



## **New York State Drinking Water State Revolving Fund HARDSHIP FINANCING AND GRANT ELIGIBILITY POLICY**

*Effective October 2015*

### **A. Overview**

Municipalities **and certain privately-owned community water systems regulated by the NYS Department of Public Service** with drinking water infrastructure projects may qualify for hardship (interest-free) financing and hardship grant through the Drinking Water State Revolving Fund (DWSRF). Certain municipalities that qualify for hardship financing may additionally qualify to receive grant funding through the DWSRF. This document describes the hardship financing program and the procedure used by the Environmental Facilities Corporation (EFC) and the New York State Department of Health (DOH) in determining hardship financing and grant eligibility. For the purposes of this guidance document the term municipalities **be inclusive of municipalities and those privately owned community public water systems regulated by the NYS Department of Public Service.**

A municipality's project listing in the DWSRF Intended Use Plan (IUP) and Median Household Income (MHI) are major considerations in determining hardship financing eligibility. Projects must have a priority ranking score equal to or greater than that score where the Hardship Application Eligibility Line is drawn on the DWSRF IUP Annual List to be considered for hardship financing.

Municipalities with a Median Household Income (MHI) less than the 2013 Statewide MHI (\$58,003) may qualify for hardship financing, based on publicly available census data rather than requiring detailed demographic and economic data from the municipalities. In some cases, EFC and DOH may use the MHI resulting from an income survey conducted by the municipality in compliance with EFC's requirements. Municipalities with a 2013 MHI greater than or equal to \$58,003, but less than or equal to \$72,504 (125% of the Statewide MHI), who wish to be considered for hardship financing must submit a hardship application and be evaluated for hardship eligibility and those municipalities will be notified by DOH that they need to submit an application. Municipalities with a MHI equal to or greater than \$58,003 are not eligible for grant and municipalities with a MHI greater than \$72,504 are not eligible for hardship financing.

Upon finalization of each Intended Use Plan (IUP), municipalities will be issued a confirmation letter offering interest-free financing and grant, if applicable, and as available. Projects that receive a hardship confirmation letter will appear on the DWSRF IUP Annual List with an "H" in a subsequent IUP or by amendment to the IUP in place at the time of the confirmation letter. EFC and DOH will consider interest-free financing to have been formally allocated to a project upon submission of an acceptable financing application.

EFC and DOH do not charge issuance costs or an annual fee on hardship financing. As applicable, issuance costs and an annual fee will be charged on the non-hardship portion, if any, of the project financing as detailed in section B.



## **B. Hardship Eligibility and Restrictions**

### **Hardship Eligibility Criteria:**

***The DWSRF hardship program typically offers both interest free financing and/or grant to eligible projects.***

To be considered eligible for hardship (interest-free) financing, **municipalities** must meet the following criteria:

- Project must have a priority ranking score equal to or greater than that score where the Hardship Application Eligibility Line is drawn on the DWSRF IUP Annual List.
- Municipal population is less than 300,000 as published by the 2013 American Community Survey. Alternatively, a municipality with a population greater than 300,000 may qualify if the project is for an established Town or County special district with a population less than 300,000. In such cases, an income survey of the special district would be required and must be submitted by the hardship application deadlines stated in the IUP.
- 2013 MHI of the municipality must be less than or equal to 125% of the statewide 2013 MHI, or \$72,504, subject to the following:
  - Municipalities with a MHI less than the Statewide MHI (\$58,003 as determined by American Community Survey (ACS))<sup>1</sup> do not need to apply for hardship confirmation.
  - Municipalities with a MHI from \$58,003 to \$72,504 must submit a hardship application to be reviewed for hardship eligibility. EFC is in the midst of revising the application. Please contact EFC to obtain a copy.

#### Additional detail regarding MHI:

For special districts or other areas for which accurate census data is not available, income surveys may be provided by the municipality and considered by EFC. The income survey must be in a form acceptable to EFC. Also, if a municipality believes that the published ACS MHI is not representative of their income level, they may submit an income survey. Income surveys must be submitted by the hardship application deadlines stated in the IUP. See EFC's income survey guidance for further information.

In certain situations the project service area may encompass multiple municipal jurisdictions. If the project sponsor and the owner of the infrastructure is one municipality, EFC will use the MHI of that municipality. If multiple municipalities will sponsor the project and own the infrastructure, a "weighted average" MHI, based on 2013 ACS MHI and population or number of service connections served by the project, will be calculated and used in determining eligibility for hardship financing. A satisfactory income survey may also be acceptable in these cases.

EFC will allow the calculation of a weighted MHI for special districts where the service area is a portion a municipality or multiple municipalities. In these cases, and in the absence of a satisfactory income survey, the municipality(ies) must provide the population or number of service connections in each portion a municipality served by the special district for use in calculating the weighted MHI. For proposed districts, EFC reserves the right to require the use of population data in calculating weighted MHIs. If the municipality meets the criteria above, the **project** must also meet the following:

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<sup>1</sup> An income survey, Census Designated Place (CDP), or other acceptable demonstration of a more accurate MHI for the service area may be used in lieu of the published ACS 2013 MHI.



- Be for a publicly-owned drinking water system, or if privately owned, the system must be regulated by the NYS Department of Public Service.
- Not closed on a DWSRF Short-Term Financing as of the beginning of the FFY 2015 (i.e. 10/1/2014) for consideration for hardship grant funds. Projects that closed on a DWSRF Short Term Financing prior to October 1, 2014 may be eligible to be considered for zero interest rate hardship loan funding.
- For projects that were awarded a financial hardship confirmation letter, that have not closed on their long term funding package, and whose project costs increase will be able to apply for a reduced interest rate financing, as low as zero percent, to cover the cost increases as long as direct financing dollars are available in the current IUP funding period. As an alternative for projects not yet closed, the project applicant may submit the entire revised project for reconsideration in a subsequent annual call for projects. Additional funds for cost increases are subject to the hardship eligibility limitations.
- Projects that were awarded a financial hardship confirmation letter, that have closed on their long-term funding package, and whose project costs increased, will not be eligible for grant funds for the cost increase but can apply during a subsequent IUP funding period within five years of closing on the long term financing for a reduced interest rate financing as low as zero percent to cover the cost increases. In this case, the applicant must file a new Listing Form to list the project in the next IUP. The project may be awarded additional points for project phasing if appropriate. Additional funds for cost increases are subject to the hardship eligibility limitations.
- Effective October 1, 2016, an acceptable and complete application for financing must be submitted to EFC before a Notice to Proceed is issued for the first construction contract unless the project is being co-funded by the United States Department of Agriculture Rural Development or the DWSRF project is to refinance a United States Department of Agriculture Rural Development financed project.
- In order to be eligible for refinancing through the DWSRF for both hardship and non-hardship projects, all DWSRF requirements must be met for the entire project or appropriate waivers must be obtained. These requirements include, but may not be limited to:
  - Federal Davis Bacon Prevailing Wage
  - American Iron and Steel

DWSRF MWBE/DBE/EEO for both construction contracts and professional services agreements.

### Limits on Hardship Financing and Grants:

- Total project cost<sup>2</sup> must be \$14 million dollars or less.
- Municipalities are limited to a maximum of \$2 million in grant and a total of \$14 million combined hardship financing and grant over a rolling five-year period. The five years include the current FFY and the previous four FFYs.
- The \$14 million combined hardship financing and grant can be utilized on multiple projects or project phases.
- No municipality can receive more than their maximum grant award for any combination of projects, and no single project (if shared by more than one municipality) can receive more

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<sup>2</sup> "Project cost" includes all costs associated with the erection, building, acquisition, alteration, reconstruction, improvement, enlargement or extension of a project; the inspection and supervision thereof; and the engineering, architectural, legal, fiscal, and economic investigations and studies, surveys, design, plans, working drawings, specifications, procedures, and other actions necessary for the construction of the project.



than the maximum grant amount of \$2 million or 60% of the total project cost, whichever is less. Any grant/hardship funding provided in FFY 2016, when added to hardship/grant/principal forgiveness funding in a Project Financing Agreement closed during FFY 2012 through FFY 2015, cannot total more than \$14 million. The grant/principal forgiveness funding includes DWSRF base-program funds and NYS Water Grants.

- For the purposes of tracking the start time of the rolling five-year period, EFC and DOH will use the initial financing. When an initial financing is converted to long-term financing EFC does not restart the five year period.
- If a community has closed \$14 million in combined grant and interest-free financing and then closes a non-hardship financing during the 5-year period, that non-hardship financing cannot be refinanced as hardship when hardship capacity becomes available.

### **C. Grant Eligibility and Limitations**

#### **Grant Eligibility Criteria:**

The amount of federal grant available, if any, is dependent upon the amount of federal funding allocated to the DWSRF in a particular Federal Fiscal Year. EFC will offer grant as follows:

All candidates for federal grant must meet all of the following eligibility criteria:

- Must be eligible for hardship financing (i.e. meet the hardship eligibility criteria above, even if qualified per a previous hardship policy)
- 2013 Median Household Income (MHI) must be:
  - Less than 80% of the statewide 2013 MHI (less than \$46,402) or
  - If the MHI is 80% to 100% of the ACS 2013 statewide MHI (greater than or equal to \$46,402 but less than \$58,003) then the ACS family poverty rate must be greater than or equal to the 2013 ACS statewide poverty rate (11.7%)
- The DWSRF Short-Term Financing had not closed as of the beginning of the FFY 2015 (i.e. 10/1/2014)

#### **Maximum Grant Award:**

Qualifying projects are subject to a maximum grant award of a \$2 million grant or 60% of the total project costs, whichever is less.

### **D. Hardship Confirmation Processing and Timing**

#### **Project Evaluation and Identification:**

DOH will determine a set amount of funding to be available for interest-free financings and the amount of available grant. DOH will determine if the projects meet the criteria necessary to be issued a letter by EFC offering interest-free financing and, if applicable, grant. Additionally, hardship and grant will be offered to projects in order of their raw (no bonus points) Project Priority Score. Using the amount of funding available for both hardship financings and grant, DOH will initially determine and recommend to EFC which projects can be issued letters including the loan amounts and if applicable the grant amounts. Upon finalization of the IUP (October 1), DOH will provide the aforesaid recommendations to EFC and EFC will review those recommendations and if appropriate will issue confirmation letters to the qualifying municipalities stating that they are eligible for interest-free financing and, if applicable, grant. Grant award letters will require the municipality to countersign and return to EFC, thereby setting forth the conditions of the grant offer.



EFC and DOH may modify the data being used to evaluate for hardship and/or grant awards. Such modifications will be announced in a draft IUP or IUP amendment. EFC and DOH will continue to honor the commitment of hardship and grant, if offered, to those municipalities whose census data change during the hardship/grant offer period as well as any hardship commitments that were issued in prior federal fiscal years.

### **Timing for closing on Interest-Free Financing and Grant:**

Municipalities issued letters at the beginning of FFY 2016 (October 1, 2015) will have until the application deadline in FFY 2017 (anticipated to be March 2017) to submit an acceptable and complete financing application, and until the end of FFY 2017 (September 30, 2017) to close on a financing. These dates will be specified in the hardship confirmation/grant offer letter.

In all cases, a municipality will need to close on DWSRF short-term or long-term financing before the confirmation letter expires to remain eligible for hardship financing. Submittal of a short-term financing application and closing of a short-term financing will qualify as meeting the submittal and approval dates stated within the DWSRF hardship confirmation letter. For hardship eligible municipalities that close a short-term financing, the financial hardship eligibility expiration date will become the short-term financing maturity date and the municipality will need to close on their hardship long-term financing before that date.

A municipality that experiences an increase in project cost after they have been deemed eligible for hardship financing and issued a confirmation letter, but before they have closed on their DWSRF short-term financing, will remain eligible for hardship financing to cover the cost increase (subject to the hardship eligibility limitations). This is allowable if DWSRF funds are available in the current IUP funding period.

### **Expiration of Hardship Eligibility:**

Municipalities that are offered hardship financing but do not close on DWSRF financing before their confirmation letters expire may be evaluated by the hardship eligibility policy criteria in place after expiration. Municipalities will be re-evaluated based on their core project scores (excluding bonus points) that place the projects at or above the final published Hardship Application Eligibility Line on the DWSRF IUP Annual List. Municipalities will not be re-evaluated for projects with core scores that place the projects below the Hardship Application Eligibility Line on the DWSRF IUP Annual List.

## **E. Hardship Eligibility Determinations Based on Hardship Applications**

For municipalities with 2013 MHI's from 100% (\$58,003) to 125% (\$72,504) of the statewide MHI seeking hardship financing, a hardship application must be submitted to evaluate the project. EFC will base its hardship determinations on a comparison of the resources available to an applicant and the costs of the system, estimated on a per-user basis (user meaning a typical household), and the following information provided in the hardship application: existing debt service; projected debt service; anticipated operation and maintenance (OandM) costs; project/community revenue sources; and the estimated system user base.

EFC is in the midst of revising the hardship application. Please contact EFC to obtain a copy. The application and supporting information must be submitted to EFC, and must be deemed complete, no later than the deadlines stated in the IUP.



The projected first year water service charge (PSC) for a typical household (which includes total debt service plus operation and maintenance, minus any offsetting revenues) is compared to a Target Service Charge (TSC). EFC will review hardship applications by evaluating the project under the following funding packages hierarchy, in progressive order, until the PSC matches or is as close as possible to, without going substantially below, the TSC:

- a. 30 year standard subsidized interest rate financing
- b. 20 year hardship reduced interest bearing financing (*interest rate less than standard subsidized, but greater than zero*)
- c. 20 year hardship interest-free financing
- d. 30 year hardship reduced interest bearing financing (*interest rate less than subsidized, but greater than zero*)
- e. 30 year hardship interest-free financing

Application of the hardship financing hierarchy must reduce the PSC at each level at least 5% below the PSC calculated at the prior level. Using this *de minimis* rule, EFC helps to ensure that the use of hardship financing results in a meaningful reduction in user rates for the community. For example, if the financing described in (b) above does not reduce the PSC associated with the financing associated with the financing described in (a) by at least 5%, then the applicant only qualifies for the financing described in (a).

The TSC is a value based on the 2013 MHI of the service area as reported by the American Community Survey or other source acceptable to EFC. The TSC is calculated by using the following formula:

$$TSC = [(MHI/10,000)^2 \times 24] + [(MHI/10,000) \times 2] + 70$$

**The method used by EFC to estimate the PSC is employed only to determine financial hardship eligibility in the DWSRF program. Municipalities are not required to use this method to determine actual rates charged.**

**Should the information that was used in the hardship determination change significantly (project capital costs, operation and maintenance costs, commitments from other funding sources, changes in the designated project service area, etc.), financial hardship eligibility will be re-evaluated.** If the interest rate or the financing term for which the municipality qualifies changes or if the municipality no longer qualifies for hardship financing, EFC will inform the municipality in writing.



**Environmental  
Facilities Corporation**

**Department  
of Health**

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**New York State Drinking Water State Revolving Fund  
HARDSHIP FINANCING AND GRANT ELIGIBILITY POLICY**

Effective October 2015

**Attachment 1: Income Survey Requirements**



## **New York Clean Water and Drinking Water State Revolving Funds INCOME SURVEY REQUIREMENTS**

The Hardship Financing Policies of the Environmental Facilities Corporation (EFC) for the Clean Water State Revolving Fund (CWSRF) and the NYS Department of Health (NYSDOH) for the Drinking Water State Revolving Fund (DWSRF) reference the Median Household Income (MHI) for the candidate SRF recipient municipality. MHI is one measure of the financial resources of a community and its ability to pay water or wastewater infrastructure costs. EFC uses MHI along with other published statistics in determining eligibility for Hardship financing from these programs.

EFC uses MHI data from the American Community Survey (ACS) as conducted by the US Census Bureau. A municipality that disputes the MHI reported by ACS as being representative of the service area of their infrastructure project may conduct their own income survey to determine a more accurate MHI of the service area. This document provides the income survey requirements the municipality should follow in order to produce a MHI value that is suitable for EFC to use in their Hardship eligibility evaluation.

EFC recognizes that execution of an income survey is a sensitive matter that requires a substantial commitment of time and effort to complete properly. To assure a satisfactory outcome for all parties, EFC strongly recommends applicants consult with EFC program staff regarding income survey requirements prior to initiating any survey. Applicants should also consult directly prior to any survey effort with other funding programs that may benefit the proposed water or wastewater infrastructure project, as income survey requirements of other programs may not be the same.

To properly plan and execute a successful income survey project, applicants are also strongly encouraged to use the separate guidance developed by RCAP Solutions, Inc. That guidance describes the methods needed to implement an effective income survey, and has been jointly reviewed by EFC, USDA Rural Development and the NYS Office of Community Renewal for consistency with all three programs. A sample survey form developed by RCAP Solutions Inc. is included in that guidance and encompasses the data requirements of all three funding programs. Please contact EFC to obtain the RCAP guidance.

### **General Requirements and Criteria**

Income surveys are to be conducted within the service area of the water supply or wastewater treatment project proposed for SRF financing. Residential households including each individual apartment in multi-family structures, not businesses, institutions or non-residential entities, are to be surveyed. In order to measure the incomes of those residents impacted by infrastructure costs, respondents to surveys must be the owner/occupant or long term tenant. In the case of seasonally occupied properties and second homes, income survey respondents shall be the property owner and not any short term renter/occupant. EFC will accept as valid the results of properly conducted income surveys that meet certain minimum response rates provided later in this guidance.

Applicants will be required to certify the results of the income survey, identify the calendar year the survey was completed, and provide, if requested, an income survey master list that identifies occupied, vacant and seasonal households. If the survey is not conducted by an objective 3<sup>rd</sup> party,

such as a not for profit entity, the applicant may be required to submit a representative sample of actual completed income surveys. EFC only accepts income surveys that solicit an actual numerical response representing the actual income of each household surveys. Surveys that allow respondents to choose from various ranges of income on a survey form are not accepted. Survey responses must represent the aggregate income of all occupants of a household, whether related or not, 15 years of age or older.

Applicants are not required by EFC to report other demographic data, to collect signatures of residents on survey forms, to report names or addresses of survey respondents or to put tracking numbers on survey forms. The income survey universe must match the infrastructure project service area identified in the relevant engineering planning report.

### Required Income Survey Response Rate

The table below indicates the percentage of total households surveyed that must respond with a complete survey in order for EFC to rely on income survey results.

<i>Number of Households in Proposed Project Service Area</i>	<i>Required Minimum Percent (%) Return Rate</i>
1 to 55	90
56 to 63	87
64 to 70	85
71 to 77	84
78 to 99	80
100 to 115	78
116 to 153	72
154 to 180	69
181 to 238	67
239 to 308	57
309 to 398	50
399 and greater	38

### Expected Response Rates

For survey planning purposes, the following information is provided in order to predict the likely response rates using different survey methods.

<i>Survey Type</i>	<i>Expected Response Rate</i>
Mail with self-addressed stamped return envelope	25 - 50%
Mail, with letter follow up	50 – 60%
Mail, with telephone follow up	50 – 80%
Telephone	75 – 90%
Door to door	75 – 90%

## Sample Income Survey Forms

EFC requires a certification of survey results, either by the municipality conducting the income survey, its consultant or other third party service provider. Attached to this document is a form for reporting survey results and certification, and a sample survey form that applicants can use to assure conduct of an income survey is compliant with EFC requirements. Other formats are acceptable, as long as the same information is provided to EFC. The forms are:

- Project Information and Income Survey Certification form
- Sample Household Income Survey form

## Instructions for Submission of Income Survey Results

Applicants are expected to keep on file certain background materials related to the organization and execution of the income survey. EFC requires that these materials be kept on file until construction of the proposed infrastructure project is complete, or according to the terms of its local records retention policy, whichever is greater. Before submitting an income survey to EFC for consideration, be sure the following materials are retained and accessible if requested by EFC:

- Copy of Income Survey Cover Letter
- Master List of All Residences with identification as occupied, seasonal/second home, vacant, and derelict structures.
- Original survey response forms received

Applicants must submit materials as listed below. EFC may request other additional materials as mentioned elsewhere in this document and on the Income Survey Certification form itself.

- Copy of the signed cover letter requesting that the income survey results be accepted by EFC
- A blank copy of the actual survey form used to conduct the survey project.
- Project Information and Income Survey Certification Form
  - This form must be signed by an elected official, a municipal employee with responsibility to manage and conduct the income survey, a consultant engaged to conduct the income survey, or a staff member of a not for profit or other third party technical services organization that assisted in organization and management of the income survey.
- Description of survey methodology. This can be provided on the certification form or as an attachment. EFC will rely on this description, in part, to determine that the income survey is properly conducted and valid. At a minimum, the narrative description must include:
  - Rationale for conducting the survey
  - Who managed and conducted the income survey project (elected officials, municipal staff, consultant, not-for-profit), roles of volunteers and other persons assisting the survey project).
  - How all residences in the project service area were identified, inventoried and characterized as to occupancy and condition (for instance as vacant, derelict, or seasonal).
  - The dates the survey was initiated and completed.
  - How the survey was initially distributed to each occupied residence and how follow up was conducted.



- An explanation of how outreach was conducted to owners of seasonal/second homes to assure that such owners were respondent to the income survey.
- How raw survey responses were assembled and analyzed to determine the Median Household Income of the project service area.

Any requests for additional information and/or guidance, as well as submission of income survey results, shall be directed to:

Robert Sammons, PE  
Community Assistance Group  
Division of Engineering and Program Management  
NYS Environmental Facilities Corporation  
625 Broadway  
Albany, NY 12207-2997  
Phone: 518-402-7396  
Email: [robert.sammons@efc.ny.gov](mailto:robert.sammons@efc.ny.gov)



## Project Information and Income Survey Certification

### Contact and Project Information

Name of Municipality/Applicant \_\_\_\_\_

Mailing Address \_\_\_\_\_

#### **Municipal Contact:**

Name, Title \_\_\_\_\_

Phone number \_\_\_\_\_ Email \_\_\_\_\_

#### **Project Location:**

City, Town of Village \_\_\_\_\_ County \_\_\_\_\_

Income Survey Service Provider (*if survey not fully organized and managed by the Municipality*):

Name, Title \_\_\_\_\_

Firm, Agency or Employer \_\_\_\_\_

Phone number \_\_\_\_\_ Email \_\_\_\_\_

Special Improvement (*Water or Sewer*) District, and/or project name as applicable:

\_\_\_\_\_

#### **Preliminary Engineering Report which describes the relevant capital project:**

Title \_\_\_\_\_

Date (*including revisions*) \_\_\_\_\_

Engineering Contact \_\_\_\_\_

State Revolving Fund (*SRF*) Project number, if known \_\_\_\_\_

Engineering Report Map Reference (*Map title and page/appendices number*)

\_\_\_\_\_

### Income Survey Data

1 – Total Households In Project Service Area \_\_\_\_\_  
(*all homes, dwellings, apartments served by the infrastructure project whether occupied or vacant*)

2 – Survey Universe \_\_\_\_\_  
(*includes owner occupied, long term tenant occupied and seasonal/second households*)

3 – Complete Surveys Received \_\_\_\_\_

4 – Response Rate (*Complete Surveys/Survey Universe*) \_\_\_\_\_

5 – Median Household Income as measured by income survey \_\_\_\_\_

6 – Survey Collected Household Income for the Calendar Year of \_\_\_\_\_





This is a sample Household Income Survey Form that may be used when conducting an income survey that is in conformance with EFC/SRF requirements. It does not represent a survey that would be in conformance with other agencies such as USDA Rural Development or the NYS Office of Community Renewal. Fields or information in *italics* are required. All other elements of this sample form are optional.

*[Insert Municipality or Community and project name here]*  
**Household Income Survey**

This information is needed to support the [insert only one: Town/Village/Community] applications for State and federal funding assistance for our proposed [insert one: drinking water/wastewater] project. **The survey is confidential!** Data will be collected and compiled into a summary report. Your individual responses will not be shared with any agency.

*Please write in the total income for your household for the calendar year (insert survey calendar year here). Income should include all income of persons 15 years of age or older in the household, whether related or not. Income consists of wage or salary income; net non-farm self-employment income; interest, dividend or net rental income or royalty incomes; social security or railroad retirement income; public assistance or welfare income; retirement or disability income; and all other income.*

**TOTAL Annual Household Income (add up income listed above):**

\$ \_\_\_\_\_