



United States Department of Agriculture
Rural Development
Pennsylvania State Office
www.rurdev.usda.gov/pa

PA AN No. 1236 (1780)
February 9, 2009

SUBJECT: Priority Point Rating Policy for Pennsylvania
Water and Environmental Programs

TO: Area Directors and Loan Specialists
Rural Development, Pennsylvania

PURPOSE/INTENDED OUTCOME:

This PA AN is intended to clarify the process of awarding priority point ratings to applications under RUS Instruction 1780, Section 1780.17., in consideration of the municipal structure of Pennsylvania.

COMPARISON WITH PREVIOUS AN:

This will replace PA AN 1222, dated January 14, 2008.

IMPLEMENTATION RESPONSIBILITIES:

When eligibility reviews are completed for Water and Environmental Programs applicants, RUS Bulletin 1780-1 and RUS Guide 1780.31(c) Application Processing Guide, Part 1 (copies attached) will be completed by the RD Area Office and submitted along with supporting documentation provided by the applicant and a cover memo with recommendation. The full Guide is available on the RD Intranet, RUS document library.

As stated in RUS Instruction 1780.17, "Points will be awarded as follows:

(a) Population priorities:

- (1) The proposed project will primarily serve a rural area having a population not in excess of 1,000 -- 25 points;
- (2) The proposed project primarily serves a rural area having a population between 1,001 and 2,500 -- 15 points;
- (3) The proposed project primarily serves a rural area having a population between 2,501 and 5,500 -- 5 points"

EXPIRATION DATE: January 31, 2010

FILING INSTRUCTIONS:
Preceding RUS Instruction 1780

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The language in this section of the regulation requires interpretation as to what is a “rural area having a population...” and what “primarily serve” means in the context of the municipal structure of the Commonwealth of Pennsylvania. Pennsylvania has no unincorporated areas, since all areas are incorporated in townships, boroughs, towns or cities. All townships are considered rural areas regardless of population, because they are not considered to be “in a city or town.”

For the purpose of assigning points under the criterion of 1780.17(a), a “rural area having a population...” will be considered to be the municipal subdivision (township, borough, town or city) served by the proposed project. Therefore, the population of that township, borough, town or city, as shown in the 2000 Census, will be used to determine the number of points awarded under this criterion. These points will NOT be awarded based on the population actually served or an estimate thereof.

If more than one municipal subdivision is served by the project, then the population of the township, borough, town or city in which the majority (over 50%) of users reside will be used to determine the points awarded. This would be the rural area “primarily served” by the project. An example of this determination is attached for your reference as Attachment 1.

The second criterion is: “(b) Health priorities. The proposed project is:

- (1) Needed to alleviate an emergency situation, correct unanticipated diminution or deterioration of a water supply, or to meet Safe Drinking Water Act requirements which pertain to a water system -- 25 points;
- (2) Required to correct inadequacies of a wastewater disposal system, or to meet health standards which pertain to a wastewater disposal system -- 25 points;
- (3) Required to meet administrative orders issued to correct local, State, or Federal solid waste violations -- 15 points.”

This section is self-explanatory and requires some documentation, such as a DEP Consent Order or other mandate, or documentation from the Project Engineer.

The third 1780.17 criterion is: “(c) Median household income priorities. The median household income of the population to be served by the proposed project is:

- (1) Less than the poverty line if the poverty line is less than 80% of the statewide nonmetropolitan median household income -- 30 points;

(2) Less than 80 percent of the statewide nonmetropolitan median household income -- 20 points;

(3) Equal to or more than the poverty line and between 80% and 100%, inclusive, of the State's nonmetropolitan median household income -- 15 points.

Since this criterion specifically identifies “the median household income of the population to be served by the proposed project ...” it is different than the “rural area having a population...” in the first criterion. Therefore, RD must try to accurately estimate the MHI of the households that will actually be served by the proposed project. This will also be based on the 2000 Census data for each municipal subdivision (township, borough, town or city), but if it appears that the census data is higher than the incomes of those being served, then an Income Survey should be considered to more accurately establish the MHI. When more than one municipality is being served by a project, a weighted average MHI will be calculated in accordance with Part 1, Section 11 of the Application Processing Guide for Preliminary Eligibility Determination. An example of this calculation is attached as Attachment 2.

The other priorities are self-explanatory and require some documentation if points are being awarded for those items. One criterion that requires some clarification is number 5, “Projects that will serve Agency identified target areas -- 10 points.” The Agency target areas are defined each year in Staff Instruction 1780-5. These include EZ/EC’s, REAP Zones, Colonia’s and Indian Tribes. At this time, there are no such targeted areas in Pennsylvania. However, Pennsylvania Rural Development identified targeted counties for Water and Waste Disposal programs a number of years ago and we have continued to award points under this criterion. A list of those targeted counties is attached as Attachment 3.

The preceding point awards should be applied to all eligibility determinations for Rural Utilities Service applicants. If you encounter a unique situation or one that does not appear to fit within the regulation and this additional guidance, please contact the Community Programs Division in the State Office for assistance.

/s/ Trudy S. Moore

TRUDY S. MOORE
Acting State Director

Attachments

Example: Population Calculation for Multiple Municipalities

(a) Population priorities.

- (1) The proposed project will primarily serve a rural area having a population not in excess of 1,000 -- 25 points;
- (2) The proposed project primarily serves a rural area having a population between 1,001 and 2,500 -- 15 points;
- (3) The proposed project primarily serves a rural area having a population between 2,501 and 5,500 -- 5 points”

The proposed project serves three municipalities, as follows:

<u>Municipality</u>	<u>Users</u>	<u>Population</u>
Jefferson Township	235	2,241
Washington Township	48	8,954
Franklin Township	112	1,298

Since the majority of users reside in Jefferson Township, we can say that the project will “primarily serve” that “rural area” with a population of 2,241, and, therefore, the application would receive 15 points because the population is between 1,001 and 2,500.

_____ 9. Be designed and constructed so that adequate capacity will or can be made available to serve the present population of the area to the extent feasible and to serve the reasonably foreseeable growth needs of the area to the extent practicable; and

_____ 10. Be a public improvement needed for orderly community development and consistent with a current comprehensive community water, waste disposal, or other current development plan for the rural area.

INTEREST RATE REQUIREMENTS: RUS Instruction 1780.13(b) - (d)

Interest Rate Worksheet:

- A. State Nonmetropolitan MHI \$ _____
- B. 80% of Line A. \$ _____
- C. Poverty Line, RUS Bulletin 1780-29 \$ _____
- D. Higher of Line B or C. \$ _____

11. Proposed Project MHI (Weighted) \$ 34,191.15

Calculated as follows:

Service Area:	# Users:	MHI:	Total Income:
<u>Jefferson Twp</u>	<u>235</u>	<u>\$ 31,725</u>	<u>\$ 7,455,375</u>
<u>Washington Twp</u>	<u>48</u>	<u>\$ 40,915</u>	<u>\$ 1,963,920</u>
<u>Franklin Twp</u>	<u>112</u>	<u>\$ 36,484</u>	<u>\$ 4,086,208</u>
_____	_____	\$ _____	\$ _____
_____	_____	\$ _____	\$ _____
_____	_____	\$ _____	\$ _____
_____	_____	\$ _____	\$ _____
TOTALS	<u>395</u>		<u>\$ 13,505,503</u>

Weighted MHI equals total income divided by total # users.

$$\frac{13,505,503}{395} = 34,191.15$$

12. Based on _____ Census or _____ Income Survey (date approved)

13. Evidence of security/health/sanitary requirement met? yes no

Procedural guidance on determining MHI:

14 a. Poverty rate: Median Household Income (MHI) of the service area is below either the poverty line, or 80 percent of the Statewide nonmetropolitan median household income and the primary purpose of the loan is to upgrade existing facilities or construct new facilities required to address applicable system security, health or sanitary issues.

_____ Poverty (MHI below line D and security/health/sanitary requirement met)

**Pennsylvania Targeted Counties for
Water and Environmental Programs**

Bedford
Cameron
Clearfield
Crawford
Dauphin
Fayette
Greene
Indiana
Luzerne
Mercer
Mifflin
Potter
Schuylkill
Somerset
Sullivan