

U.S. Environmental Protection Agency Environmental Financial Advisory Board

Public Meeting Minutes

October 24–25, 2023

Location: Ann Arbor, MI, and virtual

Respectfully submitted by Edward H. Chu, EPA Designated Federal Officer
Certified as accurate by Kerry E. O'Neill, Chair, Environmental Financial Advisory Board

NOTE AND DISCLAIMER: The minutes that follow reflect a summary of remarks and conversation during the meeting. Such ideas, suggestions, and deliberations do not necessarily reflect consensus advice from the Board. Formal advice and recommendations may be found in the final advisory reports or letters prepared and transmitted to the agency following the public meetings. Moreover, the Board advises that additional information sources be consulted in cases where any concern may exist about statistics or any other information contained within the minutes.

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Purpose

The U.S. Environmental Protection Agency (EPA) Financial Advisory Board (EFAB or Board) is an advisory committee chartered under the Federal Advisory Committee Act (FACA) to provide advice and recommendations to EPA on creative approaches to funding environmental programs, projects, and activities. The purpose of the meeting was for the Board to discuss possible future advisory charges, provide updates on previous EFAB deliverables, and to understand and consider environmental finance issues in the Great Lakes region and Michigan.

The meeting was announced in the *Federal Register*; see <https://www.govinfo.gov/content/pkg/FR-2023-09-27/pdf/2023-21112.pdf/>.

To view the agenda, see <https://www.epa.gov/system/files/documents/2023-10/agenda-efab-october-2023-meeting.pdf/>.

Day 1

Welcome, Member Roll Call, and Review of Agenda

Edward H. Chu | EFAB Designated Federal Officer

Kerry O’Neill | EFAB Chair

Designated Federal Officer (DFO) Edward H. Chu opened the meeting and shared that oral comments may be presented during the oral comment period.

Kerry O’Neill conducted the roll call.

Roll Call

Ashley Allen Jones, present

Courtney L. Black, present

Steven J. Bonafonte, present

Angela Montoya Bricmont, present

Matthew T. Brown, present

Stacy Brown, present

Albert Cho, not present

Janet Clements, not present

Lori Collins, present

Zachary Davidson, present

Jeffrey R. Diehl, present

Sonja B. Favors, present

Phyllis R. Garcia, present

Eric Hangen, not present

Barry Hersh, present

Craig A. Hrinkevich, present

Margot Kane, not present

Thomas Karol, present

George W. Kelly, present

Gwendolyn Keyes Fleming, not present

Cynthia Koehler, present

Colleen Kokas, present

Joanne V. Landau, present

Lawrence Lujan, present

MaryAnna H. Peavey, present

Dennis A. Randolph, present

Sanjiv Sinha, present

Marilyn Waite, present

David L. Wegner, present

Gwen Yamamoto Lau, present

Ed Chu introduced former EFAB member Craig Holland, who welcomed EFAB members to Ann Arbor and shared some information about the city, such as that the city is committed to being climate neutral by 2030. He said EPA’s unprecedented levels of funding make it an exciting time to be on EFAB.

DFO News

Edward H. Chu | EFAB Designated Federal Officer

Ed Chu announced that Kerry O’Neill has been reappointed Board chair. Her term will end in June 2026. He said that EPA has not yet appointed new members but will have a membership drive early next year, with terms to begin in June 2024.

Ed Chu announced that he is taking a year to work for the president of the University of Arizona, and he will be back at EPA in October 2024.

EPA Office of the Chief Financial Officer

Gregg Trembl | EPA Deputy Chief Financial Officer

Gregg Trembl said the federal government is operating under a continuing resolution through November 17, 2023. He said that EPA has historic amounts of funding and is focused on Administrator support for earmarks, which consist largely of water infrastructure projects; the Toxic Substances Control Act; the Clean Air and Climate program; enforcement; and environmental justice. Regarding environmental justice, he said that EPA is asking for an additional \$100 million for national and regional grants, staffing, Thriving Communities Technical Assistance Centers (TCTACs); and implementing the National Environmental Policy Act (NEPA), which requires building capacity, particularly staff and subject matter experts. He said it's an exciting time to be at EPA.

Cynthia Kohler asked if, given the issues Congress is currently facing, EPA's budget requests will be considered. Gregg Trembl acknowledged that it's a tough environment, but he is hopeful the agency can get all or most of the funding requested.

David Wegner asked where the Water Infrastructure Finance and Innovation Act (WIFIA) is headed. Gregg Trembl said he would get back to the Board on that question.

Angela Bricmont asked whether EPA was still experiencing staffing issues. Gregg Trembl said that EPA has hired 600–900 new external hires over the past two years and has supplemented that with contractors. He said the challenges with supplemental funding is that it runs out and there is no guarantee there will be more. He said there are still some challenges. Ed Chu added that some of the issues EPA had experienced in the past were associated with labor market challenges.

George Kelly asked if there was additional funding for Federal Insecticide, Fungicide, and Rodenticide Act (FIFRA) dealing with pesticide registration and compliance with the Endangered Species Act (ESA). He also noted the drinking water crisis in New Orleans and asked if situations like that rely on Congressional earmarks or whether supplemental emergency funding is available. Finally, George Kelly asked if EPA was considering public–private partnerships. Gregg Trembl said that, generally, there is funding for life and safety issues, and longer-term recovery funding requests are usually run through Congress. Ed Chu said that the Office of Water could talk to EFAB about EPA's response to various issues. Regarding public–private partnerships, Ed Chu added that EPA is establishing relationships with intermediaries, such as with the Greenhouse Gas Reduction Fund (GGRF). Ed Chu said that agency is moving aggressively into that realm because they don't have the staffing to do everything that needs to be done.

Matthew Brown asked Gregg Trembl to talk more about the role of earmarks. Gregg Trembl said that for a time, a Congressperson could put funding for their locality into law. He said that practice went away for a while but is now coming back from individual members of Congress, not from the Executive Office. He said funding for such earmarks comes from the State Revolving Funds (SRFs). He said there are just under 1200 earmarks for fiscal year (FY) 22 to FY23. He said EPA has 134 of those, which they have to wrap into all the other work that the agency handles.

Dennis Randolph said that there are many people in the country that don't have water and sewage facilities. He said that one issue with the engineering approach to prioritizations is that it encourages funding to be spent on existing facilities and past investments, which exacerbates inequities. He said that just hiring engineers won't solve the problem, but he is glad the issues are on the table.

Kerry O'Neill asked how the agency is doing regarding getting the Bipartisan Infrastructure Law (BIL) and Inflation Reduction Act (IRA) funding out the door. Gregg Trembl said he does not have specific figures, but that in FY23 EPA obligated 80% more of its funding than in any given year prior. Kerry O'Neill asked about the risks to any funding that has not yet been obligated. Gregg Trembl said Congress could decide to rescind the funding, which is why EPA works hard to get the funding out.

Sanjiv Sinha asked about data regarding support for the Justice40 Initiative. Gregg Trembl said the agency is working on a dashboard that will allow users to track spending, and he also referred to the Office of Environmental Justice and External Civil Rights (OEJECR). However, Gregg Trembl noted, the House could decide to zero out funding for that office.

EPA FACA Coordination

Venus Welch-White | Senior Advisor to EPA's Agriculture Advisor

Venus Welch-White, DFO for the Farm, Ranch, and Rural Communities Committee (FRRCC), said the FRRCC seated 17 new members in November last year, including a new chair and co-chair. The group had its first in-person meeting in about six years in January. She said the FRRCC charge is around climate change and agriculture. The FRRCC established four workgroups which later consolidated into three workgroups. These focus on climate, energy, and water nexus; climate mitigation, resilience and adaptation; and climate finance, social inclusion and technical assistance. She shared highlights from the group's meeting at Colorado State University.

Venus Welch-White summarized the FRRCC's third meeting in September, in which the workgroups presented updates and draft recommendations. Recommendations that were approved by the Committee are in the process of becoming finalized.

George Kelly reiterated his question about the ESA and compliance with pesticide regulation and asked if the FRRCC is dealing with that issue. He said that using DayCent, which had been free in the past, now costs \$100,000 to use. He said there is a need for modeling. Venus Welch-White said the FRRCC has not been involved with the ESA, but the Pesticide Program Dialog Committee FACA may be looking at the issue. She added that she was not aware that DayCent was now charging a fee and added that there is a lot going on to capture and verify data. Ed Chu said that EFAB could discuss how they could coordinate with other groups on specific issues.

Ashley Allen Jones said a couple EFAB members are working directly with FRRCC members on climate-smart commodities projects. She said there is an opportunity to collaborate on climate-smart commodities and agricultural finance/greenhouse gas. She said there is a gap to fill and even a narrow charge would be beneficial to the U.S. Department of Agriculture (USDA) and EPA. Venus

Welch-White said she'd share the finalized recommendations from the FRRCC concerning anaerobic digesters and agreed there were common interests to explore. Ed Chu said EFAB could form an exploratory committee on smart agriculture. Venus Welch-White noted that there are funding streams outside of the climate-smart commodity component.

David Wegner noted that 74% of the water in the Colorado River Basin goes to agriculture. He said there are 30 Native American tribes in the area, of which about half have agriculture as a key part of their economies. He said that it will be crucial to have good policy in terms of quality, quantity, efficiency management, managing infrastructure and using taxpayer dollars.

Ed Chu asked members if they wanted to form an exploratory workgroup to investigate an intersection between FRRCC, social justice, and environmental finance. Ashely Allen Jones, David Wegner, Craig Hrinkevich, George Kelly, and Matthew Brown agreed to form the exploratory workgroup. Venus Welch-White said she would speak with the chairs about the opportunity.

Kerry O'Neill asked for a motion to form an exploratory workgroup regarding collaboration with FRRCC. David Wegner so moved; Sanjiv Sinha seconded. A show of hands vote showed unanimous agreement.

Private Sector Investment in Resiliency

Angela Adduci | Aon

Clint Bartlett | United Nations Development Programme's Adaption Innovation Marketplace

Kerry O'Neill introduced Lori Collins, the moderator of the panel.

Lori Collins said the purpose of the panel was to share information. She said that climate and weather disasters have caused about \$120 billion dollars in damages every year since 2017 and the insurance sector cites climate change as one of its top risks. The world's largest corporations face \$1 trillion in financial risks from climate change. She said that the U.S. has suffered \$1 billion climate catastrophes 24 times so far this year. She said the private sector has not yet figured out how to realize investment returns on climate resilience and adaptation. Barriers to private sector investment include understanding, for example, the definition of climate adaptation. She said the private sector also faces regulatory pressure as well as pressure from investors. She said climate risk comes with equity and justice goals, as it affects disadvantaged communities disproportionately.

Lori Collins introduced the panel and asked if there is a way to integrate climate resiliency with decarbonization investments.

Clint Bartlett said that he believes making money is the way to sustain efforts. He began his remarks by clarifying a few points. The first is that the private sector has a specific language that is fairly rigid and narrow. Second, he said, when one looks at incentivizing investment, it's important to note that being profitable and maximizing returns are distinct. Third, he said, we are learning that lack of resilience is forward facing. He gave the example of Sudan, which it may be tempting to describe as "behind" us, but from another point of view, it could be characterized as ahead of us if we don't

address system fragilities. Finally, he said, the message may be that the system itself may not be deficient in itself, but rather cannot sustain the challenges from climate change.

Lori Collins said we already see major insurance companies pulling out of the homeowners insurance market in California. She asked Angela Adduci how to draw insurance companies back into these markets. Angela Adduci said the industry finds this issue urgently important, and where private companies exit, government steps in. She noted that after the 9/11 terrorist attacks, many insurers left the market until the government stepped in and passed terrorism risk insurance. She said although these risks aren't the same as climate-related risks and can't be addressed in the same way, there is a lot to learn from where government has stepped in to draw in the private market.

Lori Collins asked how derisking works and who pays for it. Angela Adduci said risks vary, for example, economic, financial, physical, etc. She said in some cases, adaptation is the solution; in other cases, adaptation is impacted by risk. She said one role for insurance that is under-explored is the role of creating private capital leverage for public programs. She said that de-risking can raise the risk tolerance for the private sector, which creates opportunity to maximize leverage. Angela Adduci said that the government will need to undertake a significant amount of risk management to reach the private sector investment goals sought by the program.

Jeffrey Diehl noted that in addition to making money, the private sector is concerned with how to pay for various approaches. He said the private sector has been more interested in mitigation rather than in adaptation because the returns are longer term. He said one challenge is crowding in private capital when there isn't a clear income stream.

Kerry O'Neill said we're not underwriting the true risk.

Tom Karol clarified that insurance companies are not pulling out of some states, but rather they are not writing new policies; they continue to serve old policies. By law in California, he said, they can't look at future data, just past data. States vary in this regard. He said there are issues when the government makes risk level decisions that affect insurers.

Steven Bonafonte said that mitigation programs are often viewed as speculative, so funding gets concentrated in addressing disasters after they happen rather than in preventing them, which is a disincentive. He said he'd like to identify resources for prevention.

Jeffery Diehl said disaster bonds didn't take off in the United States because farmers know that if there's a disaster, the federal government will pay for it. He said the mindset needs to change.

Stacy Brown said it's a complicated issue and said at some point there will be insurance participation in the environmental market.

Barry Hersh said there is only so much a person can invest to protect their property. He said it's not the answer for most single-family homeowners. He asked how to interface with federal, state, and local governments, as well as with the real estate industry to provide more resilience.

Lori Collins asked the speakers about ways to attract private capital to resilience efforts.

Clint Bartlett said the private sector has to make more money, or the money they make needs to have less risk associated with it. He said that not being able to identify the resilience-building capacity of certain solutions is a major challenge. He added that the state will always have to carry some adaptation or mitigation measure.

Angela Aducci said there is a need for data from the perspectives of both financing and insurance to facilitate adoption.

George Kelly asked how policy can unlock positive externality. Investors need a return; hence, there is a role for the government.

Jeffrey Diehl said that the idea that \$1 dollar invested in prevention gives a return of \$6 in cost avoidance has a 25- to 35-year payback period. He asked how the concept of a return on investment can be used to justify paying the private sector to get that done.

Joanne Landau noted that part of the problem is opportunity costs; investments can be made that bring faster returns.

Lori Collins said the government can provide incentives, lower risks, and she asked for other comments on what the federal government can do to drive adoption or lower insurance premiums.

Sanjiv Sinha mentioned a U.S. Forest Service program that distributed \$1 billion to 400 cities for urban reforestation. He said this will result in private-sector entities coming up with realistic, local solutions. He said the private sector is already working on climate-related challenges because they have to.

Stacy Brown said strong regulation could have a big impact going forward. Barry Hersh said there may be a role for tax credits.

George Kelly mentioned the Forest Resilience Bond, in which Blue Forest uses a bond model for wildfire mitigation, and he mentioned other green and blue bond models and building on conservation finance.

Steven Bonafonte said the Army Corps of Engineers needs to participate in some of these projects.

Environmental Finance Center Network Update

Jen Cotting | University of Maryland Environmental Finance Center Director

Bev Vazquez | EPA's Water Finance Center

Bev Vazquez said that the BIL provides historic funding to improve water infrastructure in communities, and the point of the Water Technical Assistance (WaterTA) program is to serve disadvantaged and underfunded communities. They said EPA has several water programs, and the goal is to have one WaterTA Initiative with several programs under it.

Bev Vazquez spoke briefly about one technical assistance (TA) program, Creating Resilient Water Utilities (CRWU), which provides drinking water, wastewater, and stormwater utilities with training and TA to increase system resilience. CRWU also shares climate data to help utilities identify adaption strategies and financing.

Bev Vazquez said looking ahead, EPA will work to help many more communities to access BIL funding, and they shared some examples of how WaterTA could be used, such as for planning and assessment, project development, and more.

Bev Vazquez also gave an overview of the Environmental Finance Centers (EFCs), the largest WaterTA program at EPA, which had a budget of \$100 million and was infused with \$52 million in new dollars with BIL funding for 13 regional EFCs and four national EFCs.

Jen Cotting said the new EFCs were rolled out because EPA recognized that funding wasn't the only factor that limited communities. She said EFCs are listening to communities they work with to ensure the work reflects community goals. She said EPA knows they face trust issues with some communities, so the agency wants to ensure built capacity stays in communities. She said there is a lot of funding available and a spectrum of services that the EFCs can provide communities, and the agency is thinking about how to provide sustained assistance to communities that need it.

Jen Cotting said EFCs work with state and local governments, tribes, nonprofit organizations, and academic institutions, as well as the private sector to do capacity building, outreach and education, support to agencies, policy analysis, and many other activities. She said EFCs are trying to consider equity in everything they do. She said the multimedia EFCs are able to focus broadly and include not only water issues but also food systems, energy needs, and other issues facing communities, allowing for cross-fertilization.

Ed Chu noted that the EFCs funded by BIL have a five-year time frame, but the multimedia EFCs remain the backbone of the initiative. He asked if the EFCs were formally or informally coordinated with the TCTACs. Jen Cotting clarified that a number of regional EFCs are officially a part of some TCTACs. She said this allows EPA to approach the work efficiently.

Gwen Yamamoto Lau said that disadvantaged communities say they are tired of so many agencies going in and talking to them, and she asked if there were ways to collaborate so that EPA goes into communities one time instead of multiple times. Jen Cotting said they have been hearing that as well and said that EFCs are trying to talk to states as well as to other TA providers to coordinate across TA programs. Jen Cotting said that each region has a TA coordinator; they are having quarterly calls throughout regions and are developing a tracker to ensure that efforts aren't duplicated.

David Wegner asked if EFCs are working with SRFs, WIFIA, and other programs so that dollars go further. He also asked about coordinating with the Department of Interior, National Oceanic and Atmospheric Administration (NOAA), Department of Energy (DOE), and other agencies to work holistically with communities. Jen Cotting said yes; to the extent they can, they try to help communities connect to the most appropriate funding stream.

MaryAnna Peavey said she oversees a SRF program, and that EPA has done a lot of work in a year's time. She said there is some duplication, and that marketing and consistent messaging would be beneficial. She added that having assistance for small rural systems is great, but it is still a challenge to find engineers who are willing to go out and do the work for those small communities.

Bev Vazquez said that EPA is working to provide some direct engineering services. Jen Cotting added that some EFCs have that skill in house, and there is funding for engineers and other consultants.

Sonja Favors said that she has noticed that programs aren't unified across the country. She said communities don't know about these centers and asked what EPA is doing to ensure a baseline of care for communities. She said program sustainability is a challenge, and communities need capacity to maintain systems. She said that access is also a problem for some communities if they have to submit a form online. Sonja Favors added that communities can also be overwhelmed with things the state wants them to do. Bev Vazquez replied that there are multiple ways to identify communities, and the web form is just one of them. EPA has worked with regions and states to identify priority communities. Jen Cotting added that states differ in their approaches to getting the work done. EFCs want to fill in gaps and work effectively with states. She said EPA is taking an adaptive management approach and is open to change.

Public Comment

Greg Fogel | Water Reuse Association

Greg Fogel expressed his support for EFAB's moving forward with a study on the potential benefits of an investment tax credit to support industrial water recycling. He said water consumed by households and individuals is only a small percentage of the total water consumption across the country; industry—manufacturing, high tech, data centers, food and beverage manufacturing, etc.—account for about half of all direct withdrawal from groundwater and surface water sources.

He said an investment tax credit to support industrial water recycling is a way to protect freshwater resources. He said Congress is interested in EPA taking on this research. He said water reuse saves water and protects water quality, and it promotes job growth. He said the Water Reuse Association urges EPA to move forward with the study.

Randy Neprash | National Municipal Stormwater Alliance

Randy Neprash said his organization represents more than 4,000 of the 7,500 municipal separate storm sewer system (MS4) permittees in the United States. He voiced support for stormwater funding. He said stormwater is a growing source of pollution. He said it is widely assumed that stormwater projects are eligible for and meaningfully funded by Clean Water SRF (CWSRF) and the Green Infrastructure program. However, his organization has looked at data from 1988—2020 and found that 1.8% of CWSRF funding went to stormwater projects. He said this is astonishingly low and underappreciated. Regarding the Green Project Reserve, he said about a quarter were green

infrastructure stormwater projects and almost half were wastewater projects. He encouraged EFAB to help EPA pay more attention to stormwater. He said we need to understand why so few cities even apply for CWSRF funding, and they're interested in ensuring TA providers have knowledge of stormwater. In his experience, most TA providers are informed about wastewater. He encouraged EFAB to include members with stormwater knowledge and experience.

Update On Recent EFAB Charge Deliverables

Edward H. Chu | EFAB Designated Federal Officer

Ed Chu said that, tomorrow EPA Chief of Staff Dan Utech would provide an update on the GGRF program.

Ellen Tarquinio, director for Water Infrastructure and Resiliency Finance Center, said that EPA returns repeatedly to EFAB's recommendations on stormwater. She said that on September 30, they published a learning module that was developed in response to one of EFAB's recommendations that EPA provide more information to communities. The module is on stormwater funding and financing options, and it's live on the Water Finance Clearinghouse site. She said they would take the same approach for other EFAB recommendations. She said they know operations and maintenance (O&M) is a huge issue and they will make EFAB recommendations easily accessible. She said EPA is also working with TA providers to educate them on stormwater funding and finance options.

She said another learning module will be released soon that concerns alternative delivery project frameworks and draws on EFAB recommendations from around 2018. She said the agency recently came out with a revised Financial Capability Assessment (FCA) that drew on a lot of metrics and recommendations suggested by EFAB in a 2014 report.

Day 2

Welcome & Member Roll Call

Edward H. Chu | EFAB Designated Federal Officer

Ed Chu welcomed members to the second day of the meeting.

Kerry O'Neill conducted the roll call.

Roll Call

Ashley Allen Jones, present

Courtney L. Black, present

Steven J. Bonafonte, present

Angela Montoya Bricmont, present

Matthew T. Brown, present

Stacy Brown, present

Albert Cho, present

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Marilyn Waite, not present

David L. Wegner, present

Gwen Yamamoto Lau, present

EPA Chief of Staff

Dan Utech | Chief of Staff, EPA

Dan Utech thanked the Board and the DFO for the opportunity to address the meeting.

Dan said he would be providing an update on the GGRF and focus on a couple things related to the program: the stakeholder engagement process that the agency went through to launch the competitions and discuss the path forward.

Dan Utech said when he last spoke to the Board, EPA was in the thick of an extensive process to gather input from a broad range of stakeholders to inform the design of the GGRF. He said one of the inputs the agency received early on was the work of EFAB in response to the set of charge questions. He again thanked the Board for that hard work in a very short timeframe. Dan Utech said the Board's work helped kickstart the efforts of the agency around GGRF and that input was part of an extensive process under which the agency heard from hundreds of individuals and groups representing communities and stakeholders across the country. He said the agency was able to do that engagement process in a way that gave additional input but also met the high standards of EPA's competition policy, which ensure that the competitive process under agency grant programs remains fair and impartial. Through that process, he said, they were able to ensure that all

interested stakeholders had an opportunity to share their perspectives and at the same time, took proactive steps to ensure the integrity of these important competitions.

Dan Utech shared a few highlights from that process included an October 22 formal request for information that elicited nearly 400 detailed submissions responding to questions about program structure eligible activities, strategies for maximizing private sector leverage, reporting processes on impacted funds, and other foundational design questions and decisions that the agency faced. In November 2022, he said, the agency hosted two national public listening sessions which yielded more than four hours of public comments about the program. He said EPA also hosted more than a dozen targeted stakeholder roundtables focused on the Request for Information (RFI) questions to solicit input from existing financing entities, labor organizations, environmental justice organizations, states, environment and energy officials, and others.

He said in March 2023, the agency held two public listening sessions regarding the design of the \$7 billion solar competition to understand better how to accelerate deployment of solar energy to low-income and disadvantaged communities. More than 500 people attended those two sessions combined, and recordings from those sessions can be found on the GGRF website. In addition, he said, EPA launched a GGRF Community Roundtable series with a trip to Houston, Texas, in March of 2023 to visit a planned community solar facility. Dan Utech said it also included a meeting directly with community members to talk about that project and how this program might support projects like that in Texas and around the country. He said that series of engagements was to try to meet stakeholders in neighborhoods around the country to share the impact of program for renters, homeowners, small business owners, local government leaders, schools, nonprofits, and others that they hope will benefit from this program and who are looking to save on energy costs, reduce pollution, and create jobs and other benefits in their communities.

Dan Utech said EPA met with its Local Government Advisory Committee (LGAC) on several occasions to hear their recommendations for meeting the needs of local governments. He said they also drew upon discussions with the National Environmental Justice Advisory Council (NEJAC) as well as the White House Environmental Justice Advisory Council (WHEJAC) to help the agency think about how to design these programs to ensure that it met the needs of low-income and disadvantaged communities. Finally, in April of this year, he said EPA released a 52-page implementation framework for the GGRF. Dan Utech said they wanted to further transparency around the program, and importantly, maximize their ability to gather information from all interested stakeholders as well as give all interested stakeholders an ability to comment on these programs. The agency received over 150 detailed comments in response to the framework. He pointed to that as a high-level overview of the extensive stakeholder process that EPA ran around this program and where EFAB input fits into the process. All the information received informed EPA's thinking about how to structure the three competitions that were announced early this summer, he said.

Dan Utech said the \$14 billion National Clean Investment Fund (NCIF) competition will provide two to three national nonprofit clean financing institutions so that EPA is able to partner with the private sector and provide accessible, affordable financing for tens of thousands of clean energy projects around the country. He said once the agency makes these awards next year, these entities, in turn, will provide financial assistance with a range of financial products to both project sponsors;

in other words, directly to projects themselves to deploy around the country, and to community lenders and other institutions, including community development, financial institutions, credit unions, green banks, and others, to, in turn, finance projects. The financial products that will be offered out of these institutions and their sub-grantees will finance qualified projects that meet a set of criteria that include reducing or avoiding greenhouse gas emissions and other air pollution, delivering additional benefits to communities, mobilizing private capital, and other criteria.

He said they also launched a \$6 billion competition under the Clean Communities Investment Accelerator (CCIA) banner. This competition will provide between two and seven grants to hub nonprofits that will, in turn, deliver funding and TA to build a clean financing capacity. He said this will be focused exclusively on community lending, working in low-income and disadvantaged communities. The two to seven hubs will in turn provide capitalization funding of up to \$10 million dollars through subgrants and/or subsidies and TA sub-awards for an additional \$1 million to community lenders. That funding will flow to eligible projects that meet the criteria described earlier, but also under this competition focused particularly on three priority areas: distributed energy generation storage, net zero emissions buildings, and zero emission transportation. Dan Utech said there is a more targeted approach under the \$6 billion CCIA competition than under the NCIF for those particular types of projects. This \$6 billion competition is focused exclusively on low-income and disadvantaged communities.

Dan Utech said \$7 billion Solar for All program, which was launched in June, will award up to 60 grants to states, territories, tribal governments, municipalities, and nonprofits to expand the number of low-income and disadvantaged communities primed for residential solar investment, enabling millions of low-income households to access affordable, resilient, and clean solar energy. He said, more specifically, they intend to make up to 56 awards to serve state and territory geographies, up to five awards to serve American Indian and Alaska Native communities, and up to 10 awards made to serve similar communities across multiple states. He said he was excited about that program and the benefits that it can provide financing clean energy savings, energy resilience, improved air quality, and jobs around the country.

He said the agency launched those three competitions this year: Solar for All in June and the other two in July. Once those were announced, he said they had webinars for each grant competition to provide stakeholders an overview of the application process, submission requirements, and additional details about the contents of the funding opportunity announcements. EPA published several 100 frequently asked questions (FAQs) on its website to help clarify questions that potential applicants would have.

Dan Utech said on October 12, the application period for all three competitions closed. He said since then, the agency has been digging in and beginning a selection process, comprising a rigorous process to review and score the applications that will culminate in selections by March of 2024. He said he could not speak about that selection process itself, but that he was glad to have had the opportunity to give the Board an overview of the extensive engagement process, review the competitions announced earlier this year, and inform EFAB that the agency received a great set of applications. Dan Utech said he was excited about the potential for this program next year and beyond to catalyze clean energy projects that provide a range of benefits in communities across the country. He said he was very appreciative of EFAB's input and that was an important component of

a broad outreach strategy that informed EPA’s competitions and the way that they structured the program.

Jeffrey Diehl asked how soon capital will start flowing after awards are announced. Dan Utech said agreements will have to be negotiated with recipients, which could take months, but he hopes by early summer.

Michigan Saves

Jason Beale | Wright Energy Partners Co-Owner

Rob Boomershine | LAFCU Vice President of Lending

Eli Lieberman | Michigan Saves Clean Energy Financing Director

Missy Stults | Ann Arbor Sustainability and Innovations Director

Eli Lieberman said that Michigan Saves, founded in 2009, is the nation’s first nonprofit green bank. He said that to date Michigan Saves has supported more than \$500 million in clean energy improvements across the state. He said that residential products use a credit enhancement model, specifically a loan loss reserve, backed by appropriations from the state. He said they have a network of more than a thousand certified contractors and work with five residential credit unions. Michigan Saves has a leverage ratio of 30-1: for every dollar they get from the state, they leverage 30 times that with private-sector investment.

On the commercial side, Eli Lieberman said, Michigan Saves has established a partnership with First Independence Bank, the last minority depository institution remaining in Michigan. He said they also offer utility interest rate buydown programs with some of the larger utility companies, including DTE and Consumers Energy, which help small businesses become more energy efficient.

Eli Lieberman said the green bank’s success is a result of its network of contractor, lender, and municipal and state partners. He introduced Jason Beale, a contractor partner; Rob Boomershine, a lending partner; and Missy Stults, a government partner.

Eli Lieberman gave an overview of the Detroit Loan Fund. He said the green bank is committed to the Justice40 Initiative and noted that an analysis of the green bank’s approval and denial rates for residential loans in major cities found that Detroit had disproportionately high denial rates. Examining some of the reasons, such as credit scores, Michigan Saves created alternative underwriting criteria called “ability to pay,” which they undertook in partnership with True Community Credit Union. He explained that if an application to Michigan Saves doesn’t meet initial criteria, it’s automatically given a second review and sent to the credit union, which conducts an ability to pay review and originates and services the loan. He said the Michigan Saves holds the notes on the loans, which was made possible with \$2.5 million in support from the Kresge Foundation. He said initial data from the program suggest that denial rates have dropped from 51% to 36%, which is more in line with the rest of the county.

Regarding the GGRF, Eli Lieberman said that Michigan Saves appropriations are restricted to the loan loss reserve, so there is little capacity to staff up for the GGRF. He suggested that awardees be

given a clear timeline regarding disbursements so that they can plan accordingly. He also said that nascent green banks across the country are concerned about being able to access capital at the lowest cost possible and suggested that some amounts can be set aside for forgivable loans or equity-like investment that can help build the balance sheet.

Jason Beale said that his company is an energy efficiency contractor doing municipal, industrial, commercial, and multifamily projects. He said his company excels at making the business case for energy efficiency. If done right, he said, operating expenses are reduced. He shared an example of a project with the city of Grand Blanc to upgrade six buildings with building envelopes and lighting. He said that project was possible only because of financing through Michigan Saves. He said he is a strong supporter of the finance model. He noted the benefits of having longer terms given the increased costs seen since the COVID pandemic. Longer terms—10–15 years instead of 5, for example—can result in fewer defaults.

Rob Boomershine said that LAFUCU has been a Michigan Saves partner since 2010 and has helped credit union members make energy efficient upgrades to their homes, lending out about \$17 million to about 1,500 members. He said the Michigan Saves loans have jumped at LAFUCU from about \$50,000 per month to more than \$1 million every month, which speaks to the demand for energy efficient homes as well as contractor commitment to working with communities.

Missy Stults welcomed EFAB to Ann Arbor and thanked them for their service. She said that Ann Arbor's goal is to create a just and equitable transition to communitywide carbon neutrality by 2030. She said if we do not disrupt extractive systems, we are headed for more economic and social disparity and rapid climate change, as well as more people left out of the American Dream. She said that in Ann Arbor they are trying to create the nation's first low-income, carbon-neutral neighborhood. She said they have been working for three years with the residents of that neighborhood, and work is challenged by the fact that many homes are in disrepair, and many people are working poor and do not qualify for financing. Another challenge is improving conditions without gentrifying the neighborhood. She said the work involves partnership with Michigan Saves, as well as services, such as getting legal help so that residents can create wills and pass on wealth should they decided to sell. She said that the neighborhood has created a home assessment that includes an energy assessment but adding other factors, such as flooding, renewable energy potential, radon, and more. She said they work not only to decarbonize, but to address market failures so that residents don't have to decide whether to pay their energy bills or to eat.

Missy Stults said the city is also creating a whole home energy advisor service which helps people decarbonize in ways that matter to residents. She said Ann Arbor has the highest solar adoption and battery adoption rates in the state. They also voted as a city to tax themselves to fund climate work. Among their many other programs, they started a contractor training program and an aging-in-place program that looks at increasing energy efficiency as well as improvements that help people stay in their homes.

Sanjiv Sinha asked Eli Lieberman what percentage of the \$500 million in financing went to low-income residents. Eli Lieberman said that they track it at the census level to protect privacy. However, at that level, 59% of their financing goes to middle- and low-income communities. Rob

Boomershine added that the delinquency rate on the portfolio is 0.25%, which is unheard of for an unsecured loan.

Jeffrey Diehl noted that even with long financing terms, some of the projects don't make economic sense for businesses. He asked what Michigan Saves is doing to extend the terms. Eli Lieberman said it depends on the amount of the loan, but some repayment terms can be 15 years.

Missy Stults said Ann Arbor has a program called Solarize that brings several neighbors together to install solar, and installers pass a percentage of savings to customers, depending on how many neighbors join in. She said this program has already saved \$1.8 million in upfront costs.

Jeffrey Diehl raised the need for a product that can fill the gap for commercial projects that are \$1 million or less. Kerry O'Neill said the sub-million-dollar market is an issue across the country.

Jason Beale agreed and said that there's a market for 30-year mortgages, so there could be something similar for energy efficiencies.

Lori Collins said that Charleston Saves, Alabama Saves, and other Saves programs are now defunct. She asked how Michigan Saves has been successful when other states have not, and how they might help other states succeed. Eli Lieberman said that Michigan Saves is contractor driven, so they try to make sure that everything they do aligns with the business processes of contractors so that it is as streamlined as possible. He also said that there are efficiency requirements for the installations covered by the program. Communication is streamlined as well with simple to use software.

Kerry O'Neill added that Michigan Saves is embedded in an ecosystem that understands the range of stakeholder needs and has reduced barriers.

Missy Stults noted in the chat that creating local champions has helped increase adoption rates as neighbors and friends talk with one another about the benefits of improvements and are trusted brokers of information.

Gwen Yamamoto Lau asked how underwriting might change and what challenges contractors face with the Davis Bacon Act, Buy American requirements, and so on. Jason Beale said that it's a heavy lift, but his biggest challenge is product supply and labor supply.

Ashley Allen Jones said Michigan Saves has figured out how to build an on-ramp for people that needs to be built even before a loan could be made. She suggested the work could be described in terms that make sense to philanthropists, who could help fill some of the gaps. Eli Lieberman said it's not possible to borrow money and then re-lend it immediately, that relationships must be built first.

Board Discussion on Proposed Charges

Kerry O'Neill said that after the charges are presented and discussed, the group will vote on whether to accept each one and form workgroups on them.

Water Affordability

(Note: The proposed water affordability charge can be viewed and downloaded at <https://www.epa.gov/system/files/documents/2023-10/efab-water-affordability-charge-draft.pdf>)

Cynthia Kohler said the exploratory workgroup was large and very active. She said that almost a year ago, there were a dozen charge questions proposed by EPA and EFAB, and the group brought the number down to five integrated parts:

1. Capital projects—What types of investments could make rates more affordable?
2. Consumer Assistance Program (CAP) barriers—What are the primary legal challenges and common barriers?
3. Rate structure/design—What options for redesign can work, given particular barriers?
4. SRF subsidies—How can EPA ensure that funds are directed toward where they need to go?
5. EPA support—How can EFAB help EPA think about its role and beneficial policy, guidance, or recommendations it could pass along to states?

Cynthia Kohler said water has been cheap, but that is changing, and water affordability is an issue across the nation. She said many of the barriers to customer assistance programs are perceived rather than actual.

Jeffrey Diehl said that as the workgroup considers the charge, they are cautious and conscious about putting guardrails around the use of SRFs and how it can be done, conscious of the fact supplemental funding will run out and there is a risk that policies can outlive the funding.

Sanjiv Sinha said that his organization, Corvias Infrastructure Solutions, is doing a lot of research with partners across the country that can provide a lot of information on the first two elements.

Angela Bricmont said that Denver is one of the utilities that cannot subsidize, so they implemented the Low-Income Household Water Assistance Program (LIHWAP), and there may be lessons learned there and from other states about how they were able to do that.

Jeffrey Diehl made a motion to approve the charge; David Wegner seconded. Kerry O'Neill took a voice vote, and the motion passed unanimously.

Water Reuse

(Note: The proposed water reuse charge can be accessed at <https://www.epa.gov/system/files/documents/2023-10/private-reuse-investment-efab-proposed-charge.pdf>)

Angela Bricmont said this is a relatively narrow charge with two parts: evaluate the “public benefit” of a potential investment tax credit for privately owned industrial facilities; and evaluate the optimal investment tax incentive to encourage innovation. She added that this is an especially important topic in the West, and there are several parties interested in engaging on this topic.

David Wegner said that water recycling is key to expanding the water portfolio in the West.

Gwen Yamamoto Lau noted that the potential for reuse goes beyond industrial plants and asked if the charge could consider more than just industrial facilities. Justin Mattingly said the request from Congress focused on private investment in water reuse, which EPA interpreted as primarily industrial. He said lessons can be learned and applied elsewhere.

Ed Chu said that the client is asking for something very specific, but the Board are the experts. Justin Mattingly agreed that other perspectives, such as from the commercial sector, would be helpful to Congress and others. David Wegner suggested that Justin Mattingly speak with the Congressional committee staff to ensure the charge addresses their request.

Kerry O'Neill said the workgroup is looking for new members.

Ed Chu noted that there is a climate resiliency investment possibility, as well.

Cynthia Koehler motioned, and David Wegner seconded to approve the charge, and it passed unanimously.

Kerry O'Neill raised the issue of the exploratory workgroup led by Gwen Keyes Fleming involving community engagement, and she invited an update from workgroup members on where their thinking is now.

Ed Chu noted that the workgroup was affected by the departure of Board members whose terms had ended. He said issues were how to engage communities effectively, and how to reach groups that typically don't apply for EPA grant funding.

Gwen Yamamoto Lau wondered if it would be valuable to explore how EFAB might help facilitate collaboration among different programs within EPA that are doing community outreach to disadvantaged communities and to make it more effective.

Sonja Favors suggested having a broader conversation about such a charge, perhaps developing something around a baseline of care.

Sanjiv Sinha said that he reviewed EFAB's goals and said they were good ones, but the Administration today has a Justice40 focus. Referring to the Michigan Saves presentation, he said he was struck by the fact that the contractors were the drivers of the value. He said environmental investment should have socioeconomic impacts, as well.

David Wegner agreed and asked who the EPA client would be. He suggested EPA's Colonias program, and Native Americans.

Dennis Randolph agreed and said that in any work they do, they still need to make sure people do the right thing, and he gave an example of people using the National Environmental Policy Act (NEPA) to avoid engagement.

Sonja Favors said having representatives that come from a variety of places, a variety of backgrounds, is how we engage appropriately to develop something that's going to be useful, not just in Michigan, but across the United States.

Ashley Allen Jones said it is important to highlight what’s working.

MaryAnna Peavey suggested there may be opportunity to blend this issue with TA issues as a way to get communities behind some of these projects.

Kerry O'Neill asked for volunteers to meet and brainstorm possible topics to share with EPA. She suggested, for example, EFAB sponsor a spotlight series on what's working with financing models across sectors. She said it could be a learning experience for everyone, even if there is not an EPA client.

Ed Chu said that EPA is not familiar with what is working at the local level. He said local practitioners can speak to federal, state, and local policies.

EFAB Chair’s Corner

Kerry O’Neill | EFAB Chair

Kerry O'Neill said it has been an engaging two days, and she thanked Board members and EPA colleagues and the City of Ann Arbor.

DFO Final Thoughts

Edward H. Chu | EFAB Designated Federal Officer

Ed Chu thanked board members for their service to EPA and the country, and adjourned the meeting.