areas that have experienced a significant decline in quantity or quality of water, or in which such a decline is considered imminent, to obtain or maintain adequate quantities of water that meets the standards set by the Safe Drinking Water Act (42 U.S.C. 300f et seq.) (SDWA).

§ 1778.4 Definitions.

Acute shortage. An acute shortage is a situation in which the system either cannot deliver water at all through its distribution system or can only deliver water on a sporadic basis.

Emergency. Occurrence of an incident such as, but not limited to, a drought; earthquake; flood; tornado; hurricane; disease outbreak; or chemical spill, leakage, or seepage.

Rural areas. Includes any area not in a city or town with a population in excess of 10,000 inhabitants, according to the latest decennial census of the United States, located in any of the fifty States, the Commonwealth of Puerto Rico, the Western Pacific Territories, Marshall Islands, Federated States of Micronesia, Republic of Palau, and the U.S. Virgin Islands.

Significant decline in quality. A significant decline in quality of potable water occurs when the present community source or delivery system does not meet, as a result of an emergency, the current SDWA requirements. For a private source or delivery system a significant decline in quality occurs when the water is no longer potable as a result of an emergency. As used in this Subpart, the term significant decline in quality may also include a situation where a significant decline is likely to occur within one year from the date of the filing of an application.

Significant decline in quantity. A significant decline in the quantity is caused by a disruption of the potable water supply by an emergency. The disruption in quantity of water prevents the present source or delivery system from supplying potable water needs to rural residents. This would not include a decline in excess water capacity. As used in this Subpart, the term significant decline in quantity may also include a situation where a significant decline is likely to occur within one year from the date of the filing of an application.

§ 1778.7 Project priority.

Paragraph (d) of this section indicates items and conditions which must be considered in selecting applications for further development. When ranking eligible applications for consideration for limited funds, Agency officials must consider the priority items met by each application and the degree to which those priorities are met.

(a) Applications. The application and supporting information submitted with it will be used to determine the proposed project’s priority for available funds.
(b) **State Office review.** All applications will be reviewed and scored for funding priority using RUS Bulletin 1778–1. Eligible applicants that cannot be funded should be advised that funds are not available.

(c) **National Office review.** Each year all funding requests will be reviewed by the National Office beginning 30 days after funds from the annual appropriation are made available to the Agency. Reviews will continue throughout the fiscal year as long as funds are available. Projects selected for funding will be considered based on the priority criteria and available funds. Projects must compete on a national basis for available funds, and the National Office will allocate funds to State offices on a project by project basis.

(d) **Selection priorities.** The priorities described below will be used by the State Program Official to rate applications and by the Assistant Administrator of Water and Environmental Programs to select projects for funding. Points will be distributed as indicated in paragraphs (d)(1) through (d)(5) of this section and will be considered in selecting projects for funding. A copy of RUS Bulletins 1778–1 and 1778–2 used to rate applications, should be placed in the case file for future reference.

(1) **Population.** The proposed project will serve an area with a rural population:
   (i) Not in excess of 1,500—30 points.
   (ii) More than 1,500 and not in excess of 3,000—20 points.
   (iii) More than 3,000 and not in excess of 5,000—15 points.
   (iv) Over 5,000—0 points.

(2) **Income.** The median household income of population to be served by the proposed project is:
   (i) Not in excess of 70% of the statewide nonmetropolitan median household income—30 points.
   (ii) More than 70% and not in excess of 80% of the statewide nonmetropolitan median household income—20 points.
   (iii) More than 80% and not in excess of 90% of the statewide nonmetropolitan median household income—10 points.
   (iv) Over 90% of the statewide nonmetropolitan median household income—0 points.

(3) **Significant decline.** Points will be assigned for only one of the following paragraphs when the primary purpose of the proposed project is to correct a significant decline that has occurred in the:
   (i) Quantity of water available from private individually owned wells or other individual sources of water—30 points; or
   (ii) Quantity of water available from an established system’s source of water—20 points; or
   (iii) Quality of water available from private individually owned wells or other individual sources of water—30 points; or
   (iv) Quality of water available from an established system’s source of water—20 points.

(4) **Imminent decline.** The proposed project will attempt to avert an imminent decline expected to occur during the one-year period following the filing of an application—10 points.

(5) **Acute shortage.** Grants made in accord with §1778.11(b) of this part to assist an established water system remedy an acute shortage of quality water or correct a significant decline in the quantity or quality of water that is available—10 points.

(6) **Discretionary.** In certain cases the Administrator may assign up to 30 points for items such as geographic distribution of funds, rural residents hauling water, severe contamination levels, etc.

§ 1778.8 \[Reserved\]

§ 1778.9 \[Reserved\]

**Grant Uses.**

Grant funds may be used for the following purposes:

(a) Waterline extensions from existing systems.

(b) Construction of new waterlines.

(c) Repairs to an existing system.

(d) Significant maintenance to an existing system.

(e) Construction of new wells, reservoirs, transmission lines, treatment plants, and other sources of water.