

Fiscal Estimate Narratives

DNR 1/11/2024

LRB Number	23-0065/1	Introduction Number	AB-0887	Estimate Type	Original
Description bonding for lead service line replacement and granting bonding authority					

Assumptions Used in Arriving at Fiscal Estimate

The bill increases bonding authority for the Safe Drinking Water Loan Program (SDWLP) by \$200 million to provide forgivable loans to offset the cost of replacing lead service lines (LSL) on private property. It also specifies that not more than 50% of the replacement costs are eligible for forgivable loans, which means that the remaining 50% of replacement costs must be paid by homeowners, or municipalities, or from other funding sources.

I. State Fiscal Effect

A. One-Time Costs

One-time workload to implement the bill would be as follows: Updating application processes; Developing guidance materials; and Establish a process for integrating this specific funding source with existing funds (federal infrastructure funds) for LSL replacements.

The proposed funding would be integrated with funding coming from the federal Bipartisan Infrastructure Law (BIL), also known as the Infrastructure Investment and Jobs Act (IIJA). The BIL funding is structured differently from the Water Infrastructure Financing Transfer Act (WIFTA) funding that was most recently being utilized for private LSL replacements. The LSL program has recently undergone revisions in order to accommodate those differences but additional modifications would need to be made to incorporate this additional funding. It is estimated that incorporating this funding into the LSL Replacement Program will result in a one-time workload increase of approximately 360 hours. Assuming an average salary and fringe cost of \$53/hr., one-time costs are estimated to be \$19,100 (360 hours x \$53 = \$19,080).

B. Ongoing Costs

Ongoing workload increases to implement the bill would be as follows: Providing assistance to applicants; Application review; Award allocations; Reviewing loan documentation; Processing financial assistance agreements; Construction oversight; Reviewing expense eligibility; Fund disbursement; Loan closeout procedures.

The reoccurring workload increase is dependent on a number of factors, most notably the volume of applications received on an annual basis. During the two years of the WIFTA-funded program, the Department received an average of 72 applications per year for an allocation of approximately \$37 million per year. Environmental Loans staff estimate that demand will be sufficient to award \$40 million per year over a five-year period in addition to the federal infrastructure funds.

Based on experience in CYs 2021 and 2022 with the WIFTA-funded program, the Department would expect to receive approximately 90 applications per year representing a 25% volume increase over what was experienced during the WIFTA-funded program. This estimate is further strengthened by the recently released draft of the federal Lead & Copper Rule Improvements which would require replacement of all LSLs within 10 years.

Total additional staff time that was needed during the WIFTA-funded program is estimated to be equivalent to 2.0 FTE per year. Based on the increase (25%) in the volume of applications and the recent changes to the program to accommodate the federal infrastructure bill requirements and integration into the regular SDWLP.

With average salary and fringe cost of \$53/hr. plus additional costs for office operations and supplies, annual reoccurring costs to the SDWLP are estimated at \$227,500 $[(2080 \text{ hrs} \times \$53/\text{hr.}) \times 2.0] + \$7,000 \text{ supplies} = \$227,480$. These reoccurring costs would be expected over a five year period. Beyond the five year period, there will continue to be reoccurring costs after all of the awards have been made; however, these costs will diminish over an estimated 1-2 year period as LSL replacements are completed, funds are no longer being

disbursed, and closeouts are completed.

II. Local Fiscal Effect

The fiscal impact to a particular municipality will depend on the number of LSLs replaced. There are estimated to be more than 200,000 private side LSLs throughout Wisconsin. The matching 50% of the replacement cost will be determined by the municipality and will likely be paid by the homeowner, by the municipality using ratepayer funds (as allowed by the Public Service Commission (PSC) and 2017 Wis Act 137), or with the federal BIL funds.

A. Costs

1. Costs to local units of government are expected to be related to the development of a LSL Replacement Program application, administration of an LSL financial assistance award, and the development and administration of the local program for replacing private LSLs (potentially including bidding, contracting, and construction oversight, or developing a program to pre-qualify plumbing contractors).

In the regular SDWLP, municipalities typically contract with consulting engineering firms to provide these services. In the WIFTA-funded program, many municipalities were able to handle these responsibilities internally, both as a cost-savings measure and because the requirements of the Private LSL Replacement Program were less burdensome than regular SDWLP projects. Since the new infrastructure bill-funded program now involves loan funding and additional federal requirements, most LSL replacement projects will be more like traditional SDWLP projects. The Department anticipates that some municipalities will still administer these loans using internal staff while others will need to rely on an outside consultant. Actual costs to municipalities for developing and administering an LSL replacement program under the bill are indeterminate.

2. Long-term public health care costs associated with elevated lead levels, particularly in low-income areas, would be expected to decrease to the extent that LSLs are replaced. These cost reductions are indeterminate.

B. Revenues

Assuming a five-year implementation period, revenues of \$40 million/yr. to local units of government are expected for those who receive a forgivable loan from the SDWLP to offset the cost of replacing private LSLs under the bill. Assuming the cost to replace a private-side LSL averages about \$6,000 per household, and the funds are intended to cover 50% of this cost, then the \$200 million of funding provided in the bill would fund approximately 66,667 LSL replacements (\$200 million/\$3,000).

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2023 Session

Detailed Estimate of Annual Fiscal Effect

Original
 Updated
 Corrected
 Supplemental

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I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):		
Estimated one-time costs of \$19,100 for making program modifications, updating applications, developing guidance and outreach materials, etc.		
II. Annualized Costs:	Annualized Fiscal Impact on funds from:	
	Increased Costs Decreased Costs	
A. State Costs by Category		
State Operations - Salaries and Fringes	\$220,500	\$
(FTE Position Changes)	(2.0 FTE)	
State Operations - Other Costs	7,000	
Local Assistance	40,000,000	
Aids to Individuals or Organizations		
TOTAL State Costs by Category	\$40,227,500	\$
B. State Costs by Source of Funds		
GPR		
FED		
PRO/PRS		
SEG/SEG-S	40,227,500	
III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)		
	Increased Rev	Decreased Rev
GPR Taxes	\$	\$
GPR Earned		
FED		
PRO/PRS		
SEG/SEG-S		
TOTAL State Revenues	\$	\$
NET ANNUALIZED FISCAL IMPACT		
	<u>State</u>	<u>Local</u>
NET CHANGE IN COSTS	\$40,227,500	\$
NET CHANGE IN REVENUE	\$	\$40,000,000
Agency/Prepared By	Authorized Signature	Date
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