

ENVIRONMENTAL FUNDING RESOURCES:

Descriptions and Case Studies

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1) TAXES

	Type of Resource	Purpose	Available Amounts	Length of Time Available
<i>Local Sales Tax</i>	This resource is a tax added to or in lieu of state general and use taxes.	The revenues are often applied to specific purposes, generally in the areas of space acquisition, parks and recreation and environment/land projects.	The available amounts are determined at the time that the state and/or locality decides to implement the tax	The length of time that the funds are available depends upon what the locality decides, as well as the project that the tax revenue is generated for. Each timetable is different.

Case Study

A Georgia example of this resource is the Special Purpose Local Option Sales Tax, or SPLOST. It is a special tax of one cent on all consumer goods. The tax must be voted on and approved by referendum, typically every five to six years. The funds can only be applied to physical structures and buildings, not operations or programs. A more concrete example is that SPLOST has been used to allocate funds for a project to acquire riverfront properties along the North Oconee River Corridor at a projected budget of \$1.8 million (2000). The North Oconee Rivers Greenway Project was continued in 2005 to acquire properties on the River for recreational and public use, as well as for possible restoration of the Oconee Hill Cemetery Bridge. The projected budget of the project is \$1,384,753, with current and future goals of raising \$250,000 in 2006, \$567,376 in 2007 and \$567,377 in 2008 from the tax.

	Type of Resource	Purpose	Available Amounts	Length of Time Available
<i>Excise (Sales) Tax</i>	This resource is a tax paid when certain goods or activities are purchased. The tax is usually included in the purchase price	Certain environmental or "green" products can be taxed, with the proceeds funding related activities.	The amount is dependent upon the tax agreed upon by the locality using the measure by referendum. There are also federally-imposed excise taxes, depending on the taxed item.	The length of time available is also determined by referendum by the utilizing locality.

2) FEES

	Type of Resource	Purpose	Available Amounts	Length of Time Available
<i>Connection Fees</i>	This resource is comprised of fees that are charged to owners of property once they connect to local utilities.	New users of utilities, generally of water and wastewater collections services, absorb the costs of connection rather than imposing them on users with existing connections. Overall, reduces equity.	The revenues generated depend on the fees levied by the locality on the related utility connections.	The process is ongoing, or at least until the locality decides to cease levying fees, which may or may not occur.

	Type of Resource	Purpose	Available Amounts	Length of Time Available
<i>Inspection Fees</i>	This resource is comprised of fees levied, usually at the state-level, on continuous inspection of facilities' practices and activities that may negatively impact the environment.	The fees can be used for clean-up purposes or to implement changes in the violating facilities' practices.	Amounts are usually modest and are dependent on the fees that state management agencies decide to impose.	The fees are usually ongoing, such as part of a continuing permitting/enforcement program.

	Type of Resource	Purpose	Available Amounts	Length of Time Available
<i>Exactions</i>	This resource is a type of fee levied by local governments on private developers, and distributed to the public. The fees can be “paid” in various forms, including money, land and construction.	The fees can be used to cover infrastructure expenses or, for facilities to avoid development/impact fees or taxes, they can offer services such as construction or building infrastructure instead.	It is difficult to determine available amounts as this fee can be received in either a monetary form, as construction materials, building services, etc. However, even if received in a non-monetary form, having infrastructure or other services provided can be money-savers for local governments.	Exactions are available for as long as a locality decides to require them.

Case Study

There are currently no available examples of exactions in Georgia due to the implementation of the Development Impact Fee Act, which has limited the legality of development exactions with the exceptions of project improvements and a list of specific exactions as stipulated in the Georgia Code (O.C.G.A. § 36-71-13).

	Type of Resource	Purpose	Available Amounts	Length of Time Available
<i>Special Assessments</i>	A type of fee levied by a local government or jurisdiction on a specific portion of the population. The subpopulation on which the fee is levied typically enjoys some sort of environmentally-related benefit, thereby justifying the fee charge.	The fee either offsets any impact resulting from the subpopulation’s activity, or finances a purpose related to the subpopulation’s activity for the benefit of the larger, general population. Projects, including development and water/waster treatment can be funded by these fees.	The amounts depend on the fees as established by the local government utilizing the resource. Factors including the subpopulation’s activities and the target benefit(s) are considered when determining a fee.	These fees are available for whatever length of time the locality deems appropriate.

	Type of Resource	Purpose	Available Amounts	Length of Time Available
<i>Impact Fees</i>	Impact fees are fees that are levied only once and at the time of the issuance of a building permit or certificate of occupancy.	They are in exchange for the issuee's use of government services, such as utilities or access to civil services, i.e. fire or police department. These fees can be used to fund environmental services or expanded environmental services.	Revenues generated depend on the fees levied by the locality on the related utility connections.	The availability of this resource is often dependent on the benefit or improvement that a locality is targeting for funding. The accrued fees can either be used for an ongoing or long-term purpose; or they can be used for emergency funding.

Case Study

Impact fees are obtained from a variety of developments. These can include structures for residential, retail, office and industrial purposes and fund civil services as well as water and other utilities. In Georgia, various counties impose impact fees on new development. For example, according to the most recent available figures, Henry, Canton and Effingham counties have raised \$10,000, \$11,400 and \$21,000, respectively, in revenue from imposing impact fees on a mixture of new development construction, including hospitals, fast-food restaurants and retail space. All three counties have applied the resulting revenue to water, sewer and wastewater treatment facilities and infrastructure.

3) FINES AND PENALTIES

	Type of Resource	Purpose	Available Amounts	Length of Time Available
<i>Environmental Benefits Projects</i>	When there has been a violation of an environmental regulation or related permit, the violator can cover the expense of a special environmental improvement project in lieu of or in addition to paying fees for the violation.	The project undertaken by the violator can be used to offset any negative impacts caused by environmental hazards in the same area, but cannot be used to mitigate the effects of the actual violation. They can also be used for larger, unrelated environmental projects.	The available amounts depend on what is established as an appropriate settlement, either out-of-court or during adjudication.	The length of time the funds are available also depend on the settlement terms. The funds can either end when the project ends or continue in ongoing disbursements for continued support.

Case Study

The Satilla RIVERKEEPER is a project that was implemented with funding as a result of litigation against a titanium mine involving an appeal of their NPDES permit in 2002. The litigation yielded a settlement agreement for the titanium mining company to provide a stream of income for the purposes of establishing a watershed group at the discretion of the interested party litigating on behalf of the Satilla watershed. The settlement agreement also provided for wetlands not authorized to be excavated or altered by the mining company to be protected, as well as undisturbed and preserved in the future.

The appellants decided to apply to the WATERKEEPER Alliance for establish a very specific type of RIVERKEEPER organization in 2004, when the income began to first trickle in. The first “donation” provided by the mining company was roughly \$17,000 – followed by a \$35,000 “donation” for each year of active mining by the mining company and a quarterly amount of \$8,750 for subsequent years during which there is a reasonable anticipation of completion of discontinuance of active mining by the mining company.

4) LOANS

	Type of Resource	Purpose	Available Amounts	Length of Time Available
<i>DOA Rural Utilities Water and Water Disposal Systems Loans</i>	These are loans specifically geared towards rural water and disposal utilities installation, repair, expansion, etc. They can be applied for and used by local governments, nonprofit organizations, co-ops and similar entities.	The funds can be used for construction, renovation, repair, installation, replacement and purchase of water utilities systems and wastewater disposal systems. In some areas, the funds can also be extended to finance programs for non-point sources.	The funds disbursed depend on the projects. They also depend on any other funding, such as HUD loans, that the locality or organization may be using in conjunction with this resource. Sometimes, the loan is available in the form of a grant if it is used to fund a project if loan funds have been expended and after the project has been completed or mostly completed. The amount can be up to 70-80% of the remaining cost depending on certain factors.	The length of time for funding depends on the type of project, the time required for implementation and the disbursement schedule decided upon by the agency.

Case Study

Georgia offers both loans and grants for water, wastewater and solid waste programs. Loans can usually be obtained to cover the total costs of an eligible project, and grants can cover up to 75% or four million dollars of the total costs of an eligible project. These funds are only available for eligible small rural communities and towns not in excess of a population of 10,000. Generally, the terms of an RUWWDS loan in Georgia are for up to 40 years depending on the applicant and the project and at an interest rate of 4.375% to 4.5%. This past year, 2006, the aggregate total for loans and grants disbursed to eligible applicants for water and wastewater purposes was almost \$48 million dollars. The recipients included the communities of Hamilton, Union Point, Hagan, Eastman, Eatonton-Putnam and Satilla Regional. Some communities, such as Union Point, Hagan, Eastman and Eatonton-Putnam, are eligible to receive both loan and grant funding.

	Type of Resource	Purpose	Available Amounts	Length of Time Available
<i>Co-Funding</i>	This resource applies more to a method of funding a project rather than a single source of funding. State and federal loans and even grants in some instances can be combined to finance a project.	This method can be utilized by states as well as localities, though the process of combining funds may be complex and difficult. Thus, it is often necessary for an agency to initiate finding and combining appropriate sources of funding.	The amounts available depend on the quantities of each resource acquired and, subsequently, their aggregate amount.	The availability depends on the terms of each resources, as well as the schedule agreed upon by the agency or agencies involved in the co-funding/planning process.

Case Study

An example of co-funding would also come from the above example listed for RUWWDS loan/grant program. The four communities of Union Point, Hagan, Eastman and Eatonton-Putnam would be likely examples of multiple funding resources (although from the same source) combined to finance eligible projects.

	Type of Resource	Purpose	Available Amounts	Length of Time Available
<i>EPA State Revolving Funds – Clean Water</i>	Under federal regulations, states are administered funds to apply to the Clean Water State Revolving Funds (CWSRF) program, which they must match with state funds at a rate of 20 percent. This program makes available low interest loans to other localities to finance wastewater programs treatment and pollution control.	These funds can be used to finance non-point source pollution reduction programs, stormwater treatment, septic system renovation, landfill treatments, etc. They can also be used to refinance previous debt obligations.	The available amounts depend on the project needing funding and what the State is willing to provide the locality. The loans are disbursed at extremely low interest rates, starting at zero and ending at market rate. The State is also able to adjust loan rates and terms if necessary to allow the locality greater flexibility to utilize and repay the loan,	Currently, the loans are made available for up to 20 years and there have been attempts to extend that time to 30 years.

Case Study

The Georgia Environmental Facilities Authority, or GEFA, is the primary engine through which EPA State Revolving Funds for Clean Water are disbursed. Funds are only granted in the form of loans at a fixed interest rate of 3% on a payment schedule of 20 years from the date of the completion of the project. If the loan is combined with some other form of State funds, the interest rates of the multiple resources will be blended and, likely, higher than 3%.

The loans are granted for projects focusing on renovations of public wastewater treatment facilities, non-point source pollution control projects, and land purchases for the purpose of water quality improvement. They are available to localities, appropriate water-related authorities, as well as city and state authorities. Georgia tends to distribute funds solely for wastewater treatment projects, with some room for incorporating non-point source pollution control projects.

Some of the loan recipients for this past year, 2006, included the construction of a new regional wastewater pumping system in Gwinnett County for an approved loan amount of \$20 million; the continued expansion of sewer and reuse water lines in Effingham County for \$15.8 million; and the addition of \$2,732,000 to an existing loan for the construction of a new, larger wastewater treatment facility in Rincon, GA.

5) COMMUNITY-BASED ENVIRONMENTAL PROTECTION

	Type of Resource	Purpose	Available Amounts	Length of Time Available
<i>Affinity-Based Merchandise</i>	Specific goods are sold by either states and/or local jurisdictions within those states for profits that are allocated for environmental projects and programs.	The goods are sold with the specific purpose of the generated revenue financing either a predetermined environmental project or a longer-term environmentally-related goal/purpose.	The available amounts are dependent upon the goods sold and their agreed-upon price points. The sales may be ongoing or may be limited, only continuing as long as the desired funding is required.	The length of time available for the resource likely depends on the goal for the funding; i.e. the timetable for the project or program. It may also be dependent upon the popularity and demand for the good being sold.

Case Study

Although the funds are geared towards species conservation, Georgia has earmarked proceeds from the sale of non-game wildlife license plates to support the state Wildlife Conservation Fund. The plates are sold at a single special tag fee, or premium, of \$20 per plate and the revenue finances education and other activities related to endangered and non-game wildlife species under the Wildlife Resources Division of the Georgia Department of Natural Resources. The license plates have been sold for about eight years and have generated profits of over \$13.5 million. It is the sole source of state funding for this project.

	Type of Resource	Purpose	Available Amounts	Length of Time Available
<i>DOA Natural Resources Conservation Services Wetlands Reserve Program</i>	This resource is made available by the National Resource Conservation Service of the U.S.D.A. under the 1996 Farm Bill, in the form of monetary payments to owners of wetlands and buffer areas in exchange for easements, conservation and restoration measures.	The purpose of this funding is to preserve and protect wetlands and improve water quality by reducing non-point source pollution. This often involves landowners agreeing to keep a significant portion of the land unused for crop production.	The amounts vary according to the annual payouts that the NRCS agrees to and what lands they agree to fund.	The length of time available for funding depends on the land and type of easement. There are permanent easements available, for which total lump sums are disbursed for financing. There are shorter-term easements, often for thirty years, that are funded through multiple disbursements over the period of the easement.

Case Study

The Wetlands Reserve Program (WRP) in Georgia is a voluntary program in which landowners can establish a permanent easement in exchange for the agricultural value of the land and 100 percent of the costs for restoring the wetlands; a 30-year easement in exchange for 75 percent of what the value would be for a permanent easement and 75 percent of the restorations costs; or a non-easement related restoration cost-sharing agreement. Landowners retain the ability to control access to their lands, but NRCS manages the wetland(s).

This past year, 2006, a total amount of \$1,060,637.00 was allocated to Georgia for wetlands reservation.

6) BONDS (Insert by Stacey Berahzer)

Definition

A bond is a written promise to repay debt on a specific future date. It also involves the payments of interest on a predetermined schedule at a fixed rate for the life of the bond.

In order to pay for specific water quality improvements, a local government would sell or issue bonds. The money from these sales is used to pay for the project upfront. The government would then be required to make payments of interest and principal on a previously decided timeline until the debt is paid off.

There are several different types of bonds, but what distinguishes one type from another is the *source of pledged security or repayment* (or type of collateral) for the bond.

General Obligations Bonds

General Obligation or “GO” bonds are regarded as the most secure type of bond for an investor to buy from a local government. This is because these bonds are backed by the local government’s taxing power. Basically, the debt will be repaid to the bond buyer by raising taxes, especially property taxes, within the government’s jurisdiction. Since this type of bond is so secure, the interest rate that the buyer receives is usually lower than with other types of less secure bonds. GO bonds are one of the more popular types of long-term (that is, more than one year) debt. In fact, about one-third of all long-term debt is GO debt.

Georgia law limits the total amount of GO debt that a local government can undertake. This cap is calculated as 10 percent of the assessed value of all taxable property within the city/county.

One important consideration with GO bonds is that they require voter approval via referendum election. To fulfill this requirement, the local government’s council first adopts a resolution calling for a special election for one of the four dates each year on which such a referendum can be held. The call for election must be published in the official newspaper for 30 days, and must include a statement asking whether debt shall be incurred by the city/county in a particular amount and for a specified purpose. The amount of principal to be paid in each year and the interest rate or maximum interest rate applicable must also be published. While obtaining voter approval does make the process more involved and usually more time-consuming, it does provide the government with the assurance that the intended project is supported by the citizens.

Revenue Bonds

Revenue bonds offer the efficiency-advantage of not requiring voter approval. The funds to repay this type of bond come not from taxes, but from revenues that are generated by a specific source. This source is usually a self-supporting local enterprise or project. For example, revenue bonds are often issued for water and sewer infrastructure. The money to repay this debt comes from the fees that the utility charges to water and sewer customers. For water quality projects, a logical source of security for revenue bonds would be a stormwater fee charged to residents within a local government’s jurisdiction.

Revenue bonds should be considered for projects that provide a basic service that is used by many people. This allows for a significant amount of revenue to be generated even from relatively small user fees.

Since revenue bonds are backed only by a specific revenue source, and NOT by the taxing power of a government, they are generally considered more risky investments and therefore require governments to pay a higher interest rate to bond buyers. Also, additional covenants and a feasibility study are usually required with revenue bonds. For instance, the feasibility study would be conducted by an outside, independent body in order to confirm that the intended project is viable.

Case Study – City of Fayetteville, GA

In 2003, the City of Fayetteville, GA issued bond debt in the amount of \$2,050,000 for stormwater projects in order to improve drainage and water quality. The debt was to be paid over a 20 year period using projected stormwater user fees. User Fees were defined as \$2.95 per Equivalent Residential Unit (ERU) per month. The City began collecting these fees under its new stormwater utility in 2004.

Revenues generated have been used to fund projects to relieve flooding, increase inspections and increase maintenance of the City's stormwater system. New culverts have been installed in several neighborhoods and a project to upgrade Pye Lake Dam is under design.

Capital projects include:

Engineering Studies and Analysis	\$ 270,000
Aerial Maps/GIS	\$ 50,000
East Fayetteville Drainage Basin	\$ 750,000
Pye Lake Flood Control	\$ 780,000
Medford Manor/White Road	<u>\$ 200,000</u>
Total:	\$2,050,000

In addition, the City uses these funds to meet the NPDES Phase II permit requirements enforced by the State. The stormwater fee has helped pay for development of the programs needed to meet these regulatory requirements.

The City's Stormwater Utility generates about \$475,000 per year in user fee revenue. Some of this money is used as debt service for the revenue bonds that the City issued. However, the City is able to use the rest of the money for improvement projects. Since February 2004, the City has completed seven drainage improvement projects totaling \$1.6 million and construction work on the Pye Lake Project is scheduled for completion in late 2007.

Tax Allocation Districts (TADs)

“Tax Allocation District” is the name given in Georgia to the more commonly known concept of “Tax Increment Financing.” This financing technique is particularly applicable to urban,

blighted areas that are expected to generate increased property taxes once redeveloped. First, the geographic area to be redeveloped is defined. The amount being generated in property taxes at a certain point in time is assessed and this is used as a baseline. Bonds are issued to pay for the improvements, which often include environmental clean-up and provision of basic infrastructure such as roads. Developers are attracted to the area, so stores, restaurants, apartment buildings, houses etc. appear. Property values increase with the redevelopment, but all the taxes that are collected above the predetermined baseline are used to repay the bonds.

Case Study – Atlantic Station, Atlanta, GA

“Atlantic Station” was developed on what used to be the Atlantic Steel Mill brownfield site in Midtown Atlanta. In fact, this has been the nation’s largest urban brownfield redevelopment. The Atlantic Steel Co. was initially founded in 1901. Deconstruction of the company occurred almost a century later in 1999. Environmental reclamation of the site took approximately two years and involved removal of contaminated soil, tree planting, installation of a ground water interception system and detention facilities to improve stormwater management.

The City of Atlanta established a TAD to pay for infrastructure improvements in the area, including roads, sidewalks, sewers and parking. The \$75 million issued in Tax Allocation Bonds in October of 2001 was intended to pay for this first phase of infrastructure development. The construction of the 17th Street bridge was one of the first infrastructure projects undertaken in late 2001. By 2002 some of the first restaurants signed lease agreements for Atlantic Station and the first residents moved into the neighborhood in October 2003.

This project has redeveloped 138 acres into a “live-work-play” area that contains housing, offices, entertainment, a hotel, and many retail stores. Ultimately, the Atlantic Station redevelopment is expected to include 15 million square feet of retail, office, residential and hotel space as well as 11 acres of public parks.

Certificates of Participation (COPs)

Leasing is an increasingly popular tool for financing projects in local government. COPs in particular are being used more widely for acquiring land for parks and protecting natural areas. A COP is a financial instrument used to finance capital projects, which are backed by the leasing of real property, physical assets, or, in some cases, equipment. The assets are held by a trustee, and the local government makes yearly lease payments to the holders of the certificates until all the debt has been repaid. The trustee acts as an “on-behalf-of” agency for the certificate holders. If the local government defaults on the lease payments, the trustee is responsible for selling the physical assets and reimbursing the certificate holders.

As a type of lease-purchase arrangement, COPS allow a government to pay for a property over time. Since the payments are made year by year, the transaction is not formally considered debt, and so does not affect a government’s debt limit. Additionally, this type of financing does not require voter approval. But, a potential restriction with COPs is that there must be some physical asset to act as collateral.

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