was 3.4%. In order to correct for labor market distortions caused by the pandemic, 2019 values were used here.

> **Population Change -** The average annual rate of change in total population from 2009 to 2019, also provided by NJDCA in the Municipal Revitalization Index. These values are compared to the

statewide population change during that same time period. The statewide rate of change used in this analysis was -0.3%

A weighted MHI is calculated for a project sponsor whose drinking water system serves more than one municipality, as shown in the example below. Population served is based on the permanent population of the water system service area.

Example:

Municipalities Served	MHI	Populations Served	Fraction of total population served	Weighted municipal MHI
Lancaster	30,000	5,000	0.167	5,000
Mayberry	20,000	10,000	0.333	6,660
Hometown	25,000	15,000	0.500	12,500
Total		**30,000**	**1.00**	**24,160**

Please note for applicants that service more than 10 municipalities, the 10 municipalities that have the highest populations served will be considered in the above table for the affordability factor.

A weighted unemployment rate for use in the UE Factor is calculated for a project sponsor whose clean water system serves more than one municipality/county, as shown in the example below. Population served is based on the permanent population of the water system service area.
Example:

Municipalities Served	County Unemployment Rate	Populations Served	Fraction of total population served	Weighted Municipal Unemployment Rate
Lancaster, County A	4.0%	5,000	0.167	0.668%
Mayberry, County A	4.0%	10,000	0.333	1.332%
Hometown, County B	6.5%	15,000	0.500	3.250%
Total		**30,000**	**1.00**	**5.25% (Project Unemployment Rate)**

Please note for applicants that service more than 10 municipalities, the 10 municipalities that have the highest populations served will be considered in the above table for the affordability factor.

A weighted population trend for use in the Population Trend Factor is calculated for a project sponsor whose clean water system serves more than one municipality/county, as shown in the example below. Population served is based on the permanent population of the water system service area.

Example:

Municipalities Served	Municipal Population Trend	Populations Served	Fraction of total population served	Weighted Municipal Population Trend
Lancaster	2.0%	5,000	0.167	0.334%
Mayberry	2.0%	10,000	0.333	0.660%
Hometown	-1.0.%	15,000	0.500	-0.500%
Total		**30,000**	**1.00**	**0.494% (Project Population Trend)**

Please note for applicants that service more than 10 municipalities, the 10 municipalities that have the highest populations served will be considered in the above table for the affordability factor.