

Appendix 6: Drinking Water State Revolving Fund Affordability Grant Eligibility Evaluation

Purpose

This guidance document provides a uniform and consistent approach to evaluating Drinking Water State Revolving Fund (DWSRF) grant eligibility based on affordability, in a manner that meets federal requirements and expands the designation of a disadvantaged community without utilizing the regulation-based method. The *State Revolving Fund Affordability Grant Eligibility Evaluation Form* provides the Missouri Department of Natural Resources Financial Assistance Center (FAC) with a method to identify eligible applicants that would have difficulty financing their proposed drinking water infrastructure project without additional subsidization. To reach portions of larger communities and districts with affordability challenges, the department will utilize data based on one or multiple census tracts.

Process

The FAC will use the process described within this document to determine DWSRF Affordability Grant eligibility. The FAC will prioritize all eligible applicants for grant funding by the project's priority points.

Drinking Water State Revolving Fund Loan Application

The Drinking Water State Revolving Fund Loan Application is due March 1 of each year. It is available online at <https://dnr.mo.gov/document-search/drinking-water-state-revolving-fund-loan-application-mo-780-1845>. The FAC will first evaluate the application for completeness, readiness-to-proceed, and eligibility. A complete application must include an engineering report, documentation of an acceptable debt instrument, and any additional funding commitments from other state and/or federal agencies. If the project is eligible, the FAC will calculate priority points for ranking on the DWSRF IUP. The FAC will also complete a *State Revolving Fund Affordability Grant Eligibility Evaluation Form* available online at <https://dnr.mo.gov/document-search/state-revolving-fund-affordability-grant-eligibility-evaluation-form-mo-780-2854> to determine grant eligibility.

Revolving Fund Affordability Grant Evaluation Form

The criteria included in the *State Revolving Fund Affordability Grant Eligibility Evaluation Form* includes population, unemployment rate, Median Household Income (MHI), proposed user rate as a percentage of MHI, poverty level, and population trend. If a proposed user rate is unknown, the FAC may use the current user rate or a rate calculated based on proposed project costs to determine eligibility.

The FAC will utilize the most current publicly available 5-year 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, periodically updated, and available on the U.S. Census Bureau website (www.census.gov/programs-surveys/acs/). The only data the evaluation form requires that is not publicly available is the applicant's proposed user rates, which is required information on the *Drinking Water State Revolving Fund Loan Application*.

If the applicant believes that the ACS data utilized to determine MHI does not accurately reflect their demographics, the applicant may submit an income survey. The applicant may contact the department for instructions on how to conduct an income survey. The department will also accept income surveys approved or deemed approvable by the U.S. Department of Agriculture Rural Development or Missouri Department of Economic Development's Community Development Block Grant programs. The income value from the survey will replace only the reported MHI in the *State Revolving Fund Affordability Grant Eligibility Evaluation Form*.

The FAC will use the evaluation form to enter the applicant'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 form will give the applicant's affordability criteria score. A higher affordability score equates to higher need for assistance. A lower score indicates a lower need for assistance. Applicants who score 205 points (66 percent of the total points possible) or more will be eligible for a DWSRF Affordability Grant.

When information specific to the applicant is not available (e.g., districts) or the project will only affect certain portions of a larger service area, the FAC will use county or census tract data from the service area to determine eligibility. Although county or census tract data does not offer an exact representation of the service area, it is the most readily available data to the FAC.

In the event an applicant's service area encompasses multiple census tracts, the FAC will use the population provided on the application and calculate an arithmetic mean or average for the rest of the categories.

Drinking Water Intended Use Plan Grant Commitment

The FAC will prioritize funds based on those applications with the greatest number of priority points. When grant funds are available, the FAC publishes the proposed funding commitments during the IUP public comment period. The FAC will continue to allocate until grant funds are no longer available or until all eligible applicants have grant funds allotted to them, whichever comes first.

Applicants with allocated grant funds will have 2 years from the date of IUP adoption 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 (i.e., new evaluation form based on current ACS data at time of re-application). The department may recommend the Commission remove a project from the Fundable List when it is not making timely progress, in order to make the committed funds available to another project that is ready to proceed. The Commission may move projects removed from the Fundable Priority List to the Contingency or Planning Priority Lists.