

# Reclamation Manual

## Directives and Standards

### Financial Hardship Test for Reduction of Non-Federal Cost-Share Requirement

1. The Rural Water Supply Act of 2006, Pub. L. 109-451, allows the Bureau of Reclamation to reduce the required share for undertaking appraisal investigations and feasibility studies. Consistent with the methodology applied by other Federal agencies, Reclamation will apply the following approach to determine whether financial hardship exists:
  - A. If the median household income (MHI) within the study area is less than or equal to the Federal poverty level (FPL), the Federal cost-share will be 100 percent and the non-Federal cost-share will be 0.
  - B. If the MHI is between the FPL and 70 percent of the state median household income (SMHI), and the unemployment rate (UR) is greater or equal to 125 percent of the national unemployment rate (NUR), then Federal cost-share will be prorated between 100 percent and the required non-Federal cost-share amount.
  - C. If the MHI is greater than or equal to 70 percent of the SMHI, or the UR is less than 125 percent of the NUR, the Federal cost-share will be no greater than the required non-Federal cost-share amount. The following table, “Financial Hardship Calculation,” summarizes this approach:

Financial Hardship Calculation			
Study Area Economic Indicators		Cost Share	
MHI and SMHI	UR	Federal	Non-Federal
1. $MHI \leq FPL$	Not Applicable	100%	0%
2. $FPL < MHI < 70\% SMHI$	$UR > 125\% NUR$	Between the Required Cost-Share (RCS) and 100% <sup>1</sup>	Between 0% to RCS
3. $FPL < MHI < 70\% SMHI$	$UR \leq 125\% NUR$	RCS	RCS
4. $MHI \geq 70\% SMHI$	Not Applicable	RCS	RCS

<sup>1</sup>Prorated based on household income.

- Federal cost-share =  $RCS + (100 - RCS) * [(0.70SMHI - MHI) / (0.70SMHI - FPL)]$
- Non-Federal cost-share =  $100 - \text{Federal cost share}$