



State of New Jersey

DEPARTMENT OF ENVIRONMENTAL PROTECTION

NOTICE OF PUBLIC COMMENT PERIOD REGARDING PROPOSED AMENDMENTS TO THE FFY2010 CLEAN WATER PRIORITY SYSTEM/INTENDED USE PLAN CLEAN WATER FINANCING PROGRAM STATE REVOLVING FUND (SRF)

February 26, 2010

The Department of Environmental Protection (Department) is proposing amendments to the FFY 2010 Clean Water Priority System/Intended Use Plan documents. The amendments are needed to comply with requirements contained in Congress's FFY 2010 Appropriations Act regarding the State's Clean Water (CW) SRF Program. The proposed amendments identify the changes to the funding policies of the 2010 Environmental Infrastructure Financing Program (Program) originally proposed in the Fall 2009.

In January 2010, USEPA issued a memorandum that identified the amount of FFY2010 federal funds available to each state's CW Program. In addition, the FFY2010 Appropriations Act also required that a portion of each grant to the State be used to provide additional subsidization (i.e., principal forgiveness (PF)); a requirement that was not anticipated when the initial proposal was developed. To incorporate the additional subsidization requirement into the FFY2010 Program, the Department is proposing the following:

Principal Forgiveness – For New Jersey's Clean Water Program, the Appropriations Act requires that a minimum of \$12,469,856, and allows no more than a maximum of \$41,566,186, from the FFY2010 capitalization grant be used to provide additional subsidization. The Program has decided to use 30% of the FFY2010 allocation or \$24,978,300 to provide principal forgiveness. Principal forgiveness monies will be allocated in a manner similar to that used in 2009 except that the principal forgiveness portion will be reduced to represent 25% of the total allowable project costs and the Trust share increased to 50% of the allowable project costs.

The Department plans to use the same \$10M in allowable cost limit per project sponsor for projects that qualify for the principal forgiveness package, so no one project sponsor would get more than \$2.5M grant-like funding.

The principal forgiveness package will be a principal forgiveness loan for 25% of the allowable project costs, an interest-free loan for 25% of the allowable project costs and a market-rate loan from the New Jersey Environmental Infrastructure Trust (Trust) for the remaining allowable project costs. If the total allowable costs (including the leveraged Trust portion) for a project is more than \$10 million, then the remainder of the project costs will be covered by the traditional funding package, except for those projects designated green or smart growth which would receive an interest-free loan from the Department for up to 75% of the allowable project costs and a market-rate loan from the Trust for the remaining allowable costs. All other projects that do not qualify for the principal forgiveness package would receive 50% (for traditional) or 75% (for green or smart growth) of the allowable project costs awarded as an interest-free loan and the balance of the allowable project costs awarded as a market-rate loan from the Trust.

The principal forgiveness package will be provided to projects in priority order provided that the project is certified as part of the regular 2010 program financing and until the \$24,978,300 amount is exhausted. This approach allows the principal forgiveness monies available to be spread over more projects while still

focusing the incentivized shares on high priority projects.

Green Project Reserve – As anticipated in the FFY2010 Proposal issued in the Fall 2009, the Appropriations Act requires that a portion of each capitalization grant be used to establish a Green Project Reserve (GPR) equal to a minimum of 20% of the State’s FFY2010 allocation (\$16,652,200). If a green project qualifies for the principal forgiveness package, the package will cover the first \$10M in allowable project costs and the additional costs will be financed with up to 75% of the allowable project costs coming from an interest-free loan and 25% from a market-rate Trust loan. All other projects or portions of projects that qualify for the GPR are eligible for the enhanced financing package of a 75/25-blended loan. If the Department determines that there are insufficient applications or there are deficiencies in the application for projects eligible to be financed through the GPR, the Department may use the funds allocated to the GPR to finance other clean water projects in the FFY2010/SFY2011 Program.

Projects that may qualify for enhanced green funding include clean water projects that implement green infrastructure, water or energy efficiency improvements (including projects that are designed to reduce greenhouse gas emissions). Green infrastructure includes such practices as replacing existing pavement with porous pavement, bioretention, green roofs and other practices that mimic natural hydrology and reduce effective imperviousness. Water and energy efficiency activities that can qualify for the additional points include the installation of digester or landfill gas recovery/reuse systems, photovoltaic cells, wind turbines, wastewater reuse, etc. Projects that are a mix of traditional and green technologies will only receive enhanced financing for the green components of the overall project.

2010 Financing Packages – Highly-ranked projects may qualify for the principal forgiveness package outlined above. Projects that are not ranked high enough to qualify for the principal forgiveness package will receive loans based on the traditional financing structure to allow the Program to spread limited funds to as many borrowers as possible. Projects designated green or smart growth would receive an interest-free loan from the Department for up to 75% of the allowable project costs and a market-rate loan from the Trust for the remaining allowable costs. All other qualifying projects would receive an interest-free loan from the Department for up to 50% of the allowable project costs and a market-rate loan from the Trust for the remaining allowable costs. All projects will be reviewed in rank order. The Program hopes to finance as many projects as possible, but funds are limited and there may not be enough money to fund all the projects that submit applications

Supplemental Loans - Supplemental loans do not qualify for principal forgiveness. Supplemental loans will receive a financing package based on the percentages received in the original loan i.e., projects originally financed at 50/50 will receive 50/50 loans and projects originally financed at 75/25 will receive 75/25 loans.

A complete copy of the FFY2010 proposal document and project list issued in the Fall 2009 are available on the Department’s website at <http://www.nj.gov/dep/dwq/cwpl.htm> . Copies can also be mailed to those individuals that prefer to receive a hard copy by contacting Scott Shymon, Supervisor, Office of Program Development at 609-633-1208.

The period for submitting written comments on the proposal will close on March 29, 2010 (all comments must be postmarked by that date). All comments should be submitted to: Stanley V. Cach, Assistant Director, Municipal Finance and Construction Element, PO Box 425, Trenton, NJ, 08625. All comments submitted in accordance with the deadline will be considered in the preparation of the final FFY2010 Priority System documents.

If you have any questions regarding the FFY2010 Clean Water Program, please contact one of the following:

Stanley V. Cach, Jr., Assistant Director	609-292-8961
Gautam Patel, Chief, Bureau of Finance and Construction Permits	609-984-6840
Eugene Chebra, Chief, Bureau of Administration and Management	609-633-1208

Thank you for your anticipated input.