

1993-94 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

➤ \*\*

➤ Hearing Records ... HR

➤ \*\*

➤ Miscellaneous ... Misc

➤ 93hrJC-Fi\_Misc\_pt33

➤ Record of Comm. Proceedings ... RCP

➤ \*\*



State of Wisconsin

March 24, 1993

MAR 26 1993

The Honorable Gary George  
Co-Chairperson Joint Committee on Finance  
Room 115 South  
State Capitol

SUBJECT: Clean Water Fund Biennial Finance Plan for FY 1993-1995

Dear Senator George:

Attached to this letter is the second version of the Clean Water Fund Biennial Finance Plan for FY 1993-1995.

This plan was prepared jointly by the Department of Natural Resources and the Department of Administration Capital Finance Office. Its purpose is to support the administration of the Clean Water Fund which provides financial assistance to municipalities that are required to construct new wastewater treatment facilities to protect the surface water and groundwater of Wisconsin.

The first version of the plan, which was submitted to your office on August 17, 1992, reflected the Department of Natural Resources biennial budget proposal to the Governor. This second version is updated to reflect the Governor's proposed biennial budget. A third version of the plan will be submitted later this year reflecting the adopted biennial budget.

The preparation, submission, and review of the Biennial Finance Plan by the Joint Committee on Finance, environmental legislative standing committees and the Building Commission is required under s. 144.2415(3), Stats. The statute allows the Joint Committee on Finance and each standing committee to submit to the Building Commission its recommendations and comments regarding each version of the Biennial Finance Plan.

If you have any questions regarding the Biennial Finance Plan, please contact Paulette Harder at 266-0836 or Frank Hoadley at 266-2305.

Sincerely,

Handwritten signature of Paulette J. Harder in cursive.

Paulette J. Harder, Director  
Office of Governmental Relations  
Department of Natural Resources

Handwritten signature of Frank R. Hoadley in cursive.

Frank R. Hoadley  
Capital Finance Director  
Department of Administration

Attach.

cc: George E. Meyer, AD/5  
James R. Klauser, DOA

a:\bfp0393L

STATE OF WISCONSIN  
 CLEAN WATER FUND PROGRAM  
 ESTIMATED CASH FLOW (1994 - 2018)  
 OF LOANS AND COMMITMENTS  
 FOR FISCAL YEARS 1989 - 1997  
 ATTACHMENT C

FY	'89 - '92	'93	'94	'95	'96	'97	'89 - '97
Loan \$'s	520,443,915	156,560,000	193,100,000	214,400,000	198,100,000	219,600,000	1,345,643,915
Avg. Rate	3.005%	3.852%	4.632%	4.643%	4.733%	4.712%	4.681%
Year							
1994	32,435,065						32,435,065
1995	34,998,179	10,381,130					45,379,309
1996	34,998,179	11,369,493	13,549,175				59,916,847
1997	34,998,179	11,369,493	15,015,061	15,055,662			76,438,396
1998	34,998,179	11,369,493	15,015,061	16,687,109	14,001,547		92,071,390
1999	34,998,179	11,369,493	15,015,061	16,687,109	15,538,181	15,497,693	109,105,717
2000	34,998,179	11,369,493	15,015,061	16,687,109	15,538,181	17,193,542	110,801,566
2001	34,998,179	11,369,493	15,015,061	16,687,109	15,538,181	17,193,542	110,801,566
2002	34,998,179	11,369,493	15,015,061	16,687,109	15,538,181	17,193,542	110,801,566
2003	34,998,179	11,369,493	15,015,061	16,687,109	15,538,181	17,193,542	110,801,566
2004	34,998,179	11,369,493	15,015,061	16,687,109	15,538,181	17,193,542	110,801,566
2005	34,998,179	11,369,493	15,015,061	16,687,109	15,538,181	17,193,542	110,801,566
2006	34,998,179	11,369,493	15,015,061	16,687,109	15,538,181	17,193,542	110,801,566
2007	34,998,179	11,369,493	15,015,061	16,687,109	15,538,181	17,193,542	110,801,566
2008	34,998,179	11,369,493	15,015,061	16,687,109	15,538,181	17,193,542	110,801,566
2009	34,998,179	11,369,493	15,015,061	16,687,109	15,538,181	17,193,542	110,801,566
2010	34,998,179	11,369,493	15,015,061	16,687,109	15,538,181	17,193,542	110,801,566
2011	34,998,179	11,369,493	15,015,061	16,687,109	15,538,181	17,193,542	110,801,566
2012	34,998,179	11,369,493	15,015,061	16,687,109	15,538,181	17,193,542	110,801,566
2013	34,998,179	11,369,493	15,015,061	16,687,109	15,538,181	17,193,542	110,801,566
2014		11,369,493	15,015,061	16,687,109	15,538,181	17,193,542	75,803,386
2015			15,015,061	16,687,109	15,538,181	17,193,542	64,433,893
2016				16,687,109	15,538,181	17,193,542	49,418,832
2017					15,538,181	17,193,542	32,731,723
2018						17,193,542	17,193,542
TOTALS	697,400,473	226,401,500	298,835,339	332,110,736	309,226,984	342,174,991	2,206,150,022

Assumptions: Fiscal years '89 - 93 amounts are actual; all others are estimated.

STATE OF WISCONSIN  
 CLEAN WATER FUND PROGRAM  
 REPORT OF LOANS & COMMITMENTS  
 PRINCIPAL BALANCES  
 AS OF JUNE 30, 1992  
 ATTACHMENT D

<u>MUNICIPALITY</u>	<u>CLOSED LOANS</u>		<u>LOAN AMOUNT</u>	<u>INTEREST RATE*</u>
	<u>DATE CLOSED</u>	<u>OUTSTANDING PRINCIPAL BALANCE</u>		
Adell	13-May-92	166,779.00	565,663.88	0.302%
Algoma	29-Aug-91	3,563,508.79	5,014,779.00	3.795%
Antigo	30-May-91	301,256.42	328,084.00	4.040%
Argyle	26-Feb-92	985,869.27	1,466,993.00	2.291%
Ashland	20-Nov-91	8,366,258.52	9,012,536.00	1.080%
Bayshore SD	29-Aug-91	818,979.50	946,574.00	2.500%
Black River Falls	14-Aug-91	1,699,191.36	1,893,956.00	2.645%
Black Wolf SD #1	01-May-91	3,906,309.86	4,327,485.00	2.515%
Blue Spring Lake SD	01-Jul-91	319,677.29	380,000.00	2.500%
Bowler	30-Oct-91	102,468.95	114,748.00	2.500%
Brokaw	30-May-91	184,370.02	197,273.00	2.500%
Burlington	12-Jun-91	16,478,505.05	18,488,274.00	3.600%
Caroline SD	24-Jun-92	35,057.46	83,238.00	0.000%
Coleman	26-Feb-92	426,454.51	506,851.00	4.251%
Dyckesville SD	30-Aug-91	1,428,591.32	1,650,872.00	2.539%
Fond du Lac	30-Oct-91	1,279,818.95	2,022,208.00	3.880%
Fort Atkinson	17-May-91	9,368,507.21	14,593,964.50	4.663%
Grand Chute/Menasha SC	09-Dec-91	246,212.93	380,444.00	3.861%
Green Bay MSD	26-Sep-91	11,409,003.07	30,254,520.00	2.500%
Hartford	29-Aug-91	1,608,407.34	1,753,755.00	3.709%
Hudson	29-Apr-92	550,146.00	579,101.00	4.830%
Hustisford	14-Aug-91	381,955.85	445,801.00	3.867%
Iowa County	10-Jun-92	36,900.00	485,993.00	3.795%
Laona SD #1	31-Jul-91	708,968.00	746,282.00	3.795%
Lisbon SD #1	29-Nov-91	1,842,865.37	2,848,788.00	2.619%
Madison MSD	27-May-92	1,472,543.94	21,301,200.00	3.862%
Madison MSD	29-Jan-92	1,484,127.18	2,008,830.00	3.897%
Merrill	02-May-91	3,624,654.59	4,044,352.00	3.959%
Milwaukee MSD	COMBINED	121,888,642.10	197,852,976.00	2.500%
Milwaukee MSD	17-Jul-91	4,100,780.19	5,049,027.00	3.800%
Morrison SD #1	10-Jun-92	286,209.75	286,209.75	0.000%
Mount Horeb	30-May-91	2,201,734.56	2,355,451.00	2.984%
Neenah SD #2	30-Oct-91	1,005,800.51	1,057,168.25	0.300%
New Glarus	29-Apr-92	274,896.00	2,725,349.00	3.972%
Niagara	01-Oct-91	173,823.09	180,905.00	2.500%
North Hudson	11-Mar-92	554,456.95	640,848.59	4.830%
Norway SD #1	13-Nov-91	646,353.00	680,371.00	3.795%
Oakdale	31-Jul-91	42,951.40	45,212.00	0.000%
Oneida Trb Indians	15-Apr-92	909,549.60	1,209,907.65	0.000%
Onion River SC/Adell	13-May-92	94,686.68	720,659.61	0.302%
Onion River SC/Hingham	13-May-92	64,987.32	226,589.25	1.178%
Prairie du Chien	29-Apr-92	303,132.79	452,437.00	3.888%
Richland Center	04-Dec-91	407,896.02	468,117.00	3.994%
Rockland SD #1	31-Jul-91	204,402.00	215,160.00	0.000%
South Wayne	30-Oct-91	105,381.00	138,170.00	3.795%
Sparta	30-May-91	9,632,835.43	10,726,198.00	4.071%
S.D. #1 Tn of Friendship	29-Nov-91	150,314.86	155,438.00	2.500%
Waukesha	01-Oct-91	8,786,030.56	42,071,787.00	4.292%
Webster	19-Sep-91	187,264.16	204,020.00	3.932%
Weyauwega	31-Jul-91	2,688,239.66	3,284,569.00	4.540%

<u>CLOSED LOANS (continued)</u>				
<u>MUNICIPALITY</u>	<u>DATE</u>	<u>OUTSTANDING</u>	<u>LOAN</u>	<u>INTEREST</u>
	<u>CLOSED</u>	<u>PRINCIPAL BALANCE</u>	<u>AMOUNT</u>	<u>RATE*</u>
Winneconne	01-Oct-91	2,947.37	24,904.00	2.500%
Winna./Butte des Morts SC	31-Oct-91	1,973,049.21	2,066,106.00	1.035%
Wisconsin Rapids	04-Dec-91	3,492,503.00	11,669,989.00	4.236%
Wisc. Dells/Lake Delton SC	18-Dec-91	1,363,792.54	1,486,460.00	3.814%
Wolf TPC	30-Oct-91	<u>1,121,031.00</u>	<u>1,274,457.00</u>	3.857%
<b>TOTAL CLOSED LOANS</b>		<u>235,261,078.50</u>	<u>413,711,051.48</u>	

<u>PENDING LOANS NOT CLOSED</u>		
<u>MUNICIPALITY</u>	<u>COMMITMENT</u>	<u>INTEREST</u>
	<u>AMOUNT</u>	<u>RATE*</u>
Appleton - OUTAGAMIE * #	20,639,017.00	TBD
Boaz	969,685.00	TBD
Calumet SD #1	442,360.00	TBD
Chelsea SD	1,023,233.00	TBD
Crivitz	2,462,515.00	TBD
Cushing SD #1	110,900.00	TBD
De Pere	865,600.00	TBD
Denmark	2,098,141.00	TBD
Eastman	310,801.00	TBD
Elk Mound	360,000.00	TBD
Franklin	1,331,341.00	TBD
Galesville	1,142,992.00	TBD
Germantown SD	401,134.00	TBD
Gordon SD #1	1,596,799.00	TBD
Hartford	3,387,983.00	TBD
Hudson	480,180.00	TBD
Hudson	91,400.00	TBD
Ironton	1,064,804.00	TBD
Janesville	357,110.00	TBD
Kenan	298,000.00	TBD
Kenosha	36,388,177.00	TBD
Kenosha	247,445.00	TBD
Little Eikhart Lake Rehab SD #2	1,299,980.00	TBD
Milwaukee MSD	864,855.00	TBD
Monticello	385,259.00	TBD
Mosinee	643,300.00	TBD
New Lisbon	1,156,914.00	TBD
Ogema SD #1	184,635.00	TBD
Plymouth	5,074,750.00	TBD
Redgranite	3,485,900.00	TBD
Royal Scot SD	1,239,828.00	TBD
Salem - KENOSHA	3,247,550.00	TBD
Sheboygan	324,826.00	TBD
Stevens Point	12,612,200.00	TBD
Westboro SD #1	143,250.00	TBD
<b>TOTAL PENDING LOANS COMMITMENT AMOUNT</b>	<u>106,732,864.00</u>	
<b>TOTAL LOANS &amp; COMMITMENTS</b>	<u>235,261,078.50</u>	<u>520,443,915.48</u>

\* TBD - Interest rate to be determined

STATE OF WISCONSIN  
 CLEAN WATER FUND PROGRAM  
 HARDSHIP GRANTS  
 AS OF JUNE 30, 1992  
 ATTACHMENT D

<u>Familiar Name</u>	<u>Date Executed</u>	<u>Grant Amount Awarded</u>	<u>Grant Amount Disbursed</u>	<u>Grant Amount Undisbursed</u>
Adell	13-May-92	210,675.12		210,675.12
Aurora SD #1	24-Jun-92	40,041.00	18,491.00	21,550.00
Boaz	18-Dec-91	65,600.00	55,900.00	9,700.00
Carolina SD	24-Jun-92	202,795.00		202,795.00
Crivitz	30-Oct-91	148,450.00	145,415.00	3,035.00
Eastman	09-Oct-91	92,300.00	71,712.24	20,587.76
Elk Mound	09-Oct-91	69,030.00	69,026.16	3.84
Hewitt	30-Oct-91	135,000.00	45,716.95	89,283.05
Ironton	29-Jan-92	76,653.00	72,653.00	4,000.00
Morrison SD #1	10-Jun-92	2,575,887.75	31,723.51	2,544,164.24
Neenah SD #2	30-Oct-91	1,999,725.00	1,844,725.00	155,000.00
Oakdale	31-Jul-91	406,906.00	384,300.64	22,605.36
Oakfield SD #1	27-May-92	22,000.00	4,727.00	17,273.00
Oneida Trb Indians	15-Apr-92	297,303.35		297,303.35
Onion River SC/Adell	13-May-92	268,401.53		268,401.53
Onion River SC/Hingham	13-May-92	452,243.61		452,243.61
Pulaski	10-Jun-92	261,823.00	32,144.30	229,678.70
Richmond SD #1	12-Feb-92	46,884.00	11,700.00	35,184.00
Rockland SD #1	31-Jul-91	642,061.00	439,603.14	202,457.86
Royal Scot SD #1	13-May-92	127,062.00	30,362.44	96,699.56
Salem	30-Oct-91	351,125.00	156,373.78	194,751.22
Seneca SD #1	13-May-92	130,000.00	15,000.00	115,000.00
Sextonville SD	26-Feb-92	52,500.00	16,851.00	35,649.00
Washington	09-Oct-91	658,367.00	172,747.65	485,619.35
Winne./Butte des Morts SC	31-Oct-91	762,791.00	726,836.00	35,955.00
Totals		<u>10,095,624.36</u>	<u>4,346,008.81</u>	<u>5,749,615.55</u>

STATE OF WISCONSIN  
 CLEAN WATER FUND  
 FUND CAPITAL REPORT FOR FISCAL YEARS 1994 - 1997  
 ATTACHMENT E

FUNDS RECEIVED

	<u>FY '94</u>	<u>FY '95</u>	<u>FY '96</u>	<u>FY '97</u>
BEGINNING BALANCE	100,000,000	90,458,652	62,016,609	53,950,923
CWF Revenue Bonds	120,000,000	120,000,000	120,000,000	120,000,000
Operating Investment Income	13,076,226	15,591,408	27,761,939	36,438,984
CAP Grant Proceeds	50,000,000	50,000,000	50,000,000	50,000,000
G.O. Bond Proceeds	74,000,000	74,000,000	69,500,000	69,500,000
<b>TOTALS</b>	<b>357,076,226</b>	<b>350,050,061</b>	<b>329,278,548</b>	<b>329,889,907</b>

FUNDS APPLIED

	<u>FY '94</u>	<u>FY '95</u>	<u>FY '96</u>	<u>FY '97</u>	<u>Total</u>
Administrative Expenses/CAP I	2,317,573	2,433,452	2,555,125	2,682,881	7,306,150
Loan Credit Reserve Fund	26,750,000	26,750,000	28,000,000	28,000,000	81,500,000
CWF Loans/Grants	193,100,000	214,400,000	198,100,000	208,005,000	605,600,000
CWF Subsidy Reserve Fund	44,450,000	44,450,000	46,672,500	49,006,125	135,572,500
<b>TOTAL FUNDS APPLIED</b>	<b>266,617,573</b>	<b>288,033,452</b>	<b>275,327,625</b>	<b>287,694,006</b>	<b>829,978,650</b>
<b>EST. END OF YEAR BALANCE</b>	<b>90,458,652</b>	<b>62,016,609</b>	<b>53,950,923</b>	<b>42,195,901</b>	

**ASSUMPTIONS:**

Beginning balance for FY '94 depends on schedule of GO and revenue bond issue  
 Operating Investment Income represents estimated loan interest repayments  
 Administrative Expenses based on actual FY '92 with a 4% annual inflation factor

STATE OF WISCONSIN  
 CLEAN WATER FUND  
 CLEAN WATER FUND 20 YEAR PROJECTIONS  
 ATTACHMENT F

	'89-'93	'93-'95	'95-'97	'97-'99	'99-'01	'01-'03	'03-'05	'05-'07	'07-'09	'09-'11	'11-'13
Loan Volume	\$673	\$360	\$360	\$360	\$360	\$360	\$360	\$360	\$360	\$360	\$360
Loans Out	673	1033	1393	1753	2113	2473	2833	3193	3553	3913	4273
Cap Grants Received	170	100	100	100	50	0	0	0	0	0	0
Cap Grant Match (20%)	34	20	20	20	10	0	0	0	0	0	0
Net Rev Bonds Issued	469	240	240	240	300	360	360	360	360	360	360
Cum. Rev Bonds Issued	469	709	949	1189	1489	1849	2209	2569	2929	3289	3649
Rev Bonds Rolloff	0	23	38	56	76	102	135	174	217	268	325
Net Rev Bonds Out	469	686	888	1072	1295	1553	1778	1964	2107	2199	2234
Rev Bond Debt Service	40	50	131	170	205	248	298	341	377	404	422
Loan Pmts Rec'd (net of SRF)	10	64	110	148	185	232	288	344	400	456	512
Rev Bond Subsidy	30	26	21	22	20	19	10	0	0	0	0
Loan Pmts Received (SRF)	10	28	50	69	88	97	97	97	97	97	97
GO bonds (Subsidy + reserve)	350	148	131	108	89	71	61	50	37	9	-30
Cum GO Bonds Issued	350	498	629	737	826	897	958	1016	1053	1062	1032
GO Bond Debt Service	32	63	90	114	133	149	162	173	183	190	192
D/S Percentage Increase	n/a	98%	42%	26%	17%	12%	9%	7%	6%	4%	1%

ASSUMPTIONS:

- All numbers except percentages in millions of dollars
- Cap grants continue through 1999 at \$50 million per year
- Revenue bonds bear average interest rate of 7%
- Average loan rates through '95 are 3% rising to 4.5% after '95
- GO bonds bear average rate of 6.25%



Clean Water Fund 20 Year Projections

	Blennium '89-'93	'93-'95	'95-'97	'97-'99	'99-'01	'01-'03	'03-'05	'05-'07	'07-'09	'09-'11	'11-'13
Loan Volume	\$673	\$360	\$360	\$360	\$360	\$360	\$360	\$360	\$360	\$360	\$360
Loans Out	673	1033	1393	1753	2113	2473	2833	3193	3553	3913	4273
Cap Grants Received	170	100	100	100	50	0	0	0	0	0	0
Cap Grant Match (20%)	34	20	20	20	10	0	0	0	0	0	0
Net Rev Bonds Issued	469	240	240	240	300	360	360	360	360	360	360
Cum. Rev Bonds Issued	469	709	949	1189	1489	1849	2209	2569	2929	3289	3649
Rev Bonds Retired	0	23	38	56	76	102	135	174	217	268	325
Net Rev Bonds Out	469	686	888	1072	1295	1553	1778	1964	2107	2199	2234
Rev Bond Debt Service	40	90	131	170	205	248	298	341	377	404	422
Loan Pmts Rec'd (net of SRF)	10	64	110	148	185	232	288	344	400	456	512
Rev Bond Subsidy (Excess)	30	26	21	22	20	16	10	(3)	(24)	(53)	(91)
Loan Pmts Received (SRF)	10	28	50	69	88	97	97	97	97	97	97
GO Bonds Needed (Excess)	350	148	131	108	89	71	61	58	37	9	(30)
Cum GO Bonds Auth'z'd / Iss'd	350	498	629	737	826	897	958	1016	1053	1062	1062
GO Bond Debt Service	33	47	65	88	108	125	138	149	159	167	172
D/S Percentage Increase	n/a	44%	37%	36%	23%	15%	11%	8%	7%	5%	3%

ASSUMPTIONS:

- All numbers except percentages in millions of dollars
- Loan volume is expressed at \$180 million per year with no inflation factored in
- Cap grants continue through 1999 at \$50 million per year
- Revenue bonds bear average interest rate of 7%
- Average loan rates through '95 are 3% rising to 4.5% after '95
- GO bonds bear average rate of 6.25%
- Authorized GO bonds are issued over 4 year periods
- No delay assumed between GO bond issuance and debt service

ATTACHMENT B  
 State of Wisconsin  
 Clean Water Fund Program  
 Combining Balance Sheet  
 As of 06/30/92

03/16/93

04:19 PM

*Preliminary*

	Federal Direct Loan Program	State Clean Water Funds	Leveraged Revenue Bond Program (Trustee)	Eliminations	TOTAL
<b>ASSETS</b>					
<i>Current Assets</i>					
Cash & Cash Equivalents	\$ 3,113,999	\$ 42,347,407	\$ 9,022,867	\$ 0	\$ 54,484,273
Other Receivables	0	17,445	0	0	17,445
Accrued Interest Receivable	0	0	1,420,097	0	1,420,097
Due from Other Funds	127,608	1,428,531	92,894,444	(1,402,064)	93,048,519
Due from Other Governments	744,854	49,958	513,746	0	1,308,558
Prepaid Items	0	12,619	0	0	12,619
<i>Restricted Assets</i>					
Cash & Cash Equivalents	0	0	12,819,214	0	12,819,214
<i>Long Term Investments</i>					
WI Clean Water G.O. Bonds	0	0	55,000,000	0	55,000,000
Loans to Local Governments	108,905,832	13,168,277	113,290,825	0	235,364,934
<i>Property Plant &amp; Equipment</i>					
Capitalized Equipment	0	298,523	0	0	298,523
Accumulated Depreciation	0	(97,260)	0	0	(97,260)
<i>Other Assets</i>					
Unamortized Bond Issue Costs	0	0	2,214,197	0	2,214,197
<b>TOTAL ASSETS</b>	<u>\$ 112,892,293</u>	<u>\$ 57,225,500</u>	<u>\$ 287,175,390</u>	<u>\$ (1,402,064)</u>	<u>\$ 455,891,119</u>
<b>LIABILITIES AND FUND EQUITY</b>					
<i>Current Liabilities</i>					
Accounts Payable	\$ 0	\$ 96,108	\$ 73,160	\$ 0	\$ 169,268
Accrued Interest on Bonds	0	0	1,222,692	0	1,222,692
Due to Other Funds	147,279	4,538,491	1,402,064	(1,402,064)	4,685,770
Due to Other Governments	212,341	17,053	0	0	229,394
Compensated Absences	0	78,969	0	0	78,969
<i>Long Term Liabilities</i>					
Revenue Bonds Payable - (Net of Discount)	0	0	223,708,205	0	223,708,205
<b>TOTAL LIABILITIES</b>	<u>\$ 359,620</u>	<u>\$ 4,730,621</u>	<u>\$ 226,406,121</u>	<u>\$ (1,402,064)</u>	<u>\$ 230,094,298</u>
<i>Fund Equity</i>					
Contributed Capital	\$ 110,894,412	\$ 55,832,444	\$ 61,000,000	\$ 0	\$ 227,726,856
Retained Earnings	1,638,261	(3,337,565)	(230,731)	0	(1,930,035)
<b>TOTAL FUND EQUITY</b>	<u>\$ 112,532,673</u>	<u>\$ 52,494,879</u>	<u>\$ 60,769,269</u>	<u>\$ 0</u>	<u>\$ 225,796,821</u>
<b>LIABILITIES AND FUND EQUITY</b>	<u>\$ 112,892,293</u>	<u>\$ 57,225,500</u>	<u>\$ 287,175,390</u>	<u>\$ (1,402,064)</u>	<u>\$ 455,891,119</u>

State of Wisconsin  
Clean Water Fund Program  
Combining Statement of Revenues, Expenses,  
and Changes in Retained Earnings  
For the Fiscal Year Ended June 30, 1992

03/16/93

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Preliminary

	Federal Direct Loan Program	State Clean Water Funds	Leveraged Revenue Bond Program (Trustee)	Eliminations	TOTAL
<b>OPERATING REVENUES</b>					
Investment and Interest Income	\$ 1,776,607	\$ 177,770	\$ 2,563,290	\$ 0	\$ 4,517,667
Gifts and Grants	0	0	0	0	0
Contributions	0	0	0	0	0
Other Income	0	995	0	0	995
<i>Total Operating Revenues</i>	<u>\$ 1,776,607</u>	<u>\$ 178,765</u>	<u>\$ 2,563,290</u>	<u>\$ 0</u>	<u>\$ 4,518,662</u>
<b>OPERATING EXPENSES</b>					
Personal Services	\$ 1,355,219	\$ 116,238	\$ 1,042,692	\$ 0	\$ 2,514,149
Supplies & Services	323,251	16,473	253,969	0	593,693
Depreciation	0	52,298	0	0	52,298
Benefit Expense	0	0	0	0	0
Interest Expense	251,115	4,650	14,859,469	(251,115)	14,864,119
DNR Overhead Allocation	0	0	0	0	0
<i>Total Operating Expenses</i>	<u>\$ 1,929,585</u>	<u>\$ 189,659</u>	<u>\$ 16,156,130</u>	<u>\$ (251,115)</u>	<u>\$ 18,024,259</u>
<b>OPERATING INCOME (LOSS)</b>	<u>\$ (152,978)</u>	<u>\$ (10,894)</u>	<u>\$ (13,592,840)</u>	<u>\$ 251,115</u>	<u>\$ (13,505,597)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Operating Grants (EPA)	\$ 1,628,183	\$ 0	\$ 0	\$ 0	\$ 1,628,183
CWF Hardship Grants	0	(4,346,009)	0	0	(4,346,009)
Investment and Interest Income	0	1,817,694	13,792,692	(251,115)	15,359,271
Gain (Loss) Sale of Assets	0	0	0	0	0
Interest Expense	0	0	0	0	0
Other Revenues	0	0	0	0	0
Other Expenses	0	0	0	0	0
<i>Total Nonoperating Revenues (Expenses)</i>	<u>\$ 1,628,183</u>	<u>\$ (2,528,315)</u>	<u>\$ 13,792,692</u>	<u>\$ (251,115)</u>	<u>\$ 12,641,445</u>
<b>INCOME (LOSS)</b>					
<b>BEFORE OPERATING TRANSFERS</b>	\$ 1,475,205	\$ (2,539,209)	\$ 199,852	\$ 0	\$ (864,152)
Operating Transfers In (Out)	\$ 0	\$ 207,676	\$ (207,676)	\$ 0	\$ 0
<b>NET INCOME (LOSS) BEFORE EXTRAORDINARY ITEM</b>	\$ 1,475,205	\$ (2,331,533)	\$ (7,824)	\$ 0	\$ (864,152)
Extraordinary Item - Gain from Extinguishment of Debt	0	0	0	0	0
<b>NET INCOME (LOSS)</b>	<u>\$ 1,475,205</u>	<u>\$ (2,331,533)</u>	<u>\$ (7,824)</u>	<u>\$ 0</u>	<u>\$ (864,152)</u>
Retained Earnings - 06/30/1991	163,056	(1,006,032)	(222,907)	0	(1,065,883)
Retained Earnings Balance - 06/30/1992	<u>\$ 1,638,261</u>	<u>\$ (3,337,565)</u>	<u>\$ (230,731)</u>	<u>\$ 0</u>	<u>\$ (1,930,035)</u>

State of Wisconsin  
Clean Water Fund Program  
Combining Statement of Cash Flows  
For the Fiscal Year Ended June 30, 1992

03/16/93

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Preliminary

	Federal Direct Loan Program	State Clean Water Funds	Leveraged Revenue Bond Program (Trustee)	Eliminations	TOTAL
<b>Cash flows from Operating Activities:</b>					
Cash Payments to Suppliers for Goods and Services	\$ (307,943)	\$ (156,032)	\$ (28,246)	\$ 0	\$ (492,221)
Cash Payments to Employees for Services	(1,493,905)	(1,232,066)	349,542	0	(2,376,429)
Cash Payments of Loans Originated	(94,685,451)	(13,561,286)	(75,484,856)	0	(183,731,593)
Investment and Interest Income	1,220,619	123,940	1,982,490	0	3,327,049
Collection of Loans	1,988,580	393,008	2,932,760	0	5,314,348
Other Operating Revenues (Expenses)	0	0	0	0	0
Net Cash Provided by Operating Activities	<u>(93,278,100)</u>	<u>(14,432,436)</u>	<u>(70,248,310)</u>	<u>0</u>	<u>(177,958,846)</u>
<b>Cash Flows from Noncapital Financing Activities:</b>					
Operating Grants Receipts	81,135,050	0	0	0	81,135,050
Proceeds from Issuance of Long-term Debt	0	0	0	0	0
Interest Payments	(251,115)	(4,650)	(14,672,301)	251,115	(14,676,951)
Operating Transfers In (Out)	0	207,674	(207,674)	0	0
Residual Equity Transfers In (Out)	16,046,242	36,954,920	25,000,000	0	78,001,162
Other Cash Flows from Noncapital Financing Activities	0	(46,009)	0	0	(46,009)
Net Cash Provided by Noncapital Financing Activities	<u>96,930,177</u>	<u>37,111,935</u>	<u>10,120,025</u>	<u>251,115</u>	<u>144,413,252</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>					
Payments for Purchase of Fixed Assets	0	(81,617)	0	0	(81,617)
Net Cash Provided by Capital and Related	<u>0</u>	<u>(81,617)</u>	<u>0</u>	<u>0</u>	<u>(81,617)</u>
<b>Cash Flows from Investing Activities:</b>					
Purchase of Investment Securities	0	0	(25,000,000)	0	46,120,862
Interest and Dividends Received	0	1,817,693	14,007,424	(251,115)	15,574,002
Net Cash Provided by Investing Activities	<u>0</u>	<u>1,817,693</u>	<u>(10,992,576)</u>	<u>(251,115)</u>	<u>61,694,864</u>
Net Increase (Decrease) in Cash and Cash Equivalents	3,652,077	24,415,575	(71,120,861)	0	28,067,653
Cash and Cash Equivalents, Beginning of Year	(538,078)	17,931,832	21,842,081	0	39,235,835
Cash and Cash Equivalents, End of Year	<u>\$ 3,113,999</u>	<u>\$ 42,347,407</u>	<u>\$ (49,278,780)</u>	<u>\$ 0</u>	<u>\$ 67,303,488</u>

State of Wisconsin  
Clean Water Fund Program  
Combining Statement of Cash Flows  
For the Fiscal Year Ended June 30, 1992

03/16/93

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*Preliminary*

	Federal Direct Loan Program	State Clean Water Funds	Leveraged Revenue Bond Program (Trustee)	Eliminations	TOTAL
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operations:					
Operating Income (Loss)	\$ (152,978)	\$ (10,894)	\$ (13,592,840)	\$ 251,115	\$ (13,505,597)
Adjustment to Reconcile Operating Income to Net Cash Provided by Operating Activities:					
Depreciation	0	52,298	0	0	52,298
Amortization	0	0	187,869	0	187,869
Provision for Uncollectible Accounts	0	0	0	0	0
Operating Expense (Interest Expense) Classified as Non Capital Financing Activity	251,115	4,650	14,732,840	(251,115)	14,737,290
Changes in Assets and Liabilities:					
Decrease (Increase) in Receivables	(590,261)	(55,474)	(499,107)	0	(1,144,842)
Decrease (Increase) in Due from Other Funds	0	(1,402,064)	1,402,064	0	0
Decrease (Increase) in Due from Other Governments	0	0	0	0	0
Decrease (Increase) in Investments	0	0	0	0	0
Decrease (Increase) in Inventories	0	0	0	0	0
Decrease (Increase) in Prepaid Items	0	0	0	0	0
Decrease (Increase) in Other Assets	(92,696,279)	(13,171,125)	(72,552,096)	0	(178,419,500)
Decrease (Increase) in Interest Receivable	0	0	0	0	0
Increase (Decrease) in Accounts Payable and Other Accrued Liabilities	(89,697)	150,173	73,160	0	133,636
Increase (Decrease) in Compensated Absences	0	0	0	0	0
Increase (Decrease) in Due to Other Funds	0	0	0	0	0
Increase (Decrease) in Interfund Loan Payable	0	0	0	0	0
Increase (Decrease) in Due to Other Governments	0	0	0	0	0
Increase (Decrease) in Deferred Revenues	0	0	0	0	0
Increase (Decrease) in Interest Payable	0	0	0	0	0
Increase (Decrease) in Future Benefits and Loss Liabilities	0	0	0	0	0
Total Adjustments	(93,125,122)	(14,421,542)	(56,655,470)	(251,115)	(164,453,249)
Net Cash Provided by Operating Activities	\$ (93,278,100)	\$ (14,432,436)	\$ (70,248,310)	\$ 0	\$ (177,958,846)
	0	0	0	0	
Noncash Investing, Capital and Financing Activities:					
Capital Leases (Initial Year):					
Fair Market Value					0
Current Year Cash Receipts (Payments)					0
Installment Purchases (Initial Year):					
Fair Market Value					0
Current Year Cash Receipts (Payments)					0
Contributions/Transfer in of Fixed Assets		1,162			1,162

**BIENNIAL FINANCE PLAN  
CLEAN WATER FUND  
MARCH 1993**

**Prepared by:**

**Department of Natural Resources  
Bureau of Environmental Loans**

**Department of Administration  
Capital Finance Office**

**BIENNIAL FINANCE PLAN  
CLEAN WATER FUND  
MARCH 1993**

**EXECUTIVE SUMMARY:**

Section 144.2415 (3), Stats. requires the Department of Administration and the Department of Natural Resources to jointly prepare and submit a Biennial Finance Plan to the Legislature and to the State Building Commission.

A preliminary Biennial Finance Plan was submitted to the Building Commission, the Joint Finance Committee and the Chief Clerk of each House of the Legislature on August 17, 1992. The August 1992 version of the Biennial Finance Plan served as the basis for the biennial budget request for the Department of Natural Resources for the Clean Water Fund program. As required by statute, the Biennial Finance Plan is revised to reflect the Governor's 1993-1995 biennial budget request, recently submitted to the Legislature. After the budget is passed, the law requires that the Biennial Finance Plan be "updated to reflect the adopted biennial budget act". The final version of the Biennial Finance Plan will be submitted to the same parties during the summer of 1993 after the Budget is enacted.

This updated Biennial Finance Plan is changed from the plan submitted in August 1992 as follows:

1. The minimum amount of project costs that a hardship municipality not on the 1993 funding list would have to repay will be increased from 10% to 50%. This means that the maximum grant available to municipalities not on the 1993 Funding List under the Clean Water Fund Hardship program is decreased to 50% of total project costs from the current 90% available.
2. Projects appearing on DNR's 1993 Hardship funding list will continue to be eligible for 90% grants, depending on their ability to repay the assistance, and will not be subject to the new income and property value criteria described in #8 on the next page.

No changes are proposed in present value subsidy or bonding authority increases from levels proposed in the August 1992 version.

**FUNDING LEVELS AND POLICIES:**

The Governor's Biennial Budget includes the following recommendations for funding needs, related policies and statutory revisions for the Clean Water Fund program:

1. THE CURRENT INTEREST RATES OF 2½% FOR TRANSITION PROJECTS, 55% OF MARKET FOR TIER 1 PROJECTS, 70% OF MARKET FOR TIER 2 PROJECTS, AND MARKET RATE FOR TIER 3 PROJECTS IS RETAINED.
2. THE STATUTORY LIMITATION ON MILWAUKEE MSD OF \$230.9 MILLION FOR TRANSITION PROJECTS AT THE 2½% INTEREST RATE IS RETAINED.
3. THE PROHIBITION AGAINST FUNDING VIOLATORS IS EXTENDED THROUGH THE 1993-1995 BIENNIUM.
4. FUNDING IS REQUESTED TO MEET ALL OF THE ESTIMATED NEEDS EXCEPT FOR VIOLATORS AND MILWAUKEE MSD TRANSITION NEEDS IN EXCESS OF THE \$230.9 MILLION CAP. THIS REQUEST INCLUDES FIRST TIME FUNDING OF \$ 20.6 MILLION FOR URBAN STORMWATER POLLUTION PROJECTS THAT ARE EXPECTED TO BE READY TO PROCEED DURING THE 1993-95 BIENNIUM. THIS REQUEST DOES NOT INCLUDE FUNDING FOR NONPOINT SOURCE POLLUTION ABATEMENT PROJECTS. FUNDING FOR THESE PROJECTS ARE RECOMMENDED BY DNR UNDER A SEPARATE BUDGET INITIATIVE.

5. THE 1993-95 BIENNIAL BUDGET REQUEST THE FOLLOWING FOR IMPLEMENTING THE CLEAN WATER FUND PROGRAM:

GENERAL OBLIGATION BONDS:

INCREASE REQUESTED IN THE BUDGET-----\$ 119.7 million

TOTAL AUTHORITY-----\$ 512.2 million

PRESENT VALUE SUBSIDY BIENNIAL LIMIT-----\$ 109.8 million

NO ADDITIONAL REVENUE BOND AUTHORITY IS REQUESTED. BASED ON UNUSED CARRYOVER OF EXISTING AUTHORITY, \$1,297.8 MILLION OF REVENUE BONDING AUTHORITY CURRENTLY ESTABLISHED IN THE STATUTE IS SUFFICIENT TO FUND ALL PAST, PRESENT AND FUTURE NEEDS IDENTIFIED AS FUNDABLE IN THE 1989-1995 BIENNIAL FINANCE PLANS AND TO PROVIDE CAPITAL COST LOANS TO 9 MILWAUKEE AREA MUNICIPALITIES IF AN AGREEMENT IS REACHED BETWEEN THE MUNICIPALITIES AND MILWAUKEE MSD.

6. NO ADMINISTRATIVE FEE IS REQUESTED. HOWEVER, DUE TO UNCERTAIN FEDERAL FUNDING FOR ADMINISTRATION, ADDITIONAL MONITORING OF FEDERAL APPROPRIATIONS FOR PROGRAM ADMINISTRATION IS NECESSARY.
7. A SMALL PROJECT LOAN PROGRAM WITHIN THE FRAMEWORK OF THE CWF IS PROPOSED TO PROVIDE LOAN ASSISTANCE FOR COMMUNITIES WITH CONSTRUCTION PROJECTS COSTING \$750,000 OR LESS. SIMPLIFIED APPLICATION AND PROCESSING PROCEDURES WILL BE INVESTIGATED AND PROPOSED, IF POSSIBLE. CURRENTLY, FOR SMALL PROJECTS, THE COSTS OF MEETING COMPLEX BONDING AND USER CHARGE REQUIREMENTS UNDER THE CWF CAN BE MORE COSTLY THAN THE SUBSIDY PROVIDED. THIS DISCOURAGES LOW COST, HIGH PRIORITY COMPLIANCE MAINTENANCE AND NEW AND CHANGED LIMITS PROJECTS.
8. THE STATUTORY LANGUAGE AUTHORIZING THE HARDSHIP PROGRAM IS REVISED TO DECREASE THE MAXIMUM GRANT AVAILABLE FROM 90% TO 50% OF PROJECT COSTS AND TO ADD TWO ADDITIONAL CRITERIA LIMITING MUNICIPALITIES WITH AVERAGE RESIDENTIAL INCOME AND PROPERTY VALUES HIGHER THAN THE STATE AVERAGE FROM QUALIFYING FOR HARDSHIP ASSISTANCE. CURRENTLY, THE HARDSHIP PROGRAM QUALIFIES COMMUNITIES WITH FINANCIAL RESOURCES CAPABLE OF FUNDING IMPROVEMENTS FOR GRANTS AND SUBSIDIZED LOANS. THE PROPOSED CHANGE WILL INCREASE THE NUMBER OF COMMUNITIES RECEIVING FUNDS, INCREASE RECIPIENT RESPONSIBILITY OVER PROJECT COSTS AND MAKE THE HARDSHIP PROGRAM MORE CONSISTENT WITH ITS ORIGINAL INTENT, TO FUND WASTEWATER TREATMENT SYSTEMS FOR POORER COMMUNITIES.



**BIENNIAL FINANCE PLAN  
CLEAN WATER FUND  
MARCH 1993**

**INTRODUCTION:** Section 144.2415 (3), Stats. requires the submission of a Biennial Finance Plan to the Building Commission, the Joint Finance Committee and to the Chief Clerk of each House of the Legislature. The law requires that the Department of Natural Resources and the Department of Administration provide information on eight topics. Each of these topics is addressed individually within the body of this Plan. The eight topics are:

1. An estimate of the needs for wastewater treatment facilities for Wisconsin municipalities.
2. Amounts and sources of financial assistance the State of Wisconsin proposes for the next two biennia for municipalities constructing wastewater treatment facilities including loan interest rate subsidies.
3. The extent to which the fund will be maintained in perpetuity, retain its purchasing power and achieve the wastewater treatment needs.
4. A balance sheet and other financial information regarding the Clean Water Fund.
5. The estimated spending level and interest rates for projects specified under s. 144.241 (7) (b) 1 to 3, Stats. (i.e. compliance maintenance, new/changed effluent limits and planning and design projects)
6. The estimated present value of subsidies for all Clean Water Fund loans and grants for projects listed in the biennial needs list with assumptions made in these subsidy calculations.
7. The amount of service fee proposed.
8. The impact of the biennial finance plan on the guidelines stated in s. 144.2415 (3) (b), Stats.

This version of the Biennial Finance Plan contains background information for the Governor's Clean Water Fund budget request which was recently submitted to the Legislature.

This version of the Biennial Finance Plan contains background information supporting additional general obligation bond authority and additional present value subsidy for the 1993-95 biennium to fund water quality improvement projects for Wisconsin municipalities. No additional revenue bond authority is necessary. A summary of financial assumptions and requirements is presented as Attachment A. The Plan also contains the Governor's recommended statutory changes to improve the administration of the Clean Water Fund program.

**INFORMATION REQUESTED:**

1. **WASTEWATER TREATMENT NEEDS:** Table 1 includes a summary of all needs by category (tier) that will require construction of new wastewater facilities over the next 4 years. These needs represent DNR's best estimates as of May 1, 1992. These estimates take into account best

estimates take into account best available cost information and anticipated project status. The actual needs will differ based upon the eligible as-bid costs for actual projects. The table includes cost projections for the following categories:

**Transition Projects:** This category includes any projects that met the requirements of section 144.2415 (13), Stats. Those projects must have submitted an approvable facilities plan by January 2, 1989, and been unable to receive grant funding because of insufficient funding availability or have been following a schedule contained in the facility plan approved by the Department. For the 1993-95 biennium, this category includes Milwaukee Metropolitan Sewerage District (MMSD) projects which are required in a schedule authorized in a court ordered judgement and one refinancing project.

**Tier 1 Projects:** This category includes compliance maintenance and new/changed limits projects.

**Tier 2 Projects:** This category includes unsewered, urban stormwater and nonpoint source projects. However, needs for nonpoint source projects are not listed in the table. Nonpoint source needs will be addressed in a separate budget initiative to be recommended by the Department of Natural Resources.

**Tier 3 Projects:** This category includes violator projects and those portions of transition, Tier 1 or Tier 2 projects which serve industrial capacity and growth beyond ten years.

Table 1  
Wastewater Treatment Needs  
(in millions of 1992 \$)

		FY 94	FY 95	FY 96	FY 97
Transition	MMSD	0.0	34.9*	3.9*	25.4*
	Other	0.6	0.0	0.0	0.0
Tier 1		116.7	123.2	107.0	121.0
Tier 2		69.7	82.7	75.6	83.1
Tier 3		5.3	3.8	8.0	8.0
Total (uninflated)		192.3	244.6**	194.5	237.5

\* Based on the latest funding information and anticipated use of funds currently available, these amounts would not be fundable because, in aggregate, with funding provided to this date, MMSD exceeds the limit on transition funding of \$230.9 million specified in s. 144.241 (13) (e), Stats.

\*\* The needs amounts are greater than the amount of assistance to be provided (See Table 2), due to the limit on transition funding for Milwaukee described in the footnote above.

The needs figures presented in Table 1 are estimates developed from information available to the Department of Natural Resources and are subject to change as more information becomes available. Some estimates are more reliable than others. Estimates for FY 94 and FY 95 are more reliable than those shown for FY 96 and FY 97. Most of the needs in the first two years are based on specific project estimates contained in an approvable facilities plan or an intent to apply document submitted by a municipality by early 1992. For FY 96 and FY 97, most needs projections are not based on project specific information, because the facilities planning

programs which will need to be initiated to address water quality improvements, discharge permit compliance or unsewered problems have not yet been initiated. As a result, historical cost information was used to project future needs. Furthermore, some of the needs are for new limits and urban stormwater which DNR has little historical documentation to use in making cost estimates. It should also be noted that all figures in Table 1 are expressed in 1992 (uninflated) dollars.

2. FINANCIAL ASSISTANCE SOURCES AND AMOUNTS:

a. Financial Assistance Sources

The sources of financial assistance will be the EPA federal capitalization grants and proceeds from the sale of State of Wisconsin revenue bonds and general obligation bonds to be used to fund leveraged, direct and proprietary loan subprograms. Under the leveraged subprogram State of Wisconsin general obligation bonds and proceeds from the sale of general obligation bonds will be deposited in debt service and subsidy reserve accounts to be used as security for the sale of State of Wisconsin revenue bonds. Proceeds of the revenue bond sale will be used to provide financial assistance to municipalities. Earnings on the accounts will fund the interest rate subsidy which is provided to CWF recipients. EPA capitalization grants and at least a 20% state match (general obligation bonds) will be used to fund the direct loan subprogram. The capitalization grants and the matching general obligation bond proceeds will be directly provided as loans to CWF recipients.

For this analysis, we assumed that the EPA federal capitalization grant contribution available to fund projects would be \$55.0 million for FY 93, \$46.0 million for FY 94, \$48.3 million for FY 95 and \$50.6 million for FY 96. This is based on the assumption that Congress will continue to authorize approximately \$2 billion nationally for capitalization grants for state revolving loan funding over each of the next five years. This also assumes that Wisconsin's share of the capitalization grant will be approximately 2.3% of the total amount available for all states or somewhat less than the currently authorized percentage of 2.7%. This reduction would be due to relatively low population growth in Wisconsin and a reduction in water quality needs in comparison to other states.

b. Financial Assistance Amounts

Table 2 shows the levels of financial assistance that would be provided to meet the needs. The types of financial assistance available include loans and, potentially, grants for financial hardship communities. The following assumptions were used in generating Table 2.

- 1) No funding would be provided for violators in the 1993-95 biennium. This is consistent with current law for the 1991-1993 biennium but would need to be statutorily extended for the 1993-1995 biennium. This provision is in place to emphasize the importance of the compliance maintenance program and provide an additional incentive for communities to proceed with projects before violations occur.
- 2) No transition rate funding would be provided for Milwaukee MSD transition needs beyond the statutory limit of \$230.9 million in the 1991-93 biennium and in future biennia. This is consistent with current law which contains the \$230.9 million limit on transition funding for Milwaukee.

- 3) All needs except for the violator project needs and MMSD transition needs as described in 2) above would be provided financial assistance.
- 4) \$20.6 million of financial assistance to address urban stormwater needs would be provided. For the first time, municipalities are expected to submit applications for urban stormwater projects during the 1993-95 biennium.
- 5) No assistance is provided for nonpoint pollution abatement. Although nonpoint pollution projects are eligible for CWF assistance, DNR staff believe that the current structure of the nonpoint pollution abatement program requires increased state funding of grants assistance rather than the initiation of a loan program at this time. DNR has prepared a separate budget initiative for consideration by the Governor, to address nonpoint pollution abatement needs.
- 6) A contingency of 10 percent in excess of estimated project costs is used.

Table 2  
Amounts of Assistance to be Provided  
(in millions of 1992 \$)

<u>Amount</u>	<u>FY 94</u>	<u>FY 95</u>	<u>FY 96</u>	<u>FY 97</u>
Projects	192.3	209.7	189.6	211.1
Contingency	19.2	21.0	19.0	21.1
Totals	211.5	230.7	208.6	232.2

c. **Loan Interest Rate Subsidies**

The interest rate for Tier 1 projects in the 1993-95 biennium is proposed to be 55% of the market interest rate.

The interest rate for Tier 2 projects in the 1993-95 biennium is proposed to be 70% of the market interest rate.

Tier 3 portions of the projects are proposed to receive market rate loans in the 1993-95 biennium.

3. **FUND MAINTAINED IN PERPETUITY:** The structure of the Clean Water Fund contains three loan programs; the leveraged program using the proceeds of state revenue bonds to make loans, the direct program using capitalization grants from the US Environmental Protection Agency (EPA) and state matching funds and a separate "proprietary" program for loans that do not fit under the leveraged or direct programs. Because of credit quality or non-conformity with federal regulations, loans in the proprietary program can only be funded with CWF proceeds held outside of either of the other two programs. The number and amount of these loans that operate within the proprietary program is kept to a minimum. While the revenue bond based loan program is operating with assets in excess of liabilities, it is designed so that loan repayments plus subsidies will be used to fully retire revenue bonds issued. The EPA funded program, on the other hand, is a self-contained fund which will continue to grow as principal and interest are recycled into new loans. The composite interest rate for the EPA funds loan portfolio presently average 3.07%. EPA regulations require that the EPA funded program be maintained in a way that guarantees perpetuity. The only way that the EPA funded program can diminish in size would be in the event of a substantial number of defaults.

The Clean Water Fund will also be able to maintain its purchasing power through continued receipts of Federal monies and the issuance of revenue bonds to finance the purchase of program loans. The revenue bond structure provides substantial advantages by accelerating project construction, primarily avoiding inflation of project costs, and by funding the greatest number of projects in the near term rather than the long term. By using both federal funds and revenue bond proceeds, it is unlikely that any qualified project will be postponed due to a shortage of state loan funds. With present and future state commitment to the Clean Water Fund, and continued federal capitalization grants, it is likely that the Fund will continue to meet the state water pollution abatement needs.

4. **CLEAN WATER FUND BALANCE SHEET:** S. 144.2415 (3) (a) 5, Stats. requires the preparation of a Fund Balance Sheet to be included in the Biennial Finance Plan. Attachment B is a balance sheet and financial statements for the Clean Water Fund program. Attachment C is an estimated cash flow of loans and commitments. Attachment D is a table of existing loans, commitments, and hardship grants by municipality, including amounts, yields and other financial information. Attachment E is a table showing the estimated fund capital available for commitments in each of the next 4 fiscal years based on projected repayment of financial assistance. Attachment F contains 20 year projections of loans and bond levels. Balance sheet and other pertinent financial information are updated to reflect activities that have occurred to June 30, 1992.
5. **ESTIMATED SPENDING LEVELS FOR TIER 1 PROJECTS:** This section of the report specifies the estimated spending level and interest rate for the projects specified in S. 144.241 (7) (b) 1 to 3 (i.e. Compliance Maintenance, New/Changed Limits, planning and design projects). Table 3 below indicates the projected funding levels for those projects.

The interest rate for both compliance maintenance and new and changed limits projects is 55% of market rate. At an estimated market rate of 7.5%, this equates to 4.125% interest.

The interest rate for planning and design is to be the same as the rate for the construction projects. That is, for planning and design for Tier 1, the interest to be paid is 55% of market. For Tier 2 projects it is 70% of market or 5.25% at an estimated 7.5% market interest rate.

Table 3  
Estimated Tier 1 Funding Levels  
(in millions of 1992 \$)

	FY 94	FY 95	FY 96	FY 97
Compliance Maintenance	105.2	99.9	77.0	91.0
New/Changed Limits	11.5	23.3	30.0	30.0

6. **PRESENT VALUE OF SUBSIDIES:** This section of the report provides estimates of the long term subsidy levels that will be provided assuming the levels of assistance proposed in previous sections of this report. Present value subsidy is the control mechanism that is employed under the Clean Water Fund program to measure its fiscal impact to the State of Wisconsin. The stream of payments over the life (20 years) of all loans to municipalities that the state would have to make to finance the difference between the actual subsidized loan and a market rate loan is the total subsidy. The total subsidy over time is calculated to produce a present value equivalent figure. Projects are identified in priority order for a year's funding list and if there is insufficient present value subsidy to provide subsidized loans to all

municipalities on the list, only those projects with the highest priority would be funded with less than market rate loans.

In order to calculate the present value of subsidies for all of the projects on the biennial needs list, it was necessary to make a number of assumptions. The baseline assumptions are as follows:

- a. Interest rate subsidies are those recommended in Section 2 of this report.
- b. The market interest rate is estimated at 7.5%. This assumption was used because disbursement of Clean Water Fund bond proceeds to recipients over the next biennium will span a period of at least four years after the biennium starts. Since it is extremely difficult to predict interest rates over the next five years, a 7.5% interest rate represents a conservative estimate of what the cost of funds might be and therefore the potential subsidy exposure to the State.
- c. A 7% discount rate is used for present value calculation to the first day of the biennium.
- d. With the exception of h., i. and j. below, all municipalities with needs as shown on Table 1 should be provided financial assistance.
- e. Repayments on loans would begin 12 months after the DNR's estimated date of project completion.
- f. No administrative fee would be imposed during the 1993-95 biennium.
- g. 8% of the total present value subsidy is available for funding subsidized loans to municipalities that are subject to additional costs after submittal of applications and during construction of their projects.
- h. 12% of the total present value subsidy is available for funding municipalities that are identified as hardship under provisions contained in s. 144.241(13)(a), Stats. A proposal to add additional qualifying criteria for the Hardship program is outlined later in the Plan in the section entitled "Statutory Changes Requested".
- i. No funding would be provided for violators during the 1993-95 biennium.
- j. No transition rate funding would be provided for Milwaukee MSD transition projects in excess of the \$230.9 million statutory limit during the 1993-95 biennium.

In Table 4 below, a summary of anticipated present value subsidy level is provided for the next 2 fiscal years.

Table 4  
Estimated Present Value Subsidy Levels  
(in thousands of 1992 \$)

Transition	\$ 200
Tier 1	61,100
Tier 2	26,500
Tier 3	0
Additional Costs	8,800
Hardship	13,200

TOTAL

\$109,800

7. **SERVICE FEES:** At this time, DNR and DOA's Capital Finance Office will not recommend the adoption of service fees in the 1993-95 Biennial Budget to fund administrative costs. The administration of the Clean Water Fund program currently relies on an annual 4 percent set aside from the federal capitalization grant and on earnings from the Clean Water Fund to fund administration. A number of proposals have been introduced in Congress to continue authorization of \$2 billion nationally for state revolving funds (SRF) over the next five years. This would provide continued funding for administration of the Clean Water Fund. However, Congressional activities will need to be monitored over the next 9 months and if SRF funding is not continued, the state may need to explore alternate mechanisms for funding administrative costs including the option of service fees and/or interest rate adjustments.
  
8. **IMPACT ON S. 144.2415 (3) (b) GUIDELINES:** The Clean Water Fund authorizing legislation requires that certain guidelines be considered in the Biennial Finance Plan. The guidelines set forth are: 1) that state water pollution abatement debt service costs should not increase more than 4 percent annually, and 2) that the total of all water pollution abatement general obligation debt service not exceed 50 percent of all general obligation debt service of the state. The intent of these guidelines is to provide target limits over time on the cost of the Clean Water Fund in relation to other state borrowing.
  - a. **50 percent Guideline:** Based upon the requested authorization for general obligation bonding contained in this Plan, it is estimated that debt service for water pollution abatement obligations will be less than 35% of all state general obligation debt service through the end of the biennium. Additionally, as new bonding for the Wisconsin Fund and the ORAP programs is reduced, it is not expected that Clean Water Fund bonding in the future will cause this percentage to exceed the 50% guideline established in statute.
  
  - b. **4 percent Guideline:** For fiscal years 1994 and 1995, the 4 percent guideline will likely be exceeded. Without any additional bonding for water pollution abatement, the debt service for those years will increase 23% and 2% respectively. When new bonding proposed in the 1993-1995 biennial budget is added those percentages will increase. A principle reason for moving from the Wisconsin Fund grants program to the Clean Water Fund loan program was to provide for a revolving loan fund which would reduce the reliance over time on general obligation bonding. In the early years of the Clean Water Fund, it will be necessary to continue to provide substantial general obligation bond funding to establish that revolving fund.

It is presently unrealistic to expect that the 4 percent guideline can be met until several things happen. First, approximately \$100 million of general obligation bonds previously authorized, but yet to be issued for water pollution abatement purposes other than the Clean Water Fund, must be fully issued. Second, reserve accounts must be fully established to support a sustainable level of Clean Water Fund revenue bonding. Third, the level of federal capitalization grants presently authorized must be fully drawn by the state, and finally, the Clean Water Fund must originate enough loans so that repayments on those loans provide the funds necessary to originate a substantial level of new loans each biennium. While it is not possible to accurately predict when these conditions may occur, it is likely that the growth of debt service for all water pollution abatement purposes will decline substantially after the 1995-1997 biennium.

Although the 4 percent guideline may be exceeded during the early years of the operation of the Clean Water Fund, the average annual increase in debt service over 10

to 20 years of operation should be well within the guideline and, under foreseeable economic, technical and environmental demands, based on current stable estimates of future water quality needs, the Clean Water Fund will be sufficient to satisfy the wastewater treatment needs of the state.

### STATUTORY CHANGES REQUESTED:

The following is a summary of statutory revisions that are proposed for the Clean Water Fund program. Also included is the rationale for each revision.

1. **Create a Small Project Loan Program.** The statute would be amended to authorize a new subprogram within the Clean Water Fund (CWF) to provide loan assistance for small water quality improvement projects. This subprogram, financed with State of Wisconsin general obligation and revenue bonding authorized for the entire CWF program, would provide loan assistance to communities with construction projects costing \$750,000 or less. The small project loans program would be optional for municipalities and operate within the framework of the existing CWF program. The statute and administrative code would be amended to simplify certain requirements that increase costs and complexities present under the regular CWF program. Because of complex bond requirements and user charge and other requirements, CWF assistance for small projects can be more expensive than the state subsidy that is offered. In these cases, municipalities may delay low cost, but high priority compliance maintenance and changed limits (tier 1) projects.
2. **Add two additional criteria limiting municipalities with average residential income and property value higher than the state's average from qualifying for hardship assistance.** Currently two existing statutory criteria are used to qualify Clean Water Fund hardship assistance recipients. Both of the following criteria must be met for a municipality to qualify for hardship:
  - a. If total wastewater treatment charges imposed on residential users in exceed 1.5% of the total adjusted gross income of residents of the municipality, and
  - b. If the total wastewater treatment charges imposed by the municipality expressed as a percentage of total equalized value of property in the municipality places the municipality in the upper 25% of all state municipalities with the highest percentage of wastewater charges in comparison to property value.

After reviewing data from current Clean Water Fund hardship assistance applicants, DNR concluded that the two additional criteria should be added to restrict hardship assistance to communities with income and property values less than the state average. Some municipalities, whose residents have income and property value in excess of the state average, have qualified and would qualify in the future for hardship grants and loans because of extremely high wastewater treatment construction costs rather than low or moderate income or property values. This is especially apparent for lake communities adjacent to large metropolitan areas, where large and expensive sewer projects are proposed. Often, residents of these areas have income and property value in excess of the state average. Additional development and property value appreciation that often occur in these situations after a sewer system is installed further increase municipal financial resources available to fund the project. Providing grants or highly subsidized loans to municipalities with higher than state average income and property value to the exclusion of other municipalities where residents clearly have less financial resources is not consistent with the original intent of financial hardship assistance. The change proposed above, to add the two additional criteria that



municipal income and property values not exceed state averages, will direct hardship assistance to lower income and lower property value areas.

It is estimated that 10 potential hardship assistance recipients, on DNR's fiscal year 1993 Funding List and certified in writing by DNR as "hardship" communities in 1992 under the two existing criteria, would not qualify as "hardship" and would not be eligible for Step 3 (construction) hardship assistance in the next biennium if the two additional criteria are enacted. Almost the entire biennial allotment of present value subsidy available to fund hardship assistance for Step 3 construction was used in fiscal year 1992. After the remaining present value subsidy is allotted, there probably will not be sufficient present value subsidy to authorize hardship assistance to any of these 10 communities for step 3 construction in fiscal year 1993. Therefore, the enactment of the two new criteria would mean that 5 of the 10 communities that technically qualify for Step 3 (construction) hardship assistance but are not fundable due to insufficient state funds in fiscal 1993, would lose their eligibility for Step 3 hardship assistance in the 1993-1995 biennium when and if hardship funding is again available. The other 5 communities are probably not in a position to proceed with construction in 1993. Of the 10 communities, one is currently constructing new facilities, four have completed facilities planning and should be ready to proceed in 1993, three are preparing facilities plans, and two have not yet initiated formal planning programs for new facilities.

The governor has proposed that communities that appeared on the 1993 funding list with higher than average incomes and property values retain their eligibility for hardship funding in future years. These communities proceeded with programs to address water quality problems and were on the funding list in 1993 but because there was insufficient hardship funds could not receive hardship assistance. No additional present value subsidy or general obligation bonding is proposed to fund these projects. These higher than average income and property value municipalities would not be guaranteed hardship funding but would be allowed to continue to compete with future projects for funding. These municipalities would receive hardship funding only if their projects were determined to have sufficient priority under DNR's environmental priority system.

3. **Decrease the maximum grant share from 90% to 50%.** The Governor's budget proposes increasing the minimum amount from 10% to 50% of project costs that a hardship community would be required to repay (in other words, decreasing the maximum allowable grant share for hardship communities from 90% to 50%). This change, if enacted, will increase the availability of hardship assistance to more communities without increasing funding. The proposal will also increase community responsibility over project costs to assure that hardship assistance will be awarded to projects designed and constructed cost efficiently. It should be noted that those projects on the 1993 funding list would not be subject to this requirement and would remain eligible for 90% grants.
4. **Continuation of the ban on providing CWF assistance to violator municipalities during the 1993-1995 biennium.** Those communities identified as willful violators of discharge permits should continue to be restricted from receiving any CWF assistance until they have taken measures including, if necessary, construction of new facilities and have regained compliance with permit requirements. The violator prohibition will continue to send a message to municipalities of the importance of the Compliance Maintenance Program.
5. **Miscellaneous statutory revisions to improve the operation of the CWF program.** These revisions include the following:
  - a. Appropriation language changes reducing the paperwork and reporting requirements necessary to comply with federal tax law by the State of Wisconsin.

- b. Biennial Finance Plan deadline changes to allow participation by the Natural Resources Board and provide DNR and DOA staff with sufficient time to make changes to reports that are submitted to the Legislature and the Building Commission.
- c. Biennial Report content changes to report on information from the previous biennium only.
- d. Financial assistance agreement clarifications to reflect current practices used in providing loan assistance.

**FUNDING LEVELS AND POLICIES:**

The Governor's Biennial Budget includes the following recommendations for funding needs, related policies and statutory revisions for the Clean Water Fund program:

1. THE CURRENT INTEREST RATES OF 2½% FOR TRANSITION PROJECTS, 55% OF MARKET FOR TIER 1 PROJECTS, 70% OF MARKET FOR TIER 2 PROJECTS, AND MARKET RATE FOR TIER 3 PROJECTS IS RETAINED.
2. THE STATUTORY LIMITATION ON MILWAUKEE MSD OF \$230.9 MILLION FOR TRANSITION PROJECTS AT THE 2½% INTEREST RATE IS RETAINED.
3. THE PROHIBITION AGAINST FUNDING VIOLATORS IS EXTENDED THROUGH THE 1993-1995 BIENNIUM.
4. FUNDING IS REQUESTED TO MEET ALL OF THE ESTIMATED NEEDS EXCEPT FOR VIOLATORS AND MILWAUKEE MSD TRANSITION NEEDS IN EXCESS OF THE \$230.9 MILLION CAP. THIS REQUEST INCLUDES FIRST TIME FUNDING OF \$ 20.6 MILLION FOR URBAN STORMWATER POLLUTION PROJECTS THAT ARE EXPECTED TO BE READY TO PROCEED DURING THE 1993-95 BIENNIUM. THIS REQUEST DOES NOT INCLUDE FUNDING FOR NONPOINT SOURCE POLLUTION ABATEMENT PROJECTS. FUNDING FOR THESE PROJECTS ARE RECOMMENDED BY DNR UNDER A SEPARATE BUDGET INITIATIVE.
5. THE 1993-95 BIENNIAL BUDGET REQUEST THE FOLLOWING FOR IMPLEMENTING THE CLEAN WATER FUND PROGRAM:

GENERAL OBLIGATION BONDS:

INCREASE REQUESTED IN THE BUDGET-----\$ 119.7 million  
 TOTAL AUTHORITY-----\$ 512.2 million

PRESENT VALUE SUBSIDY BIENNIAL LIMIT-----\$ 109.8 million

NO ADDITIONAL REVENUE BOND AUTHORITY IS REQUESTED. BASED ON UNUSED CARRYOVER OF EXISTING AUTHORITY, \$1,297.8 MILLION OF REVENUE BONDING AUTHORITY CURRENTLY ESTABLISHED IN THE STATUTE IS SUFFICIENT TO FUND ALL PAST, PRESENT AND FUTURE NEEDS IDENTIFIED AS FUNDABLE IN THE 1989-1995 BIENNIAL FINANCE PLANS AND TO PROVIDE CAPITAL COST LOANS TO 9 MILWAUKEE AREA MUNICIPALITIES IF AN AGREEMENT IS REACHED BETWEEN THE MUNICIPALITIES AND MILWAUKEE MSD.

6. NO ADMINISTRATIVE FEE IS REQUESTED. HOWEVER, DUE TO UNCERTAIN FEDERAL FUNDING FOR ADMINISTRATION, ADDITIONAL MONITORING OF FEDERAL APPROPRIATIONS FOR PROGRAM ADMINISTRATION IS NECESSARY.

7. A SMALL PROJECT LOAN PROGRAM WITHIN THE FRAMEWORK OF THE CWF IS PROPOSED TO PROVIDE LOAN ASSISTANCE FOR COMMUNITIES WITH CONSTRUCTION PROJECTS COSTING \$750,000 OR LESS. SIMPLIFIED APPLICATION AND PROCESSING PROCEDURES WILL BE INVESTIGATED AND PROPOSED, IF POSSIBLE. CURRENTLY, FOR SMALL PROJECTS, THE COSTS OF MEETING COMPLEX BONDING AND USER CHARGE REQUIREMENTS UNDER THE CWF CAN BE MORE COSTLY THAN THE SUBSIDY PROVIDED. THIS DISCOURAGES LOW COST HIGH PRIORITY COMPLIANCE MAINTENANCE AND NEW AND CHANGED LIMITS PROJECTS.
  
8. THE STATUTORY LANGUAGE AUTHORIZING THE HARDSHIP PROGRAM IS REVISED TO DECREASE THE MAXIMUM GRANT FROM 90% TO 50% OF PROJECT COSTS AND TO ADD TWO ADDITIONAL CRITERIA LIMITING MUNICIPALITIES WITH AVERAGE RESIDENTIAL INCOME AND PROPERTY VALUES HIGHER THAN THE STATE AVERAGE FROM QUALIFYING FOR HARDSHIP ASSISTANCE. CURRENTLY, THE HARDSHIP PROGRAM QUALIFIES COMMUNITIES WITH FINANCIAL RESOURCES CAPABLE OF FUNDING IMPROVEMENTS FOR GRANTS AND SUBSIDIZED LOANS. THE PROPOSED CHANGE WILL INCREASE THE NUMBER OF COMMUNITIES RECEIVING FUNDS, INCREASE RECIPIENT RESPONSIBILITY OVER PROJECT COSTS AND MAKE THE HARDSHIP PROGRAM MORE CONSISTENT WITH ITS ORIGINAL INTENT, TO FUND WASTEWATER TREATMENT SYSTEMS FOR POORER COMMUNITIES.

Attachment A

State of Wisconsin  
Clean Water Fund Program  
Biennial Finance Plan: July 1, 1993 - June 30, 1995  
Summary of Financial Assumptions and Requirements

Program Authority Limitations

General Obligation Bonds

Subsidy Reserve Requirements	\$ 79,700,000
Hardship Grants	13,200,000
Capitalization Grant Match	20,200,000
Credit Reserve	52,400,000
Credit/Tax Problem Loans (2% of non-SRF)	<u>6,500,000</u>
 SUBTOTAL	 \$ 172,000,000
 Less: Loan Repayments	 (10,000,000)
Less: Carryover Projected From 1989-1993	<u>(42,300,000)</u>
 TOTAL	 \$ 119,700,000
 Existing General Obligation Bond Authority	 <u>392,494,000</u>
 Total General Obligation Bond Authority	 \$ 512,194,000

Revenue Bonds

Project Requirements	\$ 442,200,000
Less: Capitalization Grant plus State Match	<u>(117,200,000)</u>
 SUBTOTAL A	 \$ 325,000,000
 Additional (15% of SUBTOTAL A) for Project Cost Increases	 <u>57,400,000</u>
 SUBTOTAL B	 \$ 382,400,000
 Less: Carryover Projected from 1989-1993	 <u>(384,800,000)*</u>
 New Revenue Bonding Needed	 \$ ( 2,400,000)
 Existing Revenue Bond Authority	 <u>1,297,755,000</u>
 Total Revenue Bond Authority Needed	 \$ 1,295,355,000

\*The \$120,000,000 of revenue bond authority allocated for capital cost loans for Brookfield, Mequon, Muskego, New Berlin, Butler, Elm Grove, Germantown, Menomonee Falls and Thiensville is not included in the \$384,800,000 that is carried over.

**Present Value Subsidy Limit**

Project Commitments	\$ 87,800,000
Hardship Assistance (12% of total present value)	13,200,000
Cost Contingency (8% of total present value)	<u>8,800,000</u>
<b>TOTAL</b>	<b>\$ 109,800,000</b>

**Assumptions**

**Projects to be funded:**

Transition Projects	\$ 600,000
Tier 1 projects - Compliance Maintenance	205,200,000
Tier 1 projects - New and Changed Limits	34,700,000
Tier 2 projects - Unsewered	131,900,000
Tier 2 projects - Urban Stormwater	20,600,000
Tier 3 projects	<u>9,000,000</u>
<b>Total Project Costs</b>	<b>\$ 402,000,000</b>
<b>Capitalization Grant from US EPA:</b>	<b>\$ 101,000,000</b>

**Interest rates:**

Transition projects	2.500%
Tier 1 projects (55% of market)	4.125%
Tier 2 projects (70% of market)	5.250%
Tier 3 projects (100% of market)	7.500%

March 1993