The Georgia Environmental Facilities Authority (GEFA) administers the Clean Water and the Drinking Water State Revolving Fund loan programs - low-interest loan programs authorized and funded by the federal government to help local governments finance critical water infrastructure projects that enhance water quality and protect public health. The American Recovery and Reinvestment Act of 2009 (ARRA) allotted increased funding to the Clean Water and Drinking Water State Revolving Fund loan programs.

GEFA intends to offer limited-availability financing terms in direct response to the goals and provisions of the ARRA. These financing terms are temporary and the GEFA State Revolving Fund (SRF) programs will revert to their standard financing terms and policies when the applicability of these financing terms expires. GEFA’s proposed terms do several important things, including: (1.) maintain standard loan terms while providing substantial principal forgiveness, (2.) reserve funding for OneGeorgia eligible communities and offer these communities higher levels of principal forgiveness than for OneGeorgia Ineligible and Conditionally Eligible communities, and (3.) offer higher levels of principal forgiveness for green projects.

**WHAT WERE OUR OPTIONS?**

1) What is best form of “additional subsidization” as required by the ARRA?

   a. Negative interest loans
   b. Principal forgiveness
   c. Grants

2) Should we modify our interest rate and closing fees?

   a. The GEFA SRF program currently offers 20-year loans at 3% annual interest with a 2% closing fee.

3) Should we offer higher levels of “additional subsidization” for green projects?

4) Should we apply “additional subsidization” terms to just ARRA fund or to both ARRA and annual cap grant funds?

   a. DW: ARRA = $54,775,000 / annual cap grant = $22,800,000
   b. CW: ARRA = $66,261,000 / annual cap grant = $11,500,000

5) Should we offer uniform terms for all applicants or differentiate between applicants / make tiered system?

   a. Should we tie “additional subsidization” to affordability?

6) Should we transfer funds from Drinking Water to Clean Water or vice versa?
WHICH OPTIONS DID WE CHOOSE AND WHY?

1) What is the best form of “additional subsidization?” *We chose principal forgiveness*
   a. Principal forgiveness provides greater long-term return to the GEFA SRF program while “counting” more toward meeting additional subsidization reserve requirement in ARRA.
   b. Negative interest loans are very hard for consumers to understand and additionally would not “feel” to communities like they were getting some form of direct and immediate discount. Additionally, EPA only allows the difference between the principal and the total payback value of the loan to count toward meeting additional subsidization reserve requirement in ARRA. To meet the additional subsidization reserve requirement, GEFA would have had to offer negative interest loans at around 6.2%, which diminished long-term returns to the fund.
   c. If GEFA made grants with any of these funds, the recipient would be considered a federal subgrantee under 40 CFR Part 31 and would have to comply with more than 25 cross-cutting federal authorities. This appeared a difficult and burdensome route. Additionally, GEFA and EPD’s experience with the old construction grant program (a predecessor to the SRF) taught us that communities tend to manage projects better and... 

2) Should we modify our interest rate and closing fees? *We opted not to change these terms.*
   a. GEFA’s proposed financing terms offer substantial principal forgiveness and, additionally, are multiplying the benefits of ARRA funding by offering these terms for both ARRA funds and the federal fiscal year 2009 annual funds.
   b. GEFA recognizes that the ARRA funding is a short-term boost for the SRF program and foresees the day when the GEFA SRF program will return to its normal funding terms. GEFA believes that maintaining these terms will facilitate the transfer back to normal terms and avoid confusion among local governments.

3) Should we offer higher levels of “additional subsidization” for green projects? *We opted “yes.”*
   a. GEFA believes these projects are very valuable for local governments, but sometimes difficult for local governments to prioritize for funding. GEFA expects that by offering higher levels of “additional subsidization” for green projects, more such projects can get completed.

4) Should we apply “additional subsidization” terms to just ARRA fund or to both ARRA and annual cap grant funds? *We chose to apply to both pots of funding*
   d. GEFA has opted to apply the “additional subsidization” terms to both ARRA funds and annual cap grant funds because it:
      i. Increases number of communities that may get subsidized funding / decreases disappointment.
      ii. Stretches the ARRA funds
      iii. Increases the economic and environmental impact of ARRA funds in the State.

5) Whether to offer uniform terms for all applicants or differentiate between applicants / make tiered system: *We chose to differentiate*
   e. GEFA opted to differentiate between large, Non-Rural local governments and Rural local governments.
      i. GEFA embraced the OneGeorgia eligibility criteria because it is well researched, well respected and well understood.
ii. GEFA opted to reserve a certain portion of the funding for Rural communities to avoid all the money going to large, Non-Rural projects in the metro-Atlanta area.

iii. Whether to tie “additional subsidization” to affordability

6) Whether to transfer funds from Drinking Water to Clean Water or vice versa: **We chose to transfer 1/3 of Drinking Water capitalization funding to Clean Water.**
   a. GEFA’s funding history and the results of the recent project solicitation underscore a much higher need for clean water projects than drinking water projects in the state.

**WHAT’S THE IMPACT?**
1) Promote geographic diversity with respect to the benefits of ARRA funding.
2) Get projects going quickly
3) Create jobs
4) Address the very strong demand for clean water funding.

**WHAT ARE WE TRYING TO ACCOMPLISH?**
1) Manage expectations
2) Communicate on a consistent and timely basis
3) Manage the SRF for the long-haul. In the event federal capitalization cease, GEFA must maintain a viable revolving loan fund.
4) Meet at least some of the needs of the existing borrowers who have multi-phased projects that can guarantee drawing against fund within 30 days.

**WHAT WERE THE DECISION MAKING CRITERIA?**
1) Do our proposed terms of funding achieve the objectives of the ARRA?
2) Do our proposed terms comply with the ARRA?
3) Are these terms fair?
4) Do our proposed terms treat similarly-situated communities the same?
5) Are these terms easy to understand?
6) Can we explain our decision making to everyone and stand behind our choices?
7) Project selection criteria:
   a. EPD assists GEFA with prioritizing projects for funding. EPD will prioritize current projects based on (1.) readiness to proceed, (2.) whether the projects address a critical needs such as alleviating a clean water or public health non-compliance issue and (3.) whether the project is well situated to complete the necessary federal review process.
   b. Each program has a set of existing project prioritization criteria.
      i. For the existing CW SRF program a rating and selection criteria priority point system ranks all projects in order of priority. These criteria were established by the Georgia EPD and meet the requirements of the Federal Clean Water Act, as amended and subsequent regulations. The principal elements of the rating system are: Facilities Planning Requirements, Project Readiness; Environmental Benefit; Compliance Bonus and State Match (which is not applicable for ARRA funding). Projects will be ranked against all other projects competing for funds. Any ties will be broken by the project that is the most ready to proceed with construction. A project must have 400 priority points in order to be considered for financial assistance under the GEFA-CWSRF.
For the DWSRF program, the existing rating and selection criteria priority point system to rank all projects in order of priority. This system, established by EPD, meets the requirements of the Safe Drinking Water Act, as amended and subsequent regulations. The principal elements of the system are: Protection of Public Health through Compliance Assurance, Environmental Criteria, Affordability Criteria, Project Readiness, and Financial Management. No funding commitment will be made to a project until sufficient environmental review and financial requirements have been met. Projects will be ranked against all other projects competing for funds. Any ties will be broken by the project that is the most ready to proceed with construction.