



Michigan Department of Environmental Quality (DEQ) Michigan Clean Water State Revolving Fund (SRF) Additional Subsidization and Affordability Criteria

Additional Subsidization

The federal Water Resources Reform and Development Act, passed on June 10, 2014, amended Titles I, II, V, and VI of the Federal Water Pollution Control Act (FWPCA) in a number of areas that apply to the Clean Water Fund Program, administered in Michigan under the SRF program. According to FWPCA section 603(i), states have some options to choose the method of offering additional subsidization. The Michigan SRF program continues to offer additional subsidization in the form of principal forgiveness for applicants implementing a process, material, technique, or technology to address water and energy-efficiency goals, to mitigate stormwater runoff, or to encourage sustainable project planning, design, and construction (includes “Green Project Reserve” projects). Details are listed in the Intended Use Plans. Any future changes to the distribution method for additional subsidy are listed in that year’s Intended Use Plan.

Affordability Criteria

The FWPCA section 603(i)(2) requires states to develop and public notice affordability criteria by September 30, 2015, based on income, unemployment data, population trends, and other data determined relevant by the state. The comment period was open from July 21 to September 16, 2015. No comments were received. The DEQ complied with and developed the criteria below, but will not use it for fiscal year 2015 funds.

Affordability criteria, when used, will assist in identifying applicants that would have difficulty financing SRF eligible projects. The Michigan SRF program plans to use the criteria below to determine affordability for an SRF applicant. If an SRF applicant is determined to exceed the affordability threshold, then the applicant may receive available additional subsidy.

- Income (Disadvantaged Community Determination) – The MDEQ uses four criteria, which are based on income, to determine a community’s disadvantaged status.
 1. More than 50 percent of the geographic area to be served by a proposed project is identified as a poverty area by the U.S. Bureau of the Census. Current poverty areas within Michigan are identified in Appendix B on the Census Web site.
 2. The median annual household income (MAHI) for the area to be served by a proposed project is less than the most recently published Federal Property Guidelines for a family of four in the 48 contiguous United States. These guidelines are published annually by the U.S. Department of Health and Human Services.
 3. The MAHI for the area to be served by a proposed project is less than the most recently published statewide MAHI for Michigan and annual user costs [as defined in 1994 PA 451, Section 5401(B)] for service will exceed 1 percent of the MAHI for the area to be served by the proposed project.
 4. The MAHI for the area to be served by a proposed project is greater than the statewide MAHI for Michigan (up to 120 percent) and annual user costs will exceed 3 percent of the MAHI of the area to be served by the proposed project.

The MAHI for a community is identified in the American Community Survey, and the Detroit Consumer Price Index is applied to determine the updated MAHI. This updated MAHI is then multiplied by 1 percent to arrive at an annual threshold dollar amount. Another calculation will factor in variables (number of users, annual debt payments, and annual

operating costs) to determine the actual annual user cost. If the actual user costs exceed the annual income amount, then the affordability threshold has been exceeded.

- Unemployment Data – The county unemployment data of the project location will be analyzed on a percentage point basis. If the annual county unemployment rate exceeds the state’s annual unemployment rate by more than 1 percentage point, then the affordability threshold has been exceeded.
- Population Trend – The county population data of the project location will be analyzed over a projected 20-year period. If the county population is projected to lose 10 percent or more over the 20-year period, then the affordability threshold has been exceeded.

County unemployment data and population trend data are updated annually by the Michigan Department of Technology, Management and Budget through the Bureau of Labor Market Information and Strategic Initiatives (LMI). The LMI is the official source for high quality demographic and labor market information for the state of Michigan and its regions. Unemployment and population statistics can be sorted by county and year. Data can then be further sorted by selected groups of years and displayed in a table or graph as a number or percentage point.

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