



## CHAPTER 15

### FUNDING SOURCES

While many of the recommendations in the Alcovy Protection Plan require little capital expenditures (i.e., policy changes, organizational restructuring, ordinance development), certain proposed tasks will require significant funds to accomplish (e.g., inventory of stormwater infrastructures, BMP retrofits and demonstration projects, on-going watershed monitoring, greenspace acquisition). There are a variety of internal and external funding options available local governments to support such watershed protection measures. This section presents a number of measures, with their advantages and disadvantages. Ultimately, an integrated approach should be undertaken by the participating jurisdictions to develop sustainable funding sources for stormwater management and land acquisition for watershed protection, combining both internal and external sources that are best suited for each individual community.

#### **Internal Sources**

Internal funding sources are those in which a particular jurisdiction or governmental agency can establish and control within the existing organization. The most notable internal funding sources include:

- Impact fees,
- Special Purpose Local Option Sales Tax (SPLOST) funds,
- Stormwater utilities,
- General funds, and
- Revenue bonds.

**Impact Fees.** Impact fees are utilized by an increasing number of local governments to help finance the cost of providing clean water and other public services demanded by a growing population. These fees are established based on the estimated cost a new development will impose on a particular public service. In order to assess impact fees, local governments must satisfy several requirements, including adopting a comprehensive land use plan that includes a Capital Improvement Element (CIE), establishing a Development Impact Fee Advisory Committee, and holding at least two public hearings prior to adopting a Development Impact Fee Ordinance. The CIE is the most difficult hurdle for a community to overcome if it is not already an established process within the local government. The CIE projects the community's infrastructure needs, establishes a schedule of implementing infrastructure improvements over a five year or longer period, describes the



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funding sources for these improvements, and assesses service levels. An impact fee program can discourage sprawl and encourage more cost-efficient development by minimizing costs for new developments that are located near existing distribution systems (see Chapter 2). Further details on impact fees are given in Appendix A in the Fact Sheet entitled, “Using Impact Fees to Protect Water Quality.”

**SPLOST Funds.** Special Purpose Local Option Sales Tax funds or SPLOST funds can be used to generate monies for stormwater management by adding a special sales tax to the local community. Georgia law allows local jurisdictions to use SPLOST proceeds for capital improvement projects that would otherwise be paid for with General Fund and property tax revenues. By using SPLOST funds, the community can generate the necessary funds for capital projects that might not have otherwise been undertaken. SPLOST funds allow the funding of capital projects to be spread across all residents and non-residents who benefit from the community’s effective stormwater management. This option ensures that all citizens that utilize the community’s infrastructure participate in funding stormwater activities and ensures that the burden is not placed solely on the local property tax payers.

SPLOST funds generate revenue directly through a sales tax, thus decreasing the overall cost to the community as compared to issuing bonds or other loans with interest. For instance, if a project requires the use of bonds, the cost to the community is virtually double what it would be if paid for in cash. With the strong economic environment of the past decade, SPLOST funds could pay for many stormwater infrastructure projects without forcing the local governments to go into debt. However, the success of a SPLOST program is entirely dependent on the amount of retail sales in a jurisdiction. Some local governments have been disappointed with the low level of revenue produced by their SPLOST, because they lack many retail outlets. A small, mostly residential municipality should not rely on a SPLOST as a major source of funding.

**Stormwater Utilities.** Stormwater utilities are a dedicated funding source within the county government or associated with water and wastewater utilities in which revenues are generated through fees levied for service for municipal stormwater programs. The utility is responsible for the operation, construction and maintenance of stormwater management devices and for stormwater system planning.

Stormwater utilities can be set up in different ways. Generally, a user fee is established that is based on the relative contribution of stormwater quality and quantity generated by a given property. Typically, industrial, commercial, and multi-family sites are assessed individually, according to the relative amount of impervious surface they contain, to approximate their relative contribution of stormwater runoff. Single family residences are typically assessed a uniform fee. Rates for residential users can range from \$20 – 50 per year, while rates for non-residential users may vary greatly.



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Stormwater utilities are a viable option for virtually all counties and municipalities. There are almost 300 stormwater utilities in operation in at least 20 states throughout the United States, which serve cities with populations ranging from 5,000 to 3.5 million. Revenues generated from utilities vary based on the population and the fees assessed (i.e., Bellevue, WA (population 92,000) generated \$7 million in 1990; Austin, TX (population 466,000) generated \$15 million in 1998; and Louisville, KY (population 671,000) generated \$16.2 million in 1998) (Stoner 2000).

Stormwater utilities are being used as a means to equitably distribute the financial costs of stormwater management. One obstacle to overcome in establishing a stormwater utility is public perception. Public education and participation should be a significant component to local government action to institute a stormwater utility, to ensure that the citizens understand the purpose and need for such funding. Further details may be found in Appendix A in the “Stormwater Utilities” Fact Sheet.

**General Funds.** The use of existing general funds for funding stormwater management activities may also be a viable option for some communities. Many communities are already using this mechanism, although some may be finding that stormwater problems are not adequately addressed since funds are not ear-marked specifically for stormwater management projects. Use of general funds may require the re-allocation of existing revenues, which could be difficult for some communities. Also, most communities already have restricted budgets and therefore finding new revenues within the existing funds may be difficult. Perhaps most significantly, this process does not equitably burden developments and customers having the largest impact on the stormwater infrastructure to cover their fair share of the costs of such services.

**Revenue Bonds.** Revenue bonds are long-term municipal bonds dedicated to cover the cost of large capital projects. Similar to water and wastewater revenue bonds, revenue bonds for storm water management are a capital investment that can be used to fund specific projects, like large structural best management practice (BMP) projects. These bond issues cannot cover the day-to-day operation and maintenance related to stormwater management, but can be used in conjunction with a storm water utility to provide an immediate source of funding for large projects.

### **External Sources**

External funding sources for supporting stormwater management programs are those resources provided and controlled by outside entities. These funding options are typically limited to discrete activities or projects or acquisition of environmentally sensitive lands but are typically not conducive to funding an entire, comprehensive stormwater management program. Examples of external sources of funding include:



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- *The Governor's Community Greenspace Trust Fund* was established by the Georgia legislature in 2000 and provides funds to the 40 fastest growing counties for greenspace and water quality protection. Newton, Gwinnett, and Walton counties are all eligible for these resources, provided they prepare a greenspace plan that provides for the permanent protection of 20 percent of their land base.
- *The Transportation Efficiency Act for the 21<sup>st</sup> Century (T-21)* allows for the appropriation of about \$630 million for transportation enhancements, such as multi-use trails and greenways. A portion of these funds may be used to secure ecologically sensitive and scenic areas and to control runoff from roads. Athens-Clarke County has used approximately \$1 million in these federal funds to design and construct its Oconee Rivers Greenway.
- *The Conservation and Reinvestment Act of 1999 (CARA)* established the Land and Water Conservation Fund (LWCF) for the purchase of recreational lands in Georgia.
- *Section 319 of The Clean Water Act* provides funds for programs to control non-point source pollution. A number of these grants are approved each year in different parts of Georgia.
- Reauthorization of the *Safe Drinking Water Act* in 1996 created a state revolving loan fund of up to \$1 billion per year for upgrading local water systems. An allowable use of these funds includes loan assistance to acquire land or development rights from a willing seller or grantor to protect a water source from contamination.
- *The North American Wetlands Conservation Act* provides federal matching funds to acquire habitat for migratory non-game birds and endangered species. Bibb County and the Georgia Department of Natural Resources were able to procure \$1 million of this funding for the purchase of Ocmulgee River wetlands.
- *Georgia Emergency Management Authority* provides funds for the completion of projects to remediate areas with flooding problems.

Additional funding options that can be used as incentives for private landowners to improve water quality include:

- *The Wetlands Reserve Program (WRP)* is part of the 1996 Farm bill and is administered through the U.S. Department of Agriculture's Natural Resources Conservation Service (NRCS). The program pays farmers the appraised value of wetland acreage, as well as all costs of restoration, if they place permanent conservation easements on the land. It also provides cost-share funds if 30-year easements are placed on wetlands (Johnson 1999).
- *The Conservation Reserve Program (CRP)*, which provides incentives for farmers to retire erodible or sensitive lands, now targets four million acres for the establishment of riparian buffers (USEPA 1998). This program has been underused in Georgia, with less than 1,000 acres of buffer land enrolled, compared to more than 15,000 acres in South Carolina (Johnson 1999).



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- *The Conservation Reserve Enhancement Program (CREP)* is a new initiative that awards additional funds for conservation projects that address critical water quality, soil erosion and wildlife habitat needs (USEPA 1998). Each state can submit a proposal for CREP funds to enroll up to 100,000 acres. States that have been funded have received an average of \$200 million to acquire or obtain easements on riparian buffers and wetlands (Johnson 1998).
- *The Environmental Quality Incentives Program (EQIP)* provides technical assistance, incentive payments and up to 75 percent cost-sharing for establishing conservation practices, including buffer strips. Although 50 percent of the funds are reserved for livestock producers, CAFOs are specifically excluded (USDA NRCS, 1997).
- *The Wildlife Habitat Incentives Program* offers funds to help private landowners improve wildlife habitat on their lands (USDA NRCS, 1996).

External funding sources can be used in conjunction with internal sources to cover the costs of large capital or innovative stormwater projects that could not be funded through existing funding resources.

### Integrated Funding Approach

The key to establishing funding for stormwater management in any community is to identify types of projects and activities to be funded, the extent of funding needed and the sources available for funding. In each of the communities within the Alcovy River watershed, a sustainable funding source for stormwater management is needed to address daily operation and maintenance issues, as well as growth and development issues. In addition, funding options to cover large BMPs or innovative technology implementation must be identified. To accomplish both of these objectives, an integrated funding approach should be considered. Internal funding options can serve as the backbone for the stormwater management program, with external resources being used to cover specific projects or activities throughout the watershed.



**References**

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