

**1997-98 SESSION  
COMMITTEE HEARING  
RECORDS**

Committee Name:

*Joint Committee on  
Finance (JC-Fi)*

Sample:

Record of Comm. Proceedings ... RCP

- 05hrAC-EdR\_RCP\_pt01a
- 05hrAC-EdR\_RCP\_pt01b
- 05hrAC-EdR\_RCP\_pt02

➤ Appointments ... Appt

➤ \*\*

➤ Clearinghouse Rules ... CRule

➤ \*\*

➤ Committee Hearings ... CH

➤ \*\*

➤ Committee Reports ... CR

➤ \*\*

➤ Executive Sessions ... ES

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➤ Hearing Records ... HR

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➤ Miscellaneous ... Misc

➤ 97hrJC-Fi\_Misc\_pt45\_LFB

➤ Record of Comm. Proceedings ... RCP

➤ \*\*

# Clean Water Fund

(LFB Budget Summary Document: Page 103)

## LFB Summary Items for Which Issue Papers Have Been Prepared

<u>Item #</u>	<u>Title</u>
2	Biennial Finance Plan (Paper #230)
6	Clean Water Fund Statutory Changes (Paper #231)
7	Land Recycling Loan Program (Paper #232)
8	Safe Drinking Water Loan Program (Paper #233)
9	Safe Drinking Water Loan Guarantee Program (see Paper #940)

To: Joint Committee on Finance  
From: Bob Lang, Director  
Legislative Fiscal Bureau

## ISSUE

### **Biennial Finance Plan (Clean Water Fund)**

[LFB Summary: Page 103, #2]

## CURRENT LAW

DNR and DOA are required to submit the biennial finance plan by October 1 of every even-numbered year (followed by amendments reflecting the Governor's biennial budget bill) to the State Building Commission, the Joint Committee on Finance and standing committees of the Legislature having jurisdiction over natural resources matters. No later than 30 days after the Governor signs the biennial budget act, the plan, updated with any modifications, must be submitted to the legislative committees and the Building Commission. The Building Commission has the authority to approve or disapprove any part of the plan other than the subsidy and bonding authorizations approved by the Legislature.

## GOVERNOR

Make the following modifications to the requirements that DNR and DOA prepare a biennial finance plan for the clean water fund program:

- a. Direct that the biennial finance plan include information related to the three SB 77 programs within the environmental improvement fund (clean water fund, safe drinking water loan program and land recycling loan program).
- b. Replace the requirement that the biennial finance plan include information about the extent to which the clean water fund will be maintained in perpetuity with the requirement that the plan include a chart showing detailed projected sources and uses of funds for eligible projects in the three programs during the next biennium.

c. Modify the requirement that the biennial finance plan include an estimate of wastewater treatment needs of the state from the current four fiscal years to two years. Require that the projections also include an estimate of the safe drinking water and land recycling project needs in the state during the next biennium.

d. Clarify that the biennial finance plan shall include the most recent available audited financial statements of the clean water fund program. Require that the plan include the most recent available audited financial statements of the safe drinking water loan program and the land recycling loan program. Eliminate the requirements that the plan include the estimated fund capital available in each of the next four fiscal years for the clean water fund and the projected clean water fund balance for each of the next 20 years given existing obligations and financial conditions.

e. Modify the requirement that the biennial finance plan include the estimated spending level and percentage of market interest rate for the types of allowable new or changed limits or compliance maintenance clean water fund projects. Instead, specify that the plan must include the percentage of market interest rates for the estimated wastewater treatment, safe drinking water and land recycling project needs of the state.

f. Modify the requirement that the biennial finance plan must include information about the amount of any service fee expected to be charged during the next biennium to a clean water fund applicant to instead require that the plan include information about the amount and description of any fee expected to be charged during the next biennium under the environmental improvement fund.

## **DISCUSSION POINTS**

1. The bill would incorporate into one environmental improvement fund biennial finance plan, the proposed safe drinking water loan program and land recycling loan program, along with the existing clean water fund program. DNR and DOA would be required to prepare, for each of the three programs, the following: (a) sources and uses of funds for eligible projects during the next biennium; (b) an estimate of the needs for wastewater treatment, safe drinking water and land recycling projects during the next biennium; (c) the most recent audited financial statements; (d) the percentage of market interest rates for the estimated wastewater treatment, safe drinking water and land recycling project needs of the state; and (e) the amount and description of any fee expected to be charged during the next biennium under the environmental improvement fund.

2. The bill would shorten any existing planning timeframe to the next biennium. The current clean water fund biennial finance plan includes longer planning timeframes, including: (a) the extent to which the fund will be maintained in perpetuity; (b) an estimate of wastewater

treatment needs during the four following fiscal years; (c) the projected clean water fund balance for each of the next 20 years given existing obligations and financial conditions.

3. The requirement that various program needs be projected for two biennia (four years) has been useful for some program planners, municipalities and legislators. Four-year projections allow a continuous view of needs beyond the immediate biennium.

4. The 20-year fund balance projections and extent to which the clean water fund will be maintained in perpetuity provide readers with valuable information on program accomplishments to date and the best estimate of the future health of the funds. This information helps evaluate the program's conformity with U.S. Environmental Protection Agency requirements that the federally-funded portion of the program be maintained in a way that guarantees that it will continue in perpetuity. Further, providing this information about the proposed state drinking water loan program would also help evaluate the program's accomplishments and the extent to which it will be maintained to continue in perpetuity.

5. DOA officials argue that the requirement for longer-term projections should be eliminated because projections beyond the immediate biennium are difficult to make due to uncertainty of funding levels, interest rates, timing of projects and program need. DOA also indicates that projections for the next biennium are more accurate than the longer-term projections.

6. In the 1995-97 biennial budget, the Legislature deleted an identical recommendation by the Governor to shorten four-year projections to two years and to eliminate the 20-year fund balance projections.

7. It could be argued that the existence of limited state and federal resources makes longer-term projections at least as important now as in past biennia. Indeed, longer-term projections may be more useful now in light of recommendations to reallocate clean water fund monies from wastewater to land recycling, and potential future reallocations of funds between the clean water fund and safe drinking water loan program.

## **ALTERNATIVES TO BILL**

1. Approve the Governor's recommended modifications to the biennial finance plan requirements.

2. Modify the Governor's recommendation to require that: (a) program needs and funding for the clean water fund, safe drinking water loan program and land recycling loan program be projected for the following four fiscal years; (b) the plan include projected fund balances for the clean water fund and safe drinking water loan program for the next 20 years;

and (c) the plan contain information about the extent to which the clean water fund and safe drinking water loan program will be maintained in perpetuity.

Prepared by: Kendra Bonderud

MO# Att 2

2 BURKE	<input checked="" type="checkbox"/>	N	A
DECKER	<input checked="" type="checkbox"/>	N	A
GEORGE	<input checked="" type="checkbox"/>	N	A
JAUCH	<input checked="" type="checkbox"/>	N	A
WINEKE	<input checked="" type="checkbox"/>	N	A
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GARD	<input checked="" type="checkbox"/>	N	A
KAUFERT	<input checked="" type="checkbox"/>	N	A
LINTON	<input checked="" type="checkbox"/>	N	A
COGGS	<input checked="" type="checkbox"/>	N	A

AYE 16 NO 0 ABS 0

To: Joint Committee on Finance  
From: Bob Lang, Director  
Legislative Fiscal Bureau

## ISSUE

### **Clean Water Fund Statutory Changes (Clean Water Fund)**

[LFB Summary: Page 105, #6]

## CURRENT LAW

The clean water fund program provides low-interest loans for planning, designing, constructing or replacing municipal wastewater treatment facilities or urban stormwater runoff control projects. The current requirements include: (a) the DNR establishes percentage of market interest rates in administrative rules and has established rates at 55%, 70% and 100% of market rate; (b) DNR and DOA are authorized to request the Joint Committee on Finance to modify the percentage of market interest rates, but have never done so; (c) the administrative rules specify the percentage of market interest rate for various types of projects, including 55% of market rate for compliance maintenance projects (projects to prevent a significant violation of an effluent limitation by a public sewerage treatment facility) and new or changed limits projects (projects to achieve compliance with an effluent limitation established after May 17, 1988) and 70% of market rate for projects for unsewered community projects and projects for the treatment of nonpoint source water pollution or urban stormwater runoff; (d) DNR and DOA attempt to ensure that increases in all state water pollution abatement general obligation debt service costs do not exceed 4% annually in the year in which the percentage of market interest rates are established and the following fiscal year and that state water pollution abatement general obligation debt service costs are not greater than 50% of all general obligation debt service costs in the year in which the percentage of market interest rates are established and in any of the following three fiscal years; (e) a municipality must submit a notice of its intent to apply for financial assistance no later than December 31 of the year preceding the calendar year in which it will request financial assistance; (f) a municipality may file one application in any 12-month period; and (g) DNR may not approve applications for projects that are not on the priority list ranking of projects.

## GOVERNOR

Provide the following statutory changes to the clean water fund program:

a. Establish four statutory clean water fund loan interest rates for eligible projects: (a) 55% of the market interest rate; (b) 65% of market rate; (c) 70% of market rate; and (d) market rate. Retain the current authorization for DNR and DOA to request the Joint Committee on Finance, under s. 13.10, to modify the percentage of market interest rates.

b. Retain the same percentage of market interest rate specified in current administrative rules for all types of projects except for projects for the treatment of nonpoint source pollution and urban stormwater runoff. Increase the state subsidy level for projects for the treatment of nonpoint source pollution and urban stormwater runoff to the new 65% of market rate loans from the current 70%.

c. Direct DNR and DOA to attempt to ensure that: (a) increases in all state water pollution abatement general obligation debt service costs do not exceed 4% annually; and (b) state water pollution abatement general obligation debt service costs are not greater than 50% of all general obligation debt service costs in any fiscal year.

d. Require a municipality to submit a notice to DNR of its intent to apply for financial assistance at least six months before the beginning of the fiscal biennium in which it wishes to receive financial assistance.

e. Modify the limit on the number of applications for financial assistance that a municipality may file to one for any single project in any 12-month period.

f. Allow DNR to approve applications for financial assistance for projects that are not on the priority list if DNR has granted a waiver to requirements related to submittal of a notice of intent to apply.

## DISCUSSION POINTS

1. The clean water fund interest rates would be the same as in existing administrative rules, except that the interest rate for projects for the treatment of nonpoint source pollution or urban stormwater runoff would be changed from 70% to 65% of market rate. By setting the interest rate in statute, DNR and DOA argue that the program could begin funding nonpoint source and stormwater projects at the higher level of subsidy in 1997-98 (rather than the six to 12 months, or more, typically required for rule promulgation). However, since administrative rules do not currently authorize nonpoint source and stormwater projects, DNR would have to promulgate rule changes before funding this type of project.

2. DNR estimates that, during 1997-99, nonpoint source and stormwater project needs under the program will be \$20.4 million. While federal regulations currently authorize the program to fund these types of projects, to date no loans have been made because: (a) the current administrative rule excludes those projects; and (b) there has been limited demand for clean water fund financing for nonpoint source and stormwater projects.

3. The reduction in the interest rate would be approximately 0.28% at current rates, from 3.82% to 3.54% (assuming the current market interest rate of 5.45%). This results in an estimated cost of the change from 70% to 65% of market interest rate of \$600,000 in present value subsidy limit and \$500,000 in general obligation bonds. (The subsidy limit represents the estimated state cost, in 1996 dollars, to fund all of the clean water fund grants and loans expected to be made during 1997-99 for eligible wastewater treatment projects.) It is possible that the modest increase in state subsidy may help fund projects for which funding may not be available through DNR's existing priority watershed programs. On the other hand, since communities have not been eligible for this program in the past, it is not clear whether an increased subsidy is necessary.

4. In the 1997-99 Clean Water Fund biennial finance plan, DNR recommended changing the subsidy level for nonpoint source and stormwater projects from the current 70% to 55% of the market interest rate, which would provide the same level of subsidy as compliance maintenance and new or changed limits projects and would provide greater subsidy than is provided for unsewered communities. A change from 70% to 55% of the market interest rate would decrease the interest rate from the current 3.82% to 3.0%. An increase in the subsidy provided for nonpoint source and stormwater projects from 65% of market rate under the bill to 55% of market rate would require an increase in the present value subsidy limit of \$1,100,000 and an increase in general obligation bonding authority of \$900,000.

5. It could be argued that the SB 77 change in interest rate might be too small to provide much incentive for nonpoint source and stormwater projects to utilize the program and that to have more effect, the subsidy level should be changed from the current 70% to 55% rather than the 65% under the bill. However, it could also be argued that nonpoint source and stormwater projects should not receive as big a subsidy as compliance maintenance and new or changed limit projects and should not receive a greater subsidy than unsewered community projects. Therefore, the current 70% of market interest rate could be retained the present value subsidy limit could be decreased by \$600,000 and general obligation bonding authority could be decreased by \$500,000.

6. The requirement that DNR and DOA must attempt to ensure that increases in all state water pollution abatement general obligation debt service costs do not exceed 4% annually (instead of in the year in which the percentage of market interest rates are established and the following fiscal year) and are not greater than 50% of all general obligation debt service costs in any fiscal year (instead of the year in which the percentage of market interest rates are

established and in any of the following three fiscal years) would simplify the statutory language and make the requirement apply to all fiscal years.

7. The requirement that a municipality submit its notice of intent to apply for financial assistance at least six months before the beginning of the fiscal biennium in which it will submit an application for financial assistance would require some municipalities to submit a notice over a year earlier than under current law. DNR officials indicate that an alternative to the bill and current law would be to require submission of the notice of intent to apply by the December 31 preceding the fiscal year in which it will request assistance. This alternative would require more notice than under current law (six months more) but less than under the bill (up to 12 months less). This would provide greater flexibility for municipalities, who may know six months in advance, but not 18 months in advance, that they will submit an application for financial assistance and would provide DNR with useful information to aid in planning for the coming fiscal year.

8. The change to allow a municipality to submit one application for any single project in any 12-month period (instead of one application per 12-month period) would allow a municipality to submit applications for more than one project within the same 12-month period. As a result of changes in 1995 Act 27, the program moved to a continuous funding cycle in 1996-97. SB 77 would allow a municipality to have active applications for more than one wastewater project in a 12-month period, or for a wastewater project and a nonpoint source or stormwater project. Some municipalities, especially larger cities, have more than one project underway in any 12-month period such as replacing pumps or rebuilding various equipment components of the overall system.

9. DNR indicates that the original intent of the provision to allow the approval of applications for projects that are not on the priority list was to provide flexibility in unusual or emergency situations. However, federal regulations do not appear to allow the state to approve projects that are not on the priority list. It is unlikely DNR would be able to implement the provision and therefore, it could be deleted from the bill.

## **ALTERNATIVES TO BILL**

1. Approve the Governor's recommendations to: (a) establish clean water fund loan interest rates in statute; (b) increase the state subsidy level for nonpoint source pollution and urban stormwater runoff to change the percentage of market interest rate from 70% to 65%; (c) direct DNR and DOA to ensure that increases in all state water pollution abatement general obligation debt service costs do not exceed 4% annually and that state water pollution abatement general obligation debt service costs are not greater than 50% of all general obligation debt service costs in any fiscal year; (d) require a municipality to submit a notice to DNR of its intent to apply for financial assistance at least six months before the beginning of the fiscal biennium in which it will request to receive financial assistance; (e) limit the number of applications that

a municipality may file to one for any single project in any 12-month period; and (f) allow DNR to approve applications for financial assistance for projects that are not on the priority list if DNR has granted a waiver for the project to the requirements related to submittal of a notice of intent to apply.

2. Approve the Governor's recommendation except under (d) above, require a municipality to submit a notice to DNR of its intent to apply for financial assistance at least six months before the fiscal year in which it will receive financial assistance; and delete (f) above which conflicts with federal law (the authorization for DNR to approve applications for financial assistance for projects that are not on the priority list).

3. Modify Alternative 1 or 2 to increase the state subsidy level for nonpoint source pollution and urban stormwater runoff projects to 55% of the market interest rate. Further, increase the present value subsidy limit for the clean water fund program by \$1,100,000 and increase general obligation bonding authority by \$900,000.

<u>Alternative 3</u>	<u>BR</u>
1997-99 FUNDING (Change to Bill)	\$900,000

4. Modify Alternative 1 or 2 to maintain the current subsidy level for nonpoint source pollution and urban stormwater runoff projects of 70% of the market interest rate. Further, decrease the present value subsidy limit for the clean water fund program by \$600,000 and decrease general obligation bonding authority by \$500,000. (DNR and DOA could request the Joint Committee on Finance to increase the subsidy level, if necessary.)

<u>Alternative 4</u>	<u>BR</u>
1997-99 FUNDING (Change to Bill)	- \$500,000

5. Maintain current law. DNR could promulgate rules to allow for these projects at the current subsidy level of 70% of the market interest rate along with projects for unsewered communities. Further, decrease the present value subsidy limit for the clean water fund program by \$600,000 and decrease general obligation bonding authority by \$500,000.

<u>Alternative 5</u>	<u>BR</u>
1997-99 FUNDING (Change to Bill)	- \$500,000

Prepared by: Kendra Bonderud

MO# Att 2

BURKE	<input checked="" type="radio"/>	N	A
DECKER	<input checked="" type="radio"/>	N	A
GEORGE	<input checked="" type="radio"/>	N	A
JAUCH	<input checked="" type="radio"/>	N	A
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KAUFERT	<input checked="" type="radio"/>	N	A
LINTON	<input checked="" type="radio"/>	N	A
COGGS	<input checked="" type="radio"/>	N	A

AYE 16 NO 0 ABS 0

To: Joint Committee on Finance  
From: Bob Lang, Director  
Legislative Fiscal Bureau

## ISSUE

### Land Recycling Loan Program (Clean Water Fund)

[LFB Summary: Page 107, #7]

## CURRENT LAW

The clean water fund program provides financial assistance to municipalities for the planning, design and construction of wastewater treatment facilities. The program receives federal capitalization grants for a state revolving loan fund, for which Wisconsin provides a 20% state match through issuance of general obligation bonds. The program also has components which utilize general obligation bonds and revenue bonds to provide financial assistance to municipalities for wastewater treatment facilities.

## GOVERNOR

Create a land recycling loan program within the environmental improvement fund to provide loans at subsidized rates to local governments for remediation of certain contaminated properties. Many program and application requirements would be similar to the clean water fund program. The main provisions are:

a. Provide financial assistance, primarily as loans at 55% of the market interest rate, to local governments (including cities, villages, towns or counties) for projects at sites or facilities owned by the local government to remedy environmental contamination that has affected, or threatens to affect, groundwater or surface water. Define sites or facilities to include approved and nonapproved solid or hazardous waste disposal facilities, approved mining facilities, waste sites or sites where a hazardous substance is discharged on or after May 21, 1978.

b. Provide \$20 million for the program from repayments of clean water fund loans made with the proceeds of federal grants to the clean water fund.

c. Provide a "present value subsidy limit" of \$4.5 million in the 1997-99 biennium for the land recycling loan program.

d. Require that a local government submit notice of its intent to apply for financial assistance under the land recycling loan program at least six months before the beginning of the fiscal biennium in which it will request to receive funding. Authorize DNR to waive this requirement upon written request by the local government. Require that a local government submit an application for financial assistance under the program to DNR by the April 30 preceding the fiscal year in which the applicant is requesting to receive financial assistance. Limit applicants to one application per project per year.

e. Require that DNR establish a priority list that ranks each land recycling loan program project. Direct DNR to promulgate rules for determining project rankings based on the potential of projects to reduce environmental pollution and threats to human health and, for sites and facilities that are not landfills the extent to which projects will make land available for redevelopment after a cleanup is conducted rather than develop undeveloped land (such as agricultural cropland or green spaces).

f. Direct DNR to establish a funding list in each fiscal year that ranks approvable applications in the same order that they appear on the priority list. Require DOA to allocate funding to projects in the order that they appear on the funding list, except limit: (a) landfill remediation projects to no more than 40% of the available funds in each year; and (b) a single local government to no more than 25% of the present value subsidy limit for the biennium.

g. Require DNR and DOA to jointly charge and collect an annual service fee for reviewing and acting upon land recycling loan program applications and servicing financial assistance agreements. The fee would be in addition to required interest payments. Specify that the fee for 1997-99 would be 0.5% of the loan balance. The fee would be used to fund DNR and DOA administrative and related costs. (The bill would provide DNR with \$43,800 SEG in 1997-98 and \$47,300 SEG in 1998-99 from the clean water fund and 1.0 SEG position annually to administer the program.)

h. Specify that a local government must sell a site or facility remediated under the program for not less than fair market value if the loan is outstanding. Require that a local government that sells a site or facility remediated under the program must apply the sales proceeds first toward any state land recycling loan balance, then toward the cost of the land plus the cost of remediation, third toward any state subsidy and finally any remaining funds would be retained by the municipality. Any sale proceeds remaining after the subsidy is fully paid would belong entirely to the municipality.

i. Authorize DNR to promulgate emergency administrative rules, without a finding of emergency, for the program before July 1, 1998.

## **DISCUSSION POINTS**

1. The reallocation of loan repayments would provide one-time loans totalling \$20 million at 55% of the market interest rate. The bill would provide \$4.5 million in present value subsidy limit. The loans provided under the bill for contaminated land would generate loan repayments which would then be available for wastewater purposes (or, potentially, for future brownfields initiatives).

2. The \$20 million in loan repayments used under the bill for the land recycling loan program would currently be used for clean water fund loans to upgrade or replace wastewater treatment plants to meet state and federal requirements. Provision of \$20 million in brownfields loans would require issuance of approximately \$7 million in general obligation bonds for expected clean water fund activity. Therefore, if the land recycling loan program would not be created, clean water fund general obligation bonding authority could be decreased by \$7 million. Future debt service costs would be reduced by approximately \$620,000 annually or \$12.5 million over 20 years.

3. Federal law requires that repayments of loans made with the proceeds of federal capitalization grants must be deposited into a revolving fund to be available for future wastewater treatment loans. State officials expect that the federal clean water fund capitalization grant will decline or end within the next few years. After that time, the only revenue source for wastewater treatment projects would be loan repayments and proceeds from the issuance of general obligation bonds and revenue bonds.

4. Before DNR could lend money under the bill, it would have to obtain approval from the U.S. Environmental Protection Agency (EPA). DNR indicates that it would have to amend the state's Section 319 Nonpoint Source Management Plan under the Clean Water Act to include brownfields as nonpoint pollution sources under the federally-required plan. EPA established a funding framework process in October, 1996, for states to follow in order to obtain approval of reallocating clean water fund monies to brownfields contaminated land cleanup.

5. DNR officials believe that the bill's requirement that financial assistance be limited to remedying environmental contamination that has affected, or threatens to affect, groundwater or surface water would comply with EPA requirements.

6. The bill is consistent with the February 19, 1996, recommendation of the Joint Legislative Council's Special Committee on Remediation of Environmental Contamination to use \$20 million of clean water fund loan repayments for cleanup of environmental contamination at sites owned by local governments.

7. The bill's requirement related to submission of a notice of intent to apply presents a timing problem. The bill's deadline that the notice be submitted at least six months before the beginning of the biennium in which it will receive funding, would be December 31, 1996, for funding in 1997-99. Therefore, during 1997-99, every local government that wants to apply for financial assistance would have to submit a written request for a waiver of the requirement. DNR suggests that a workable alternative to this requirement would be to change the deadline for submittal of a notice of intent to apply to six months before the fiscal year in which the local government will request to receive funding. With this change, local governments would have to submit a notice of intent to apply by December 31, 1997, and an application by April 30, 1998, to receive financial assistance in 1998-99.

8. While the bill would provide loans to cities, villages, towns or counties, federal requirements allow funding for nonpoint projects to be provided to "persons," defined as "an individual, corporation, partnership, association, state, municipality, commission, or political subdivision of a state, or any interstate body." It could be argued that eligibility should be expanded beyond local governments to also include other persons. However, it could also be argued that the limited funds for the program are being reallocated from local government clean water fund loan repayments and therefore, should continue to be available solely to local governments. The clean water fund can not provide financing to non-governmental entities.

9. DNR indicates that current EPA regulations do not allow clean water funds that are reallocated to nonpoint source projects to be used for site assessments or investigations. Wisconsin and other states are discussing potential modifications to this requirement with EPA. However, current federal requirements mean that loan applicants under the program would have to obtain funds to complete an assessment or investigation of the property from another source.

10. Loan applicants would have to comply with several federal conditions, such as Davis-Bacon wage requirements and audit procedures, because the loan repayments were derived from federal clean water fund capitalization grants that were loaned to municipalities, but retain the conditions for use of federal funds. Under the current clean water fund, only larger municipalities have to comply with these federal requirements because the program typically uses federal funds for projects in larger municipalities and state revenue bonds and general obligation bonds for projects in smaller municipalities.

11. DNR is studying how it will determine project rankings based on the potential of projects to reduce environmental pollution and threats to human health and, for non-landfill sites and facilities, the extent to which projects will make land available for redevelopment after a cleanup is conducted rather than develop undeveloped land. DNR officials anticipate establishing a quantitative scoring of projects against criteria that would be developed in the rule.

12. DNR and DOA indicate that there may be thousands of sites that could benefit from the program. However, few municipalities have expressed interest in the loan program to date, in part because municipalities may: (a) hope to obtain a grant under the SB 77 brownfields

grant program; (b) borrow from the same lender that provides the loan for site assessments or investigations; (c) seek funds to complete a site assessment or investigation before applying for a land recycling loan; (d) borrow from a lending source that has fewer conditions and restrictions than the federal conditions for use of clean water fund loan repayments; and (e) wait to learn what kind of priority ranking system DNR establishes in administrative rule. The administration believes that many municipal loan recipients might use the loan to provide the required match for the Commerce brownfields grant program.

13. If the entire \$20 million in project funding would be loaned during 1998-99 after emergency rules are promulgated, landfill remediation projects could utilize up to \$8 million of the total funds (40% of \$20 million) and a single local government could receive no more than \$1,125,000 of the \$4,500,000 in present value subsidy limit for 1997-99.

14. When a property remediated under the program would be sold, the bill requires that 75% of the sales proceeds that exceed the land recycling loan balance plus the cost of the land plus the cost of remediation would be used to repay the state subsidy until the subsidy is fully repaid. This means that if there is a significant increase in the market value of the property after remediation, the state would share in the increase in value to the extent that the state provided subsidy for the project. It could be argued that all of the state subsidy should be repaid before the property owner realizes a gain on the sale.

15. No immediate danger to the public health or welfare exists and no loss of federal funds would occur if the normal rule process is followed. It could be argued that the emergency rule authority provided in the bill is not necessary.

## **ALTERNATIVES TO BILL**

1. Approve the Governor's recommendation to create a land recycling loan program, including to: (a) reallocate \$20 million in clean water fund loan repayments from use for wastewater purposes to contaminated land redevelopment; (b) provide a present value subsidy limit of \$4.5 million in 1997-99; (c) authorize types of financial assistance; (d) establish procedures for submission of applications, establishment of a priority ranking list, approval of applications, establishment of a funding list and finalization of financial assistance agreements; (e) create an annual service fee of 0.5% of the loan balance; (f) require that a local government that sells a site or facility remediated under the program must apply the sales proceeds to the loan balance, then the cost of the land plus the cost of remediation, then any state subsidy and finally any remaining funds would be retained by the municipality; (g) establish duties of DNR and DOA; (h) authorize DNR to promulgate emergency administrative rules before July 1, 1998; and (i) repeal the existing grant program that authorizes use of the proceeds of general obligation bonds for grants to local governments for a portion of the costs of investigations and cleanups of contaminated sites owned by local governments.

2. Adopt the Governor's recommendation but require that a local government submit notice of its intent to apply for financial assistance under the program at least six months before the beginning of the fiscal year (instead of the biennium) in which it will request to receive funding.

3. In addition to Alternative 1 or 2 approve one or more of the following:

a. Expand program eligibility to include individuals, corporations, partnerships, associations, and commissions.

b. Direct that 100% (rather than 75%) of the sales proceeds that exceed the land recycling loan balance plus the cost of the land plus the cost of remediation must be used to repay the state subsidy until the subsidy is fully repaid.

c. Delete authorization for promulgation of emergency rules without a finding of emergency.

4. Maintain current law. Further, decrease clean water fund general obligation bonding authority by \$7,000,000.

<b>Alternative 4</b>	<b>BR</b>
1997-99 FUNDING Change to Bill	-\$7,000,000

MO# Alt 2, 3a and c

Prepared by: Kendra Bonderud

2 BURKE	Y	N	A
DECKER	Y	N	A
GEORGE	Y	N	A
JAUCH	Y	N	A
WINEKE	Y	N	A
SHIBILSKI	Y	N	A
COWLES	Y	N	A
PANZER	Y	N	A
1 JENSEN	Y	N	A
OURADA	Y	N	A
HARSDORF	Y	N	A
ALBERS	Y	N	A
GARD	Y	N	A
KAUFERT	Y	N	A
LINTON	Y	N	A
COGGS	Y	N	A

AYE 16 NO 0 ABS 0

To: Joint Committee on Finance  
From: Bob Lang, Director  
Legislative Fiscal Bureau

## ISSUE

### **Safe Drinking Water Loan Program (Clean Water Fund)**

[LFB Summary: Page 109, #8]

## CURRENT LAW

The federal Safe Drinking Water Act (SDWA) Amendments of 1996 created the Drinking Water Revolving Fund to assist public water systems to finance the costs of infrastructure needed to achieve or maintain compliance with SDWA requirements. The U.S. Environmental Protection Agency (EPA) is authorized to award federal capitalization grants to states. States can receive federal grants if they enact legislation that complies with the federal requirements and provide a required 20% state match. States use the funds to provide low cost loans and other assistance to eligible drinking water systems.

## GOVERNOR

Create a safe drinking water loan program within the environmental improvement fund to provide assistance primarily to local governments for eligible projects to protect or improve drinking water quality. Many program and application requirements would be similar to the clean water fund program. The main provisions are:

a. Authorize DNR to enter into an agreement under the Safe Drinking Water Act with the federal Environmental Protection Agency (EPA) to receive a capitalization grant for the program. Authorize \$22.0 million in general obligation bonding authority to provide the required state match of 20% of the federal grant estimated at \$110 million through September 30, 1999. Deposit all capitalization grants and general obligation bond proceeds in the environmental improvement fund for use by the safe drinking water loan program. Create a GPR sum sufficient

appropriation in the environmental improvement fund for repayment of principal and interest on general obligation bonds issued for the program. Create SEG and FED appropriations for financial assistance. Create two DNR FED safe drinking water loan program appropriations for administration of the program. (DNR would be provided with \$133,700 FED in 1997-98 and \$144,800 FED in 1998-99 and 3.0 FED positions.) Expand use of the DOA SEG environmental improvement fund administrative appropriation to include administration of the safe drinking water loan program.

b. Provide a "present value subsidy limit" of \$18.0 million in the 1997-99 biennium for the safe drinking water loan program.

c. Provide financial assistance to local governments (including cities, villages, towns, counties, town sanitary districts, public inland lake protection and rehabilitation districts and municipal water districts) for projects to plan, design, construct or modify public water systems, if the projects will facilitate compliance with national primary drinking water regulations under the federal Safe Drinking Water Act or otherwise significantly further the health protection objectives of the Act.

d. Authorize the safe drinking water loan program to financial assistance, primarily as loans with an interest rate of 55% of market interest rate or, for local governments that meet financial need criteria established in DNR administrative rules, as loans with an interest rate of 33% of market interest rate.

e. Authorize DNR to spend, with DOA approval, up to a total of 15% of the federal capitalization grant in any fiscal year for activities authorized by the federal SDWA, mainly related to protecting the source of the water system from contamination, ensuring compliance with national primary drinking water regulations, implementing voluntary source water protection measures, assisting the owner of a public water system to develop the technical, managerial and financial capacity to comply with national primary drinking water regulations, delineating or assessing source water protection areas, and protecting wellhead areas from contamination.

f. Authorize DNR to spend, with DOA approval, up to a total of 10% of the federal capitalization grant in any fiscal year for activities authorized by the federal SDWA, including public water system supervision, technical assistance concerning source water protection, development and implementation of a capacity development strategy and operator certification.

g. Authorize DNR to spend, with DOA approval, up to a total of 2% of the federal capitalization grant in any fiscal year for technical assistance to public water systems serving 10,000 or fewer persons.

h. Require that a local government submit a notice of its intent to apply for financial assistance under the safe drinking water loan program at least six months before the beginning of the fiscal biennium in which it will request to receive funding. Authorize DNR to waive this

requirement upon written request by the local government. Provide that DNR rules require that an applicant must submit an engineering report. Require that after DNR approves the local government's engineering report, the local government must submit an application for financial assistance under the program to DNR by the April 30 preceding the fiscal year in which the applicant is requesting to receive financial assistance. Limit applicants to one application per project per year.

i. Require that DNR establish a priority list that ranks each safe drinking water loan program project. Direct DNR to promulgate rules for determining project rankings that, to the extent possible, give priority to projects that address the most serious risks to human health, that are necessary to ensure compliance with the federal Safe Drinking Water Act, and that assist local governments that are most in need on a per household basis, according to affordability criteria specified in the rules.

j. Direct DNR to establish a funding list in each fiscal year that ranks approvable applications in the same order that they appear on the priority list. Require DOA to allocate funding to projects in the order that they appear on the funding list, except that: (a) up to 15% of the available funds in each fiscal year would be reserved for projects for public water systems that regularly serve fewer than 10,000 persons; and (b) no single local government could receive more than 25% of the present value subsidy limit for the biennium.

k. Authorize the Governor to transfer up to 33% of the federal capitalization grant received for the safe drinking water loan program to the clean water fund program, or to transfer an amount equal to up to 33% of the federal capitalization grant received for the safe drinking water fund program from the clean water fund program to the safe drinking water loan program.

## **DISCUSSION POINTS**

1. The bill would establish a state drinking water loan program that complies with federal SDWA requirements. This would enable Wisconsin to receive federal capitalization grants and make federal and state funds available for local governments to plan, design, construct or modify public water systems or undertake other eligible drinking water activities. EPA has done a preliminary review of the proposed legislation and indicated that it appears to comply with federal requirements.

2. The main form of financial assistance under the bill would be loans with an interest rate of 55% or 33% of the market interest rate (3.0% or 1.8% based on the current clean water fund market rate). The lower rate would be available only to local governments that meet financial need criteria, to be promulgated in DNR rules. The bill would also authorize DNR to spend, with DOA approval, up to 27% of the federal capitalization grant on other eligible activities, as authorized by the SDWA. The SDWA also authorizes the state to use up to 4% of the federal grant for administration. Thus, up to 31% of the federal grant could be used for

drinking water activities other than loans to local governments for projects to plan, design, construct or modify public water systems.

3. The bill would authorize use of general obligation bonds to provide the required 20% state match to receive the federal grant. The bill is based on earlier estimates that almost \$110 million in federal grant funds would be available in federal fiscal years 1997 through 1999. The most current estimate is that \$60.64 million in federal funds will be available under the recent federal budget agreements, which includes \$41,546,400 for 1997 and an estimated \$9,548,400 in both 1998 and 1999. The reestimate of the federal grant would allow the \$22 million in general obligation bonding authority provided in the bill to be reduced by \$9.87 million to \$12.13 million. Thus, current estimates of federal grants and state match would provide total funding of \$72.77 million for the program in 1997-99, \$70.3 million of which would be available for financial assistance (if the full 4% is used for administration).

4. The first general obligation bonds would likely be issued for the safe drinking water loan program in the spring of 1999, deferring any GPR debt service costs until 1999-2001. GPR debt service costs on \$12.13 million in general obligation bonds would be an estimated \$1.1 million annually for 20 years.

5. The present value subsidy limit should also be reestimated to reflect current estimates of federal grants and state match. When using the same estimates as the bill that the distribution of loans would be approximately one-third at 33% of market rate and two-thirds at 55% of market rate, the present value subsidy limit should be increased to \$18.6 million from the \$18 million in the bill (the increase is due to the correction of a calculation error).

6. The 3.0 DNR FED positions provided under the bill (\$278,500 for the biennium) to administer the program would be funded with the 4% of the federal grant that can be used for administrative purposes. The positions would include one in the Water Division to review the engineering and technical aspects of local government projects and two in the Customer Assistance and External Relations Division to review program applications, determine the priority rank of projects, apply for federal capitalization grants, and develop and implement program procedures and administrative rules. The bill does not provide additional staff to DOA. Existing DOA clean water fund staff would administer DOA's responsibilities related to financial management of the program. If DNR or DOA make a future determination that additional staff are needed, they could seek DOA budget office approval of an increase in the federal allotment, up to the maximum 4% (or approximately \$2.4 million for the biennium). If the program does not need the entire 4% for administration, it would be available for other program activities.

7. While the SDWA authorizes states to provide grants or loans that provide greater subsidy than the 33% of market rate provided in the bill, DNR and DOA indicate that grants or lower-interest loans were not provided in order to make the limited funds available to more municipalities. That is, to the extent loans are subsidized by the state, the repayment stream will fund fewer future loans.

8. The SDWA authorizes states to provide loans to non-governmental entities to plan, design, construct or modify public water systems. Examples of non-governmental owners are mobile and manufactured home parks, private schools and apartment complexes who own the public water system serving the site (instead of the site being connected to a municipal water system). However, DOA and DNR indicate that loans under the bill are limited to local governments because: (a) general obligation bonds cannot be used for private purposes (under the internal improvements clause of the Wisconsin Constitution); and (b) the limited available funds should be used primarily to meet local government needs. If loans would be made to private owners, the state would have to provide another form of state match to federal funds, such as a direct GPR appropriation. However, the bill would authorize the program to provide a loan to the owner (whether or not a local government) for certain acquisition of land or a conservation easement to protect the source of the water system from contamination or to implement source water protection measures. The bill also includes a separate provision under the Wisconsin Housing and Economic Development Authority to provide a safe drinking water loan guarantee program for private party borrowers.

9. The requirement that a local government submit a notice of intent to apply for financial assistance under the program at least six months before the beginning of the fiscal biennium in which it will request to receive funding would require all local governments that apply for financial assistance for 1997-99 to submit a notice of intent to apply by December 31, 1996. In future biennia a local government that applies for financial assistance in the second year of the biennium would have to have submitted a notice of intent to apply 18 months before that year. While under the bill, all 1997-99 applicants could submit a written request to DNR for a waiver of the requirement, a modification could be made to the bill to require a local government to submit a notice of intent to apply at least six months before the beginning of the fiscal year (instead of before the biennium).

10. DNR and DOA anticipate that the first program loans could be made in the fall of 1998 if: (a) enabling legislation is effective in August, 1997; (b) local governments submit notices of intent to apply by December 31, 1997, and applications by April 30, 1998; (c) administrative rules are finalized in 1998, as required, before the state submits an application to EPA for the federal capitalization grant; (d) DNR establishes a priority list that ranks project applications in accordance with the rules; and (e) Wisconsin obtains approval of the \$41.5 million federal capitalization grant for federal fiscal year 1997 by September 30, 1998.

11. Under the bill, DNR may experience difficulty in promulgating administrative rules in time to obtain approval of the \$41.5 million EPA grant for federal fiscal year 1997 by the September 30, 1998, EPA deadline. While DNR had earlier believed that it could submit the federal grant application to EPA before state administrative rules are finalized, the Department recently learned that it will need to finalize rules before the state can submit an application to EPA for the federal fiscal year 1997 grant. DNR must submit the application by July or August of 1998, in order to meet the approval deadline. If EPA does not approve Wisconsin's application by the deadline, the state will lose the 1997 grant. The application must include the

priority list ranking of projects. Under the bill, the rules would contain criteria for establishing priority list rankings for projects. After the rules are finalized, DNR would establish a priority list that ranks applications according to the criteria. This means that the rules must be finalized no later than May or June of 1998 in order for DNR to use the priority list criteria to establish a priority list to submit with the application. This timeline would provide about eight months to promulgate rules. It could be argued that emergency rule authority is required in order to ensure that the state will be able to obtain the 1997 federal grant by the September 30, 1998, deadline.

12. The authorization for DNR and DOA to make certain transfers between the clean water fund and the safe drinking water loan program would require the Governor's prior approval. The present value subsidy limits set by the biennial budget bill would effectively limit the amount of reallocation between the two programs. A change in the present value subsidy limit would require a statutory change.

13. Demand is expected to be significantly higher than available program funds. DNR estimates that statewide needs for drinking water system improvements to comply with SDWA requirements over the next 20 years will exceed \$1.5 billion. The estimated \$72.77 million in federal and state funding for the program during 1997-99 will fund a small portion of the demand.

14. Some would argue that the program should include a revenue bond component similar to the existing clean water fund, in order to leverage additional funds for low-interest loans to local governments. However, such an expansion would require significant increases in general obligation bonding authority, with associated GPR debt service costs, to pay the costs of the state subsidy of loans (that is, the difference between the revenue bond market interest rate and the lower rate that would be charged to local governments) and a reserve fund to secure revenue bond issuances. For example, if \$100 million in revenue bonds would be authorized, an additional \$28.6 million in general obligation bonding authority would be required above the \$22 million provided in the bill (assuming the 7% revenue bond market rate used by the clean water fund for planning purposes) to provide a total of \$50.6 million in general obligation bonding authority (\$12.13 million associated with the federal program and \$38.47 million associated with the revenue bond program). GPR debt service costs associated with the interest subsidies under the revenue bond program would be approximately \$3.5 million annually for 20 years. The present value subsidy limit would need to be increased from the \$18 million provided under the bill to \$38.8 million. Total project funding under this scenario would be \$161 million.

## **ALTERNATIVES TO BILL**

1. Approve the Governor's recommendation to create a safe drinking water loan program and provide: (a) \$12,130,000 in general obligation bonding authority to reflect current estimates of the federal capitalization grant for federal fiscal years 1997 through 1999 (instead

of the \$22,000,000 provided in the bill) with a GPR sum-sufficient appropriation for debt service costs; (b) present value subsidy limit of \$18,600,000 in 1997-99 (instead of the \$18,000,000 provided in the bill); (c) specification of eligible and ineligible projects; (d) loans with an interest rate of 55% or 33% of market rate; (e) other qualifying types of financial assistance; (f) a set aside of up to 15% for other eligible activities; (g) a set aside of up to 10% for certain activities; (h) authorization to spend up to 2% of the federal grant for technical assistance to public water systems serving 10,000 or fewer persons; (i) procedures for accepting and approving applications, establishing a priority list and funding list, and finalizing financial agreements; (j) specified duties of DNR; (k) authorization for DOA to audit or contract for audit of projects that receive assistance under the program; and (l) allowance of certain transfers between the clean water fund and the safe drinking water loan program.

In addition, make a technical correction to require a municipality to submit a notice to DNR of its intent to apply for financial assistance at least six months before the fiscal year in which it will receive financial assistance.

<b>Alternative 1</b>	<b>BR</b>
1997-99 Bonding (Change to Bill)	- \$9,870,000

2. In addition to Alternative 1, authorize DNR to promulgate emergency rules for the program without a finding of emergency.

3. In addition to Alternative 1 or 2, create a revenue bond program component that includes the following provisions: (a) authorize \$100,000,000 in revenue bond authority for safe drinking water loans; (b) increase general obligation bonding authority by \$28,600,000 to provide total authority of \$50,600,000; and (c) increase the present value subsidy limit for 1997-99 from \$18,000,000 to \$38,800,000.

<b>Alternative 3</b>	<b>BR</b>
1997-99 Bonding (Change to Bill)	\$128,600,000

4. Maintain current law.

<b>Alternative 4</b>	<b>BR</b>
1997-99 Bonding (Change to Bill)	- \$22,000,000

Prepared by: Kendra Bonderud

MO# Alt. 2

BURKE	Y	N	A
DECKER	Y	N	A
GEORGE	Y	N	A
JAUCH	Y	N	A
WINEKE	Y	N	A
SHIBILSKI	Y	N	A
COWLES	Y	N	A
PANZER	Y	N	A
JENSEN	Y	N	A
OURADA	Y	N	A
HARSDORF	Y	N	A
ALBERS	Y	N	A
GARD	Y	N	A
KAUFERT	Y	N	A
LINTON	Y	N	A
COGGS	Y	N	A

AYE 16 NO 0 ABS 0

MO# Alt 3

BURKE	Y	N	A
DECKER	Y	N	A
GEORGE	Y	N	A
JAUCH	Y	N	A
WINEKE	Y	N	A
SHIBILSKI	Y	N	A
COWLES	Y	N	A
PANZER	Y	N	A
JENSEN	Y	N	A
OURADA	Y	N	A
HARSDORF	Y	N	A
ALBERS	Y	N	A
GARD	Y	N	A
KAUFERT	Y	N	A
LINTON	Y	N	A
COGGS	Y	N	A

AYE 7 NO 9 ABS 0

CLEAN WATER FUND

Safe Drinking Water Grant Program [LFB Paper #233]

Motion:

Move to create a grant program under the safe drinking water loan program, including the following provisions:

a. Provide up to 5% of the available funds in each fiscal year for grants to local governments that meet certain criteria. (This would provide up to approximately \$3.6 million in 1997-99.)

b. Direct that a municipality would be eligible for a grant equal to up to 20% of the costs to plan, design, construct or modify public water systems to comply with the federal Safe Drinking Water Act if both of the following conditions apply: (1) the project is for a public water system that regularly serves fewer than 10,000 persons; and (2) the municipality meets the criteria for disadvantaged communities that DNR would promulgate in administrative rules under the bill. For remaining project costs, the municipality would be eligible for a loan at an interest rate of 33% of the market rate.

c. Maintain the requirement in the bill that DNR and DOA fund projects in the order that they appear on the funding list. Direct that if a project is allocated funding and meets the two grant eligibility criteria, then DOA shall allocate grant funds to the project, up to 20% of the project costs, and up to the 5% of available funds for the fiscal year.

d. Increase the present value subsidy limit for 1997-99 by \$2,400,000.

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Note:

The safe drinking water loan program proposed in the bill does not include a grant component. The bill would authorize the program to provide loans with an interest rate of 33% of market interest rate to municipalities that meet criteria for disadvantaged communities. The 33% of market rate loans are available for projects to plan, design, construct or modify public water systems. Federal law authorizes states to allocate up to 30% of the federal capitalization

grant in each fiscal year to disadvantaged communities, including interest rates as low as 0% of market rate and forgiveness of principal.

The motion would allocate up to 5% of the estimated \$72.77 million in available federal and state funds during 1997-99 to grants, which equals approximately 6% of the estimated \$60.64 million in federal capitalization grants during 1997-99. In subsequent biennia, up to 5% of available funds in each fiscal year would be allocated to grants.

The motion would allocate funds to projects in the same order as under the bill, including the requirement that 15% of available funds would be reserved for projects that serve fewer than 10,000 persons and that no single local government could receive more than 25% of the present value subsidy limit for the biennium. However, if a project which is allocated funding serves fewer than 10,000 persons and meets the affordability criteria, it could receive a grant of up to 20% of project costs, and a loan at 33% of the market interest rate for the remaining project costs.

MO# 1548

BURKE	Y	N	A
DECKER	Y	N	A
GEORGE	Y	N	A
JAUCH	Y	N	A
WINEKE	Y	N	A
SHIBILSKI	Y	N	A
COWLES	Y	N	A
PANZER	Y	N	A
JENSEN	Y	N	A
OURADA	Y	N	A
HARSDORF	Y	N	A
ALBERS	Y	N	A
GARD	Y	N	A
KAUFERT	Y	N	A
LINTON	Y	N	A
COGGS	Y	N	A

AYE 8 NO 8 ABS

CLEAN WATER FUND

Clean Water Fund Eligibility

Motion:

Move to limit a community with a population under 2,500 located on Highway 42 and on an outlying water from qualifying for anything less than a market rate loan under the Clean Water Fund for wastewater treatment expansion and sewer extension or interception over one mile in length during the 1997-99 biennium.

MO# 1093

BURKE	<input checked="" type="radio"/>	N	A
DECKER	<input checked="" type="radio"/>	N	A
GEORGE	<input checked="" type="radio"/>	N	A
JAUCH	<input checked="" type="radio"/>	N	A
WINEKE	<input checked="" type="radio"/>	N	A
2 SHIBILSKI	<input checked="" type="radio"/>	N	A
1 COWLES	<input checked="" type="radio"/>	N	A
PANZER	<input checked="" type="radio"/>	N	A
JENSEN	<input checked="" type="radio"/>	N	A
OURADA	<input checked="" type="radio"/>	N	A
HARSDORF	<input checked="" type="radio"/>	N	A
ALBERS	<input checked="" type="radio"/>	N	A
GARD	<input checked="" type="radio"/>	<input checked="" type="radio"/>	A
KAUFERT	<input checked="" type="radio"/>	N	A
LINTON	<input checked="" type="radio"/>	N	A
COGGS	<input checked="" type="radio"/>	N	A

AYE 15 NO 1 ABS 0

CLEAN WATER FUND

Clean Water Fund Eligibility

Motion:

Move to make the following changes to the clean water fund:

1. Change the definition of median household income for a sanitary district that: (a) has boundaries that are not contiguous with a town, village or city; and (b) indicates on its clean water fund application that it has a population of 2,500 or less. For sanitary districts that meet these two criteria, specify that DNR may not use U.S. Census information when the Department determines the median household income, but rather, must use non-Census data submitted by the sanitary district with its application that the sanitary district has obtained from a third party.

2. Direct that DNR promulgate administrative rules to give higher priority than under the current rules to projects serving more than one municipality if all of the following are met: (a) each municipality served by the project has a population of 2,500 or less; (b) at least one of the municipalities has a wastewater treatment system that can not be used because of existing failures of the system; (c) the municipalities served by the project are submitting an application for a new joint venture system that would serve the municipalities; and (d) at least one of the municipalities served by the project has been ordered to upgrade a current system.

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Note:

Eligibility for financial hardship assistance under the clean water fund is based on the following two criteria: (a) the median household income of the municipality must be 80% or less of the median household income of the state; and (b) the estimated total annual charges per residential user in the municipality that relate to wastewater treatment would exceed 2% of the median household income in the municipality without hardship assistance. "Median household income" is statutorily defined as the median household income determined by the U.S. Census Bureau as adjusted by DNR to reflect changes in household income since the most recent federal census. For municipalities that are sanitary districts, DNR obtains median household income information by: (a) obtaining a map of the district boundaries from the sanitary district; (b) gathering census block data from the DOA demographics office; and (c) providing census block numbers to the U.S. Census Bureau to obtain a special tabulation of median household income for the sanitary district. The motion would prohibit DNR from using census information when

determining the median household income for certain sanitary districts and would require DNR to use non-census information provided by the sanitary district that was prepared by a third party.

DNR administrative rules establish a priority ranking system which scores each project. The priority ranking system is based on the type of project, the impact of the project on public health, the impact of the project on water quality and the population served by the project. The proportion of the total priority score associated with each of the four criteria factors is approximately: project type, such as compliance maintenance or unsewered projects (65%), water quality (18%), human health (13%) and population (4%). The motion would require DNR to promulgate administrative rules that give higher priority than currently to certain joint projects undertaken by more than one municipality. Currently, projects that include two or more municipalities tend to receive a higher priority score than either would independently (mainly related to human health and water quality criteria).

MO# 790 part 1

BURKE	<input checked="" type="radio"/>	<input type="radio"/>	A
DECKER	<input checked="" type="radio"/>	<input checked="" type="radio"/>	A
GEORGE	<input checked="" type="radio"/>	<input type="radio"/>	A
JAUCH	<input checked="" type="radio"/>	<input type="radio"/>	A
WINEKE	<input checked="" type="radio"/>	<input checked="" type="radio"/>	A
SHIBILSKI	<input checked="" type="radio"/>	<input type="radio"/>	A
COWLES	<input checked="" type="radio"/>	<input type="radio"/>	A
PANZER	<input checked="" type="radio"/>	<input type="radio"/>	A
JENSEN	<input checked="" type="radio"/>	<input type="radio"/>	A
2OURADA	<input checked="" type="radio"/>	<input type="radio"/>	A
HARSDORF	<input checked="" type="radio"/>	<input checked="" type="radio"/>	A
1ALBERS	<input checked="" type="radio"/>	<input type="radio"/>	A
GARD	<input checked="" type="radio"/>	<input type="radio"/>	A
KAUFERT	<input checked="" type="radio"/>	<input type="radio"/>	A
LINTON	<input checked="" type="radio"/>	<input type="radio"/>	A
COGGS	<input checked="" type="radio"/>	<input type="radio"/>	A

AYE 13 NO 3 ABS \_\_\_\_\_

MO# 790 part 2

BURKE	<input checked="" type="radio"/>	<input type="radio"/>	A
DECKER	<input checked="" type="radio"/>	<input checked="" type="radio"/>	A
GEORGE	<input checked="" type="radio"/>	<input type="radio"/>	A
JAUCH	<input checked="" type="radio"/>	<input type="radio"/>	A
WINEKE	<input checked="" type="radio"/>	<input checked="" type="radio"/>	A
SHIBILSKI	<input checked="" type="radio"/>	<input checked="" type="radio"/>	A
COWLES	<input checked="" type="radio"/>	<input type="radio"/>	A
PANZER	<input checked="" type="radio"/>	<input checked="" type="radio"/>	A
JENSEN	<input checked="" type="radio"/>	<input type="radio"/>	A
2OURADA	<input checked="" type="radio"/>	<input type="radio"/>	A
HARSDORF	<input checked="" type="radio"/>	<input type="radio"/>	A
1ALBERS	<input checked="" type="radio"/>	<input type="radio"/>	A
GARD	<input checked="" type="radio"/>	<input type="radio"/>	A
KAUFERT	<input checked="" type="radio"/>	<input type="radio"/>	A
LINTON	<input checked="" type="radio"/>	<input type="radio"/>	A
COGGS	<input checked="" type="radio"/>	<input checked="" type="radio"/>	A

AYE 10 NO 6 ABS \_\_\_\_\_

CLEAN WATER FUND

Motion:

Move to create a grant program under the safe drinking water loan program, including the following provisions:

a. Provide up to 5% of the available funds in each fiscal year for grants to local governments that meet certain criteria. (This would provide up to approximately \$3.6 million in 1997-99.)

b. Direct that a municipality would be eligible for a grant equal to up to 20% of the costs to plan, design, construct or modify public water systems to comply with the federal Safe Drinking Water Act if both of the following conditions apply: (1) the project is for a public water system that regularly serves fewer than 10,000 persons; and (2) the municipality meets the criteria for disadvantaged communities that DNR would promulgate in administrative rules under the bill. For remaining project costs, the municipality would be eligible for a loan at an interest rate of 33% of the market rate.

c. Maintain the requirement in the bill that DNR and DOA fund projects in the order that they appear on the funding list. Direct that if a project is allocated funding and meets the two grant eligibility criteria, then DOA shall allocate grant funds to the project, up to 20% of the project costs, and up to the 5% of available funds for the fiscal year.

d. Increase the present value subsidy limit for 1997-99 by \$2,400,000.

Further, provide a loan at a 0% interest rate of \$1.3 million from the Wisconsin Fund to a project that is a "failed innovative / alternative technology - modification / replacement projects" that received written approval of eligibility under 40 CFR 35.2032 from the DNR dated prior to December 10, 1996, and that requires the construction of additional infrastructure to eliminate groundwater discharge of effluent and establish a new surface water outfall. Specify that if the project receives financial assistance from the U.S. EPA, the project shall repay the loan to the state. If the project does not receive the EPA grant, the loan would be forgiven.

Transfer \$1.3 million general obligation bonding authority from the Clean Water Fund to the Wisconsin Fund if DNR and DOA determine it is necessary to retain sufficient general obligation bonding authority for the Wisconsin Fund.



**CLEAN WATER FUND**

**LFB Summary Items for Which No Issue Papers Have Been Prepared**

<u>Item #</u>	<u>Title</u>
1	Environmental Improvement Fund
3	Clean Water Fund Bonding
4	Clean Water Fund Debt Service
5	Clean Water Fund Present Value Subsidy Limit