

## **Proposed CWSRF Affordability Criteria System**

### **Required Elements & New Affordability Criteria**

Changes to the Clean Water State Revolving Fund (CWSRF) program made by the Water Resources Reform and Development Act (WRRDA) of 2014 requires all states to develop affordability criteria. These affordability criteria will be used by the state when determining which CWSRF borrowers are considered to be economically disadvantaged and eligible for additional subsidy. Pursuant to WRRDA, the affordability criteria must be based on the following three elements, as well as any other components deemed relevant by the State:

- Income data
- Unemployment
- Population trends

In order to implement the WRRDA requirements, the New Mexico CWSRF program, in conjunction with Northbridge Environmental, has developed an Affordability Criteria System that will be used to determine eligibility for additional subsidy. The new system is based on criteria already used by the program, but adapted to provide a broader set of considerations when specifically determining a community's eligibility. Previously for receiving additional subsidy, the New Mexico CWSRF program was using a population threshold to determine which communities would be eligible to receive additional subsidy. In addition, the New Mexico priority system considered user rates as a percentage of Per Capita Income (PCI) as a metric for determining the financial need of a community. Both of these factors have been incorporated into the new Affordability Criteria System as well as unemployment data and population trends.

### **Data Sources**

Metrics for the new affordability criteria were developed using data from the American Community Survey (ACS). This data is gathered by the U.S. Census Bureau on a periodic basis and is publicly available on the Census Bureau website. ACS data is not updated annually; however, this data was the most comprehensive source for all counties, cities, and smaller municipalities in the state of New Mexico. Income data, including per capita income, as well as population and unemployment data will be used from this source. User rate data for each community will be based on information provided by the applicant.

### **Scoring System Thresholds**

A statistical analysis of communities in New Mexico, including both counties as well as cities/municipalities, was conducted to determine the appropriate threshold levels for awarding additional subsidy. Initial testing was conducted on a comprehensive list of counties and municipalities in New Mexico eligible for CWSRF funding. A second round of testing was conducted on the 2016 Integrated Projects Priority List (IPPL) applicant communities. The final Affordability Criteria System is based on the results of this testing and includes the following criteria:

- **Population:** Existing population thresholds to determine eligibility were retained to ensure that all communities previously able to receive additional subsidization as part of their CWSRF loan would continue to have access to this financial assistance. Therefore, cities/municipalities with a population less than 20,000 and counties with a population less than 200,000 will continue to receive maximum points in their Affordability Score. Maximum points will also be awarded to those cities/municipalities with a population of 30,000 or less and counties with a population of 300,000 or less if those communities show a 10-year growth rate of less than 3.5%, which was the ten year average growth rate for the state. Data for population growth rates is based on a comparison of ACS results from 2000 with those from 2010, the most recent version of the ACS conducted.
- **Income:** A previous analysis conducted when developing the NM CWSRF IPPL found that considering User Rates as a percentage of Per Capita Income was the most accurate measure of the affordability of a project based on community income levels. Points awarded in this category reflect the same threshold values used when awarding priority points to communities as part of the IPPL scoring process, and are reflective of standard affordability metrics used nationwide.<sup>1</sup>
- **Unemployment:** Unemployment data from the American Community Survey (ACS) was used to determine percentile rankings for communities in New Mexico. Highest priority points are awarded to those counties and municipalities with unemployment data that is among the highest 5% of the state (95<sup>th</sup> percentile). Points are also available to communities in the top 20% (80<sup>th</sup> percentile) and top 40% (60<sup>th</sup> percentile).

The Affordability Criteria System is set up such that a community demonstrating that it can meet the maximum threshold in any one of the three categories – population, income, or unemployment – is eligible to receive additional subsidy. Each category awards a maximum of 50 points to communities meeting the highest threshold, which is the level required to qualify as eligible for additional subsidy. Additionally, communities that do not meet the highest benchmark in each category, but demonstrate moderate need in more than one of the categories would also be eligible to receive additional subsidy. By considering multiple socioeconomic indicators, the New Mexico CWSRF seeks to provide additional subsidy to a broad set of communities demonstrating real financial need.

The final Affordability Criteria System is presented on the following page. Communities are awarded 50, 25, or 10 points in each of the three categories. The categories are then totaled and any community with a total score of 50 or higher is eligible to receive additional subsidy.

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<sup>1</sup> A benchmark of user rates higher than 2% of Median Household Income (MHI) is a standard affordability metric used by U.S. EPA and many CWSRF programs to determine affordability. The New Mexico scoring system converted this benchmark in order to apply the threshold to Per Capita Income (PCI) rather than MHI after a statistical analysis revealed that PCI data had a lower margin of error for New Mexico communities.

**AFFORDABILITY CRITERIA SYSTEM**

Category	Criteria	Points		
Income (Select one)	<ul style="list-style-type: none"> <li>• Wastewater rates are more than 2.82% of the service area’s PCI</li> <li>• Wastewater rates are between 1.82% and 2.82% of the service area’s PCI</li> <li>• Wastewater rates are less than 1.82% of the service area’s PCI</li> </ul>	<p>50</p> <p>25</p> <p>10</p>		
Population OR Population Trends (Select one)	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%; padding: 5px;"> <ul style="list-style-type: none"> <li>• County Population is less than 200,000 OR is less than 300,000 with a growth rate of less than 3.5%</li> <li>• County Population is less than 400,000 with a growth rate of less than 3.5%</li> </ul> </td> <td style="width: 50%; padding: 5px;"> <ul style="list-style-type: none"> <li>• Municipality population is less than 20,000 OR less than 30,000 with a growth rate less than 3.5%</li> <li>• Municipality population is less 40,000 with a growth rate less than 3.5%</li> </ul> </td> </tr> </table>	<ul style="list-style-type: none"> <li>• County Population is less than 200,000 OR is less than 300,000 with a growth rate of less than 3.5%</li> <li>• County Population is less than 400,000 with a growth rate of less than 3.5%</li> </ul>	<ul style="list-style-type: none"> <li>• Municipality population is less than 20,000 OR less than 30,000 with a growth rate less than 3.5%</li> <li>• Municipality population is less 40,000 with a growth rate less than 3.5%</li> </ul>	<p>50</p> <p>25</p>
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Unemployment (Select one)	<ul style="list-style-type: none"> <li>• Local or county unemployment is in the highest 5% of state</li> <li>• Local or county unemployment is in the highest 20% of state</li> <li>• Local or county unemployment is in the highest 40% of state</li> </ul>	<p>50</p> <p>25</p> <p>10</p>		
<p><b>Eligibility for Additional Subsidy:</b> All communities receiving a points score of 50 points or higher are considered eligible to receive additional subsidy.</p>		<p>TOTAL POSSIBLE: 150</p>		