



## ***FINANCIAL BURDEN EVALUATION POLICY FOR THE UTAH WASTEWATER PROJECT ASSISTANCE PROGRAM***

### ***BACKGROUND***

The Utah Water Quality Board (the Board) directed Division of Water Quality staff to create a policy to better evaluate the financial burden placed on communities by the various funding alternatives. In addition, the Board directed staff to incorporate the economic factors into this policy contained in Utah Administrative Code (UAC) R317-101-4.B. This policy will be used by staff in preparation of the Introduction and Authorization Reports for wastewater project assistance presented to the Board. The Board will utilize the policy in determining the appropriate funding package for a project.

### ***POLICY***

To clarify and standardize the evaluation of a community’s Financial Burden in relation to funding requests, the following procedures will be implemented by staff. In general, a static cost model will be used in evaluating interest rates on loans and resulting monthly rates in relation to a community’s modified median adjusted gross income (modified MAGI). In addition, staff will calculate a Financial Need Indicator (FNI) and a resulting Financial Burden.

Staff will utilize data from the census website (<https://data.census.gov/cedsci/>) to collect a community’s indicator values and State of Utah average indicator values. Table 1 will then apply the range scoring criteria to determine a score for each indicator in relation to the State average value. Definitions and descriptions of the indicators including how to source the values are included at the end of this policy.

*TABLE 1: Financial Need Indicator Ranges*

INDICATORS	RANGE SCORING CRITERIA	Census Data Code - 5 Year ACS Table
Unemployment Rate	2% less than State = 1, between 2% less to 2% more than State average = calculated between 1 and 3; Above 2% = 3	S2301
Poverty Status	Less than State = 1, between 0-10% more = calculated between 1 and 3; more than 10% = 3	S1701
Threshold Lowest Quintile Income (LQI)	More than State average = 1, Local value is 100% to 50% of State LQI = calculated from 1 to 3, Less than 50% of State = 3	B19080
10 Year Population Percent Increase	More increase than state average = 1, Local increase is 100% to 0% of State average = calculated from 1 to 3, Any percent decrease = 3	B01003

Table 2 will be used by DWQ Staff to calculate a Financial Need Indicator (FNI) for a community and will be included in the Estimated Annual Cost for Sewer Service section of Feasibility Reports. The local and State indicator values from the census website will be entered in Table 2 and then scored in relation to Table 1. Further, the scores will be multiplied by weighting factors, previously set by the Board, to calculate a weighted score. Finally, the weighted scores will be summed and divided by the sum of the weighting factors for a resulting Financial Need Indicator from 1 to 3.

TABLE 2: Financial Need Indicator Calculation

INDICATORS	Local Value	State Value	Score	Weighting Factor	Weighted Score
Unemployment Rate				4	
Poverty Status				2.5	
Threshold LQI				2.5	
10 Year Population Percent Increase				1	
<b>Financial Need Indicator (Sum of weighted Scores/10)</b>					

The Modified MAGI for a community will be used along with the FNI in the matrix found in Table 3 to determine the financial burden of the community on a scale from Low to High.

TABLE 3: Financial Burden Matrix

FNI	Modified MAGI				
	Below 1.4%	1.4% to 1.75%	1.75% to 2.1%	2.1% to 2.45	Above 2.45
Below 1.5	Low	Low	Medium	Medium	High
1.5 to 2.5	Low	Medium	Medium	High	High
Above 2.5	Medium	Medium	High	High	High

The following statement will be included in the Estimated Annual Cost for Sewer Service Section of Feasibility Reports:

**“Based on the Financial Burden Evaluation Policy for the Utah Wastewater Project Assistance Program, the community has a Financial Burden of: (Low/Medium/High).”**

**IMPLEMENTATION**

The Utah Wastewater Project Assistance Program application will be updated to include the following table:

Additional Financial Need Metrics

	Local Value
Local Unemployment Rate	
Local Poverty Rate	
Local Threshold LQI	
Local 10 Year Population Percent Increase	

**POLICY IMPACTS**

The Financial Burden Evaluation Policy for the Utah Wastewater Project Assistance Program does not alter the Board’s hardship grant consideration threshold contained within UAC R317-101-4. This policy will be used to inform the Board and staff as a tool to evaluate staff funding package recommendations. It does not create requirements for funding package offered by the Board, as the Board makes the final decision on any financing package, and may take other factors into consideration in making that decision.

## ***DEFINITIONS AND DESCRIPTIONS***

To calculate the FNI, staff will utilize data from the census website ([data.census.gov/cedsci/](https://data.census.gov/cedsci/)). The census data is available by entering a community and the reference table number into the search bar. Typically, up to 10 years of data tables are available and for this policy staff will utilize the American Community Survey (ACS) 5-year estimate tables. The indicator parameters evaluated in this policy are the following:

- **Modified MAGI** – Is the modified median adjusted gross income as reported on the Division of Drinking Water’s (DDW) website currently at <https://deq.utah.gov/drinking-water/magi-by-city>. Modified MAGI is calculated by the Utah State Tax Commission by City or for entities that are that are not listed or are not located in a city it is reported by zip code and currently at <https://deq.utah.gov/drinking-water/magi-zip-code>. The modified MAGI equivalent to approximately 1.4 time the Median Household Income.
- **10-Year Population Percent Increase** evaluates the 10-year change in a community’s population compared to the average State of Utah 10-year population change. Indicator values are found in Table B01003 (Total Population). [Row: Total. Column: Estimate.] The indicator value is calculated based on the most recent year ACS 5-Year population less the 10 year ago ACS 5-Year population divided by the 10 years ago ACS 5-Year population.
- **Poverty Status** evaluates a community’s poverty rate compared with the average State of Utah poverty rate. Indicator values are found in Table S1701 (Poverty Status in the past 12 months). [Row: Population for whom poverty status is determined. Column: Percent below poverty level.]
- **Threshold of Lowest Quintile Income (LQI)** evaluates the upper income of the lowest 20% of a community’s population compared with the average State of Utah LQI. Indicator values are found in Table B19080 (Household Income Quintile Upper Limits). [Row: Lowest Quintile. Column: Estimate.]
- **Unemployment Rate** evaluates the local unemployment rate compared with the average State of Utah Table S2301 (Employment Status). [Row: Population 16 years and over. Column: Unemployment Rate -Estimate]

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