

Securitization of GEFA State Revolving Loan Program (Georgia Fund) Talking Points

- The Association County Commissioners of Georgia (ACCG) has worked with the Georgia Environmental Facilities Authority (GEFA) since its inception in the mid-1980s and advocated for its programs that provide low-interest water and sewer loans to local governments. This financing mechanism has been greatly successful in developing the environmental infrastructure that has allowed Georgia's economic growth and development to flourish in recent decades while protecting our state's pristine natural resources.
- The Governor's FY2011 budget recommends the securitization of GEFA's state-funded revolving loan program, known as the Georgia Fund. Counties, cities and water authorities across the state have used this loan fund for water and sewer projects. The recommendation proposes to securitize, or sell off as a bond package, as much as \$450 million of the current loan funding in order to provide \$290 million of the state budget shortfall. As a result, these funds would no longer be available, making the remaining funds in the GEFA loan program more difficult to obtain.
- This proposal eliminates important funding for local governments and water authorities at a time when demands on local government to audit water systems, repair leaking infrastructure and build new capacity are expected to increase. Many of the recommendations released in the report of the Governor's Water Contingency Task Force in response to the federal ruling regarding water withdrawals from Lake Lanier will require funding and implementation at the local level.
- Federal funding sources will not replace the GEFA revolving loan program as most federal funds are limited to water quality projects (water and sewer) and cannot be used for economic development or water supply reservoirs. They also are harder to secure and take longer to approve. Projects such as the infrastructure for the KIA plant (City of LaGrange on the attached list) would not qualify for federal funds.
- One of the primary benefits of the GEFA revolving loan program was the low rates secured by local governments for water and sewer projects. The elimination of these funds will likely result in local governments and water authorities paying higher rates to borrow funds. As a result, these increased costs will get passed on through higher rates on water and sewer bills or the delay or elimination of important projects. The latter will have a negative impact on construction-related jobs at a time when they are needed most.
- ACCG continues to monitor this issue very closely, as the implementation details are not clear at this time. The securitization of the GEFA loan program is a major component of the Governor's FY2011 budget recommendations and would require major cuts to other areas of the state budget if it is not incorporated into the current budget reduction strategy.