

Median Household Income Determination Guidelines

I. Purpose

The purpose of this document is to provide a standard procedure to determine the Median Household Income (MHI) and to aid the public in understanding how the MHI is determined by Division of Financial Assistance (Division) staff.

II. Background

The MHI of a community is used to determine whether the wastewater system (system) or community is a Disadvantaged Community (DAC) and calculating the affordability score under the CWSRF Policy. The Division utilizes the American Community Survey (ACS) 5-Year Estimates to determine the MHI of a community. ACS is a nationwide survey conducted by the United States Census Bureau (Census). ACS data is updated annually and is available for geographic areas down to the block group level. A community is considered a DAC if the MHI is less than 80 percent of the statewide MHI and/or if the sewer rate is more than four percent (4%) of the community's MHI. A community is considered a Severely Disadvantaged Community (SDAC) if the MHI is less than 60 percent of the statewide MHI.

ACS data is based on a survey of less than one percent of the households in a community. The MHI data includes the estimated MHI based on the ACS results and a margin of error (MOE) based on a 90 percent confidence interval. The MOE reflects the uncertainty in the estimated MHI given the sample size of the population surveyed. In general, a smaller sample size will have a larger MOE and a larger sample size will have a smaller MOE.

For communities with a small population, the MOE range can be in the tens of thousands of dollars. The estimated MHI based on the ACS may be above or below the DAC/SDAC thresholds, but the MOE range for communities with small populations will often range from below those DAC/SDAC thresholds to above those thresholds. Since the MHI determination can impact whether a system or community qualifies for funding, it is important that the MOE be considered in determining the MHI and that the MHI determination not rely solely on the estimated MHI from the ACS data.

III. Determination of MHI

A. MHI Determination using ACS data

The MHI is determined using the Census geography that best represents the community (i.e. city/Census Designated Place (CDP), or block group, or census tract):

- 1) If the community's boundaries match the boundaries of a city or CDP, an MHI determination will be made using the readily available city or CDP data on the Census website.

- 2) If the community's boundaries do not match the boundaries of a city or CDP, Division staff make an MHI determination by using block group data and Geographic Information System (GIS) software to establish an estimated MHI and MOE. This is accomplished by calculating a weighted MHI based on the spatial distribution of the community's boundaries across multiple city, CDP, or census tract boundaries.

The lower range of the MOE will be applied to a community's estimated MHI up to a maximum MOE value of \$7,500 for communities with more than 500 people and \$15,000 for communities with 500 or fewer people. The MOE will be subtracted from the estimated MHI as determined using the applicable method described above. The following table demonstrates how MHI is determined using the maximum MOE value:

City / Census Designated Place (CDP)	Population ¹	MHI ¹	MOE ¹	Usable MOE	MHI Determination
Martell CDP	300	\$82,841	39,067	- 15,000	\$67,841
North Lakeport CDP	3,141	\$44,631	3,853	- 3,853	\$40,778

¹Population, MHI, and MOE are ACS data.

Example 1: According to 2014-2018 ACS data, the Martell CDP has an MHI of \$82,841 with an MOE of \$39,067, and a population of 300. The MOE of \$39,067 exceeds the maximum usable MOE for a community with 500 or fewer people, which is \$15,000. Therefore, the MHI will be determined using the maximum usable MOE of \$15,000, which results in a lower bound MHI of \$67,841.

Example 2: According to 2014-2018 ACS data, the North Lakeport CDP has an MHI of \$44,631 with an MOE of \$ 3,853, and a population of 3,141. The MOE is below the maximum usable MOE of \$7,500 for a community with more than 500 people. Therefore, the MHI will be determined using the MOE from the ACS data (\$3,853), which results in a lower bound MHI of \$40,778.

Prior to making the final MHI determination, Division staff consult with staff from the Regional Water Quality Control Boards (Regional Boards) for input based on their understanding of the system/community. If Regional Board staff believe the MHI determination is not representative of the system/community and MHI determination could impact a funding decision, then the Division will consider conducting an income survey.

Generally, the system's or community's DAC/SDAC status is determined based on the most recent data at the time its funding application is deemed complete. However, if a system or community is determined to be a DAC/SDAC when it completes a planning application, DFA may use the same DAC/SDAC status determination for the system's or community's construction application if it is deemed complete within three (3) years from the time of the executed planning agreement. Division staff may conduct another MHI determination if the DAC status has changed in a manner more favorable for the system or the community during the review period of the construction application or to ensure that the

State Water Resources Control Board maintains compliance with funding source requirements.

B. MHI Determination using an Income Survey

If the MHI cannot be determined due to unavailable ACS data or the available data is not considered representative based on consultation with Regional Board staff, an income survey may be conducted. An impartial third party must conduct an income survey in accordance with the current Multiagency Income Survey Guidelines. An income survey may be conducted under the Technical Assistance (TA) Programs, if eligible.

In addition, the system can self-fund the income survey if it is not eligible for TA. For DAC or SDACs, the cost of an income survey may be eligible for reimbursement, if allowable under the terms of an executed funding agreement. All income surveys must be completed in accordance with the current Multiagency Income Survey Guidelines.