

STATE OF WISCONSIN

SENATE CHAIR
Alberta Darling

317 East, State Capitol
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Madison, WI 53707-7882
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ASSEMBLY CHAIR
John Nygren

309 East, State Capitol
P.O. Box 8953
Madison, WI 53708-8953
Phone: (608) 266-2343

JOINT COMMITTEE ON FINANCE

MEMORANDUM

To: Members
Joint Committee on Finance

From: Senator Alberta Darling
Representative John Nygren

Date: January 8, 2016

Re: DOA/DNR Report to JFC

Attached is the Wisconsin Environmental Improvement Fund 2013-2015 Biennial Report, pursuant to s. 281.59(3)(j), Stats.

This report is being provided for your information only. No action by the Committee is required. Please feel free to contact us if you have any questions.

Attachments

AD:JN;jm



WISCONSIN DEPARTMENT OF
ADMINISTRATION

Scott Neitzel, Secretary



Cathy Stepp, Secretary

October 30, 2015

The Honorable John Nygren
Co-Chair Joint Committee on Finance
Room 309 East
State Capitol

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BY: *St. Finance*

SUBJECT: Wisconsin Environmental Improvement Fund
2013 – 2015 Biennial Report

Dear Representative Nygren:

We have attached, for your information, a report on the operations and activities of the Clean Water Fund Program, the Safe Drinking Water Loan Program and the Land Recycling Loan Program for the last biennium. This report is required by s. 281.59(3)(j), Wis. Stats. to be submitted to the Legislature and to the State Building Commission by November 1 of each odd numbered year.

If you have any questions regarding the Biennial Finance Plan, please contact Robin Schmidt at 266-3915 or Aaron Heintz at 266-0739.

Sincerely,

Mary Rose Teves, Director
Bureau of Community Financial Assistance
Department of Natural Resources

David R. Erdman, Director
Capital Finance
Department of Administration

cc: Cathy Stepp – AD/8
Scott Neitzel – DOA



Scott Neitzel, Secretary



Cathy Stepp, Secretary

October 30, 2015

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Co-Chair Joint Committee on Finance
Room 317 East
State Capitol

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Bureau of Community Financial Assistance
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David R. Erdman, Director
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Department of Administration

cc: Cathy Stepp – AD/8
Scott Neitzel – DOA

**2013-2015 BIENNIAL OPERATIONS REPORT
STATE OF WISCONSIN
ENVIRONMENTAL IMPROVEMENT FUND
NOVEMBER 2015**

Prepared by:

Department of Natural Resources
Bureau of Community Financial Assistance

Department of Administration
Capital Finance Office

2013-2015 BIENNIAL REPORT
ENVIRONMENTAL IMPROVEMENT FUND
NOVEMBER 2015

I. INTRODUCTION

Section 281.59(3)(j), Wis. Stats., requires the Department of Natural Resources (WI DNR) and the Department of Administration (WI DOA) to submit an Environmental Improvement Fund (EIF) Biennial Report to the Legislature and to the State Building Commission by November 1 of each odd-numbered year. The report is to provide information on the Clean Water Fund Program (CWFP) present value subsidy and the operations and activities of the EIF for the previous biennium.

The EIF consists of three loan programs: the CWFP, the Safe Drinking Water Loan Program (SDWLP) and the Land Recycling Loan Program (LRLP).

II. CLEAN WATER FUND PROGRAM

A. FINANCIAL LIMITS AND PRESENT VALUE SUBSIDY

The Legislature created the "present value subsidy limit," or "PV subsidy" as a financial control mechanism for the EIF, and it applies to all subsidized loans. The PV subsidy is the cost, in current dollars, of subsidizing the below market interest rate loans and hardship grants over their 20-year amortization period and is a means of determining the maximum size of the program over a given period of time.

1. The adopted 2013-2015 Biennial Budget provided the CWFP with a limit of \$61.9 million in PV subsidy. The authorization is split into two funding components:
 - a. 83.2% Project Commitments - to subsidize the interest rate for project costs funded below the market interest rate.
 - b. 16.8% Hardship Assistance and Principal Forgiveness - to further reduce the interest rate below the normal subsidy rate or to provide grants. This assistance is available to municipalities meeting statutory criteria.
2. As of October 31, 2015, \$27.9 million of PV subsidy had been committed/allocated to 2013-2015 biennium projects. The PV subsidy provided includes:
 - a. \$27.9 million Project Commitments
 - b. \$0 Hardship Assistance

There were no qualifying hardship assistance projects, and thus there was sufficient PV subsidy was available in the 2013-2015 biennium for the hardship program.

3. During the 2013-2015 biennium, sufficient funds were available to fund all non-hardship projects meeting the program requirements with a below-market-rate loan.

B. CWFP ACTIVITIES/OPERATIONS DURING THE 2013-2015 BIENNIUM

1. Forty-eight CWFP loans and grants were awarded during the 2013-2015 biennium, totaling \$266.1 million in financial assistance. A list of recipients is attached.
2. The CWFP interest rate subsidy has been an effective incentive to municipalities to initiate compliance maintenance programs and to protect and preserve the quality of Wisconsin's water resource. The CWFP has met its major goal to minimize discharge permit violations and water quality degradation by Wisconsin municipalities.

2. The total dollar amount of financial assistance allocated to eligible hardship municipalities was \$0. No municipalities were eligible for hardship assistance during this biennium.
3. In January 2015, the Department of Administration conducted a market rate assessment, which resulted in a lowering of the market rate from 3.5% to 3.0%. The subsidized interest rate for the CWFP based on the 3% market rate was 2.25%, effective until July 1, 2015.
4. The Clean Water Fund Small Loan Program, which includes a partnership with the Board of Commissioners of Public Lands, streamlines the loan process for projects costing \$1 million or less. Three commitments to small loan program applicants were completed during the biennium for a total subsidy amount of \$1.4 million.
5. Cumulative Program Activities. Since program inception in 1991, through June 30, 2015, the CWFP has completed 976 financial assistance awards (including small loans) for \$4.2 billion.

III. SAFE DRINKING WATER LOAN PROGRAM

A. SDWLP ACTIVITIES/OPERATIONS DURING THE 2013-2015 BIENNIUM

1. Fifty-five SDWLP loans were awarded to local governmental units during the 2013-2015 biennium, totaling \$96.4 million in financial assistance. A list of loan recipients is attached. Of those financial assistance agreements, \$9.7 million was awarded in principal forgiveness and \$86.7 million was awarded in subsidized loans.

Of \$26.9 million in PV subsidy available, the standard borrowers were allocated \$8.3 million, and the disadvantaged borrowers were allocated \$8.7 million.

2. Since program inception in 1998, through June 30, 2015, the SDWLP has completed 276 financial assistance awards for more than \$551.8 million.

IV. LAND RECYCLING LOAN PROGRAM

A. LRLP ACTIVITIES/OPERATIONS DURING THE 2013-2015 BIENNIUM

1. No LRLP loans were awarded to local governmental units during the 2013-2015 biennium.
2. Since program inception in 2000 through June 30, 2013, the LRLP has completed 10 financial assistance awards for \$15.2 million.

V. CWFP PROGRAM RESTRUCTURING

Since 1991, the State has issued clean water revenue bonds for funding loans under the CWFP. These clean water revenue bonds were secured, in part, by repayments of loans in the CWFP's leveraged loan portfolio. During the 2013-2015 biennium, the State worked on a new funding framework for the CWFP. This new credit and funding was approved by the State Building Commission on October 7, 2015, and will result in the issuance of a new credit called environmental improvement fund revenue obligations program. With this new framework, the State is leveraging the CWFP's direct (federal) portfolio and repayments of loans funded with federal capitalization grants and required state match will be used to secure, in part, the environmental improvement fund revenue bonds. This funding change and restructuring will reduce State costs and allow for a higher bond rating for the new credit, which in turn should result in lower interest rates being available to users of the CWFP. In addition, the WI DNR proposed rule revisions were finalized. Finally, the 2015-2017 biennial budget includes some other changes related to this funding change and restructuring that will change the content of this report, effective November 1, 2017.

Clean Water Fund Program Projects Funded in 2013 - 2015 Biennium

Execute Date	Municipality	Project #	Principal Forgiveness (Grant) Amount	Loan Amount	Total FAA Amount
7/24/2013	City of Menasha	5101-06	\$0.00	\$504,200.00	\$504,200.00
7/24/2013	Village of Minong	4465-02	\$500,000.00	\$595,194.00	\$1,095,194.00
7/24/2013	Village of Birchwood	5321-01	\$3,437,544.00	\$758,947.00	\$4,196,491.00
7/24/2013	Ho-Chunk Nation	5479-02	\$0.00	\$10,562,985.00	\$10,562,985.00
8/14/2013	Village of Rio	5421-01	\$219,492.00	\$1,243,790.00	\$1,463,282.00
9/25/2013	Village of Mount Horeb	4375-08	\$0.00	\$1,774,300.00	\$1,774,300.00
9/25/2013	City of Saint Croix Falls	4444-03	\$500,000.00	\$7,056,855.00	\$7,556,855.00
9/25/2013	Madison Metropolitan Sewerage District	4010-39	\$0.00	\$14,773,549.00	\$14,773,549.00
10/23/2013	City of Sheboygan	4019-18	\$0.00	\$8,974,081.00	\$8,974,081.00
11/27/2013	Madison Metropolitan Sewerage District	4010-37	\$0.00	\$4,746,580.00	\$4,746,580.00
12/11/2013	Milwaukee Metro Sewer District	3220-01	\$0.00	\$3,887,824.00	\$3,887,824.00
12/26/2013	City of Peshtigo	4122-03	\$232,628.00	\$1,575,428.00	\$1,808,056.00
12/26/2013	City of Milwaukee - Comptroller's Office	4428-16	\$500,000.00	\$23,723,265.00	\$24,223,265.00
1/8/2014	Green Bay Metropolitan Sewerage District	4198-48	\$0.00	\$4,272,020.00	\$4,272,020.00
2/26/2014	Village of Westfield	4002-04	\$50,202.00	\$0.00	\$50,202.00
2/26/2014	Madison Metropolitan Sewerage District	4010-43	\$0.00	\$12,362,184.00	\$12,362,184.00
3/12/2014	City of New Holstein	4953-05	\$0.00	\$418,907.00	\$418,907.00
4/9/2014	Village of Grantsburg	4584-05	\$0.00	\$328,436.00	\$328,436.00
4/23/2014	City of Whitehall	5141-06	\$0.00	\$1,389,624.00	\$1,389,624.00
5/14/2014	City of Oshkosh	4130-14	\$0.00	\$5,706,185.00	\$5,706,185.00
5/28/2014	Village of Kendall	4173-04	\$0.00	\$261,352.00	\$261,352.00
5/28/2014	Town of Salem	4049-19	\$0.00	\$2,546,888.00	\$2,546,888.00
6/11/2014	City of Stoughton - Utilities	4078-11	\$0.00	\$3,483,369.00	\$3,483,369.00
6/25/2014	City of Waukesha	4062-04	\$0.00	\$33,000,000.00	\$33,000,000.00
7/9/2014	Milwaukee Metro Sewer District	3206-03	\$0.00	\$3,744,192.00	\$3,744,192.00
7/9/2014	Milwaukee Metro Sewer District	3211-01	\$0.00	\$5,970,432.00	\$5,970,432.00
7/23/2014	Village of Black Creek	4332-05	\$0.00	\$1,332,766.00	\$1,332,766.00
7/23/2014	City of Darlington	4366-03	\$0.00	\$1,359,000.00	\$1,359,000.00
7/23/2014	City of Oconto Falls	4121-99	\$0.00	\$1,614,597.00	\$1,614,597.00
7/23/2014	Village of Belmont	4253-04	\$0.00	\$3,447,850.00	\$3,447,850.00
8/13/2014	Green Bay Metropolitan Sewerage District	4198-44	\$0.00	\$16,337,158.00	\$16,337,158.00
10/8/2014	City of Montreal	4184-03	\$500,000.00	\$1,299,308.00	\$1,799,308.00
11/12/2014	City of Shell Lake	4712-04	\$500,000.00	\$450,422.00	\$950,422.00
11/12/2014	City of Richland Center	4060-08	\$0.00	\$3,617,082.00	\$3,617,082.00
11/26/2014	City of Ladysmith	4574-05	\$0.00	\$2,530,534.00	\$2,530,534.00
12/10/2014	Milwaukee Metro Sewer District	3221-01	\$0.00	\$4,885,429.00	\$4,885,429.00
12/10/2014	Milwaukee Metro Sewer District	3213-01	\$0.00	\$9,801,058.00	\$9,801,058.00
12/23/2014	Village of Sharon	4472-03	\$0.00	\$569,088.00	\$569,088.00
12/23/2014	City of Ashland	4525-07	\$0.00	\$592,610.00	\$592,610.00
12/23/2014	City of Two Rivers	4107-27	\$0.00	\$787,693.00	\$787,693.00
2/25/2015	Madison Metropolitan Sewerage District	4010-42	\$0.00	\$10,663,025.00	\$10,663,025.00
5/13/2015	City of Tomahawk	4051-04	\$347,582.00	\$3,354,250.00	\$3,701,832.00
5/27/2015	Madison Metropolitan Sewerage District	4010-41	\$0.00	\$12,094,707.00	\$12,094,707.00
5/27/2015	City of Milwaukee - Comptroller's Office	4428-17	\$0.00	\$20,410,622.00	\$20,410,622.00
6/10/2015	Village of Tennyson	4605-02	\$0.00	\$212,217.00	\$212,217.00
6/10/2015	Village of Orfordville	5291-02	\$0.00	\$351,040.00	\$351,040.00
6/10/2015	Milwaukee Metro Sewer District	3222-01	\$0.00	\$7,556,433.00	\$7,556,433.00
6/24/2015	City of New Holstein	4953-06	\$364,382.00	\$2,064,828.00	\$2,429,210.00
Totals =			\$7,151,830.00	\$258,992,304.00	\$266,144,134.00

Clean Water Fund Program Small Loan Projects Funded in 2013 - 2015 Biennium

Municipality	Project #	Eligible Subsidy Amount
Christmas Mountain SD	4956-06	\$150,000
Brazeau Sanitary District #1	4410-02	\$250,000
Village of Grafton	4454-14	\$1,000,000
Totals =		\$1,400,000

Safe Drinking Water Loan Program Projects Funded in 2013 - 2015 Biennium

Execute Date	Municipality	Project #	Principal Forgiveness (Grant) Amount	Loan Amount	Total FAA Amount
8/14/2013	Village of Withee	4940-05	\$284,031.00	\$189,353.00	\$473,384.00
10/9/2013	Village of Dorchester	5066-03	\$152,793.00	\$212,138.00	\$364,931.00
10/23/2013	City of Viroqua	5168-05	\$500,000.00	\$1,491,348.00	\$1,991,348.00
11/27/2013	City of Rhinelander	5288-04	\$0.00	\$1,026,552.00	\$1,026,552.00
12/11/2013	Village of Highland	4818-02	\$0.00	\$234,160.00	\$234,160.00
12/26/2013	City of Milwaukee - Comptroller's Office	4851-08	\$0.00	\$7,823,139.00	\$7,823,139.00
3/12/2014	City of New Holstein	5366-01	\$0.00	\$716,604.00	\$716,604.00
4/23/2014	Village of New Auburn	5202-02	\$0.00	\$373,625.00	\$373,625.00
5/14/2014	Village of Readstown	5523-01	\$15,257.00	\$0.00	\$15,257.00
5/14/2014	Village of Spencer	5436-03	\$164,036.00	\$929,532.00	\$1,093,568.00
5/28/2014	Village of Kendall	5398-03	\$321,594.00	\$214,395.00	\$535,989.00
5/28/2014	City of Fountain City	5116-02	\$190,271.00	\$443,965.00	\$634,236.00
5/28/2014	Village of Greendale	5491-02	\$0.00	\$711,888.00	\$711,888.00
5/28/2014	Village of Cameron	5054-03	\$0.00	\$1,522,192.00	\$1,522,192.00
5/28/2014	City of Oak Creek	4869-05	\$0.00	\$5,471,070.00	\$5,471,070.00
6/11/2014	Village of Friesland	4808-05	\$0.00	\$262,002.00	\$262,002.00
6/11/2014	Village of Lake Delton	5389-01	\$0.00	\$4,541,467.00	\$4,541,467.00
6/25/2014	Village of South Wayne	5435-04	\$272,597.00	\$0.00	\$272,597.00
6/25/2014	City of Two Rivers	4920-17	\$0.00	\$435,826.00	\$435,826.00
6/25/2014	City of Prairie du Chien	5163-06	\$0.00	\$503,175.00	\$503,175.00
6/25/2014	City of Bayfield	5385-03	\$463,319.00	\$198,565.00	\$661,884.00
6/25/2014	City of Shell Lake	5522-01	\$0.00	\$751,921.00	\$751,921.00
6/25/2014	Village of Hancock	5190-01	\$482,768.00	\$351,713.00	\$834,481.00
6/25/2014	Village of Dallas	5504-01	\$500,000.00	\$352,046.00	\$852,046.00
6/25/2014	Village of Turtle Lake	5164-07	\$500,000.00	\$819,682.00	\$1,319,682.00
8/27/2014	Village of Avoca	4761-03	\$233,637.00	\$0.00	\$233,637.00
9/24/2014	Village of Mount Hope	5160-04	\$297,002.00	\$0.00	\$297,002.00
9/24/2014	Village of Grantsburg	5377-04	\$414,919.00	\$461,034.00	\$875,953.00
9/24/2014	City of Oconto Falls	4870-04	\$500,000.00	\$798,899.00	\$1,298,899.00
9/24/2014	Central Brown County Water Authority	5530-01	\$0.00	\$12,958,106.00	\$12,958,106.00
10/22/2014	Village of Lena	5464-03	\$500,000.00	\$2,785,288.00	\$3,285,288.00
10/22/2014	City of Milwaukee - Comptroller's Office	4851-23	\$0.00	\$8,548,447.00	\$8,548,447.00
11/12/2014	City of Two Rivers	4920-19	\$0.00	\$327,867.00	\$327,867.00
12/10/2014	City of Elroy	5379-06	\$377,585.00	\$251,723.00	\$629,308.00
12/10/2014	City of Black River Falls	5244-03	\$433,617.00	\$549,075.00	\$982,692.00
12/23/2014	Village of Cassville	5469-01	\$410,102.00	\$0.00	\$410,102.00
12/23/2014	City of Rhinelander	5288-06	\$0.00	\$918,688.00	\$918,688.00
4/8/2015	City of Brillion	5239-04	\$0.00	\$1,689,997.00	\$1,689,997.00
5/13/2015	City of Mosinee	5536-01	\$353,975.00	\$2,144,024.00	\$2,497,999.00
5/13/2015	Village of Lake Hallie	5267-05	\$0.00	\$2,516,139.00	\$2,516,139.00
5/13/2015	City of Sheboygan	4901-04	\$500,000.00	\$3,122,030.00	\$3,622,030.00
5/27/2015	Village of Siren	4905-02	\$438,308.00	\$386,883.00	\$825,191.00
5/27/2015	City of Thorp	4922-05	\$272,369.00	\$594,692.00	\$867,061.00
5/27/2015	City of Racine	4887-05	\$0.00	\$1,931,200.00	\$1,931,200.00
6/10/2015	Village of Tennyson	5509-01	\$0.00	\$159,914.00	\$159,914.00
6/10/2015	Village of Albany	4749-02	\$0.00	\$379,770.00	\$379,770.00
6/10/2015	Village of Orfordville	5488-01	\$0.00	\$969,220.00	\$969,220.00
6/10/2015	City of Colby	4786-06	\$500,000.00	\$635,678.00	\$1,135,678.00
6/24/2015	Village of Fall Creek	5063-03	\$90,249.00	\$285,745.00	\$375,994.00
6/24/2015	Village of Fredonia	5089-03	\$0.00	\$965,235.00	\$965,235.00
6/24/2015	City of Bayfield	5385-04	\$500,000.00	\$495,530.00	\$995,530.00
6/24/2015	City of Whitehall	4937-03	\$0.00	\$1,788,158.00	\$1,788,158.00
6/24/2015	Village of Biron	5395-02	\$0.00	\$2,091,776.00	\$2,091,776.00
6/24/2015	Village of Allouez	5325-03	\$0.00	\$2,127,307.00	\$2,127,307.00
6/24/2015	Village of Wrightstown	4942-04	\$0.00	\$7,244,797.00	\$7,244,797.00
		Totals =	\$9,668,429.00	\$86,703,580.00	\$96,372,009.00