



State of Wisconsin
2015 - 2016 LEGISLATURE

LRB-1186/P3
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py

DOA:.....Byrnes, BB0419 - Changes to the programs funded by the Environmental Improvement Fund

FOR 2015-2017 BUDGET -- NOT READY FOR INTRODUCTION

changes on pp. 3+4 only.

d-note

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1 AN ACT ...; relating to: the budget.

Analysis by the Legislative Reference Bureau

ENVIRONMENT

WATER QUALITY

Under the environmental improvement fund, this state provides financial assistance to local governmental units for certain projects. The environmental improvement fund is made up of three programs: the clean water fund program provides financial assistance for projects to control water pollution, such as sewage treatment plants; the safe drinking water loan program provides financial assistance for projects to construct or modify public water systems that help comply with national drinking water regulations; and the land recycling loan program provides financial assistance for projects to clean up contaminated land. The environmental improvement fund is jointly administered by the DOA and DNR.

As part of the biennial budget process, the DOA and DNR must prepare a biennial finance plan that includes an estimate of the present value of the subsidies for all financial assistance that will be made under these programs for the fiscal biennium. The legislature then sets a limit, in the budget act for the biennium, on the present value of the subsidies that may be provided during that biennium. For financial assistance such as a loan at a subsidized interest rate, the present value subsidy represents the cost in today's dollars to provide 20 years of subsidy for the

financial assistance provided in the current biennium, and is intended to equal the amount the state would expend, but not be repaid, for a given project if the entire subsidy were provided in the year the loan was made. For financial assistance that is not paid out over time or repaid, such as a financial hardship assistance grant under the clean water fund program, the present value subsidy is the amount of the grant. The present value subsidy limit acts as a cap on all financial assistance that may be provided through these programs during the biennium.

This bill eliminates the present value subsidy limit. Under the bill, the DOA and DNR are not required to estimate the present value subsidy in the biennial finance plan, and the legislature does not set a present value subsidy limit for these programs for the biennium.

Instead, under the bill, the biennial finance plan must contain the amount DOA determines will be available to provide financial assistance for projects under these programs during the biennium. The legislature does not set a limit on how much financial assistance may be provided in a biennium. During the biennium, if a sufficient amount is available to provide financial assistance for a project, that amount must be allocated for the project.

Currently, the interest rates for subsidized loans provided under the environmental improvement programs are based on percentages of the market interest rate. Under current law, the market interest rate is the interest rate on a fixed-rate revenue obligation issued by the state. Under this bill, if interest rates have changed significantly between the time that a fixed-rate revenue obligation is issued and the date financial assistance is allocated, or if no fixed-rate revenue obligation is issued, then the DOA may set the market interest rate at the rate the DOA determines would have applied if a fixed-rate revenue obligation had been issued on the date the financial assistance was allocated.

Under the clean water fund program, financial assistance may only be provided to construct water systems in an unsewered municipality if at least two-thirds of the initial flow from the new system will be for wastewater from residences that have been in existence since October 17, 1972. This bill instead requires at least two-thirds of the initial flow to be from wastewater from residences in existence for at least 20 years.

In addition, connection laterals and sewer lines that transport wastewater from structures to municipally owned or individually owned wastewater systems are not currently eligible for financial assistance under the clean water fund program. This bill creates an exception that allows connection laterals and sewer lines to be eligible for financial assistance if water other than wastewater is entering the connection lateral or sewer line from below-ground or above-ground sources and is being transported from a nonindustrial structure in a way that may interfere with a publicly owned treatment work's compliance with a Wisconsin Pollutant Discharge Elimination System (WPDES) permit.

This bill also provides that, if an amount has been allocated for a project under the clean water fund program, but no amount has been distributed for the project by the end of the fiscal year immediately following the biennium when the application was submitted, the allocation is rescinded, and the applicant must reapply.

Currently, only local governmental units are eligible under the safe drinking water loan program for loans to construct or modify a public water system, which is a system that provides piped water to the public. This bill extends eligibility to private owners of community water systems and nonprofit noncommunity water systems. A community water system is a public water system of a certain size; a noncommunity water system is a public water system that is smaller than a community water system. Under this bill, these private owners are subject to many of the same requirements as local governmental units that apply for loans under the safe drinking water loan program, including complying with the federal safe drinking water act, although private owners are not required to adopt a water conservation program, a maintenance program, or a user fee system.

Finally, this bill increases the general obligation bonding authority for the safe drinking water loan program by \$7,500,000 for the 2015–17 biennium.

For further information see the *state and local* fiscal estimate, which will be printed as an appendix to this bill.

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

1 **SECTION 1.** 13.48 (26) of the statutes is amended to read:
2 13.48 (26) ENVIRONMENTAL IMPROVEMENT ANNUAL FINANCE PLAN APPROVAL. The
3 building commission shall review the versions of the biennial finance plan and any
4 amendments to the biennial finance plan submitted to it by the department of
5 natural resources and the department of administration under s. 281.59 (3) (bm) and
6 the recommendations of the joint committee on finance and the standing committees
7 to which the versions of the biennial finance plan and any amendments were
8 submitted under s. 281.59 (3) (bm). The building commission shall consider the
9 extent to which that version of the biennial finance plan that is updated to reflect the
10 adopted biennial budget act will maintain the funding for the clean water fund
11 program and the safe drinking water loan program, in the environmental
12 improvement fund, in perpetuity. The building commission shall consider the extent
13 to which the implementation of the clean water fund program, the safe drinking
14 water loan program and the land recycling loan program, as set forth in the biennial

1 finance plan updated to reflect the adopted biennial budget act, implements
2 legislative intent on the clean water fund program, the safe drinking water loan
3 program and the land recycling loan program. The building commission shall, no
4 later than 60 days after the date of enactment of the biennial budget act, either
5 approve or disapprove the biennial finance plan that is updated to reflect the adopted
6 biennial budget act, ~~except that the building commission may not disapprove those~~
7 ~~amounts that the legislature approves under s. 281.59 (3e) (a), (3m) (a) and (3s) (a).~~
8 If the building commission disapproves the version of the biennial finance plan that
9 is updated to reflect the adopted biennial budget act, it must notify the department
10 of natural resources and the department of administration of its reasons for
11 disapproving the plan, and those departments must revise that version of the
12 biennial finance plan and submit the revision to the building commission.

13 **SECTION 2.** 20.866 (2) (td) of the statutes is amended to read:

14 20.866 (2) (td) *Safe drinking water loan program.* From the capital
15 improvement fund, a sum sufficient to be transferred to the environmental
16 improvement fund for the safe drinking water loan program under s. 281.61. The
17 state may contract public debt in an amount not to exceed ~~\$60,200,000~~ \$67,700,000
18 for this purpose.

19 **SECTION 3.** 25.43 (1) (h) of the statutes is amended to read:

20 25.43 (1) (h) The fees imposed under ss. 281.58 (9) (d) ~~and~~, 281.60 (11m), and
21 281.61 (5) (b).

22 **SECTION 4.** 234.86 (1) (c) of the statutes is amended to read:

23 234.86 (1) (c) "Local governmental unit" has the meaning given in s. 281.61 (1)
24 (a) (am), except that the term does not include a joint local water authority created
25 under s. 66.0823.

1 **SECTION 5.** 281.58 (8) (a) 2. of the statutes is amended to read:

2 281.58 (8) (a) 2. Connection laterals and sewer lines that transport wastewater
3 from structures to municipally owned or individually owned wastewater systems,
4 unless water other than wastewater is entering the connection laterals or sewer lines
5 from the ground or from above-ground sources and is being transported from a
6 nonindustrial structure in a way that may interfere with compliance with a permit
7 issued to a publicly owned treatment work under ch. 283.

8 **SECTION 6.** 281.58 (8) (c) of the statutes is amended to read:

9 281.58 (8) (c) Except as provided in par. (k), financial assistance may be
10 provided for the design, planning and construction of a collection system, interceptor
11 or individual system project in an unsewered municipality or an unsewered area of
12 a municipality, only if the department finds that at least two-thirds of the initial flow
13 will be for wastewater originating from residences in existence on October 17, 1972
14 for at least 20 years prior to the submission of the application under sub. (9) (a).

15 **SECTION 7.** 281.58 (8) (i) of the statutes is amended to read:

16 281.58 (8) (i) After June 30, 1991, no municipality may receive for projects in
17 a biennium an amount that exceeds 35.2% of the amount approved by the legislature
18 ~~under s. 281.59 (3e) (b)~~ that the department of administration projects will be
19 available to provide financial assistance for projects under this section for that
20 biennium.

21 **SECTION 8.** 281.58 (8) (j) of the statutes is amended to read:

22 281.58 (8) (j) The amount of a payment under sub. (6) (b) 8. may not exceed the
23 amount of subsidy necessary to reduce the interest rate on the loan from market rate
24 to the interest rate that would have been charged on a loan to the municipality under
25 sub. (6) (b) 4.

1 **SECTION 9.** 281.58 (9) (e) of the statutes is amended to read:

2 281.58 (9) (e) If the department of natural resources and the department of
3 administration determine that ~~the governor's recommendation, as set forth in the~~
4 ~~executive budget bill, for the amount under s. 281.59 (3e) (b), the amount available~~
5 ~~under s. 20.866 (2) (tc), or the amount available under s. 281.59 (4) (f) the total~~
6 amount that the department of administration projects will be available to provide
7 financial assistance for projects under this section for a biennium, as set forth in the
8 biennial finance plan under s. 281.59 (3) (a) 2. and as updated under s. 281.59 (3) (bm)
9 2., is insufficient to provide funding for all projects for which applications will be
10 approved during that biennium, the department shall inform municipalities that, if
11 the governor's recommendations are approved, clean water fund program assistance
12 during a fiscal year of that biennium will be available only to municipalities that
13 submit financial assistance applications by the June 30 preceding September 30 of
14 that fiscal year.

15 **SECTION 10.** 281.58 (9m) (a) (intro.) of the statutes is amended to read:

16 281.58 (9m) (a) (intro.) Subject to ~~pars. (e) and par. (d)~~, the department shall
17 approve an application after all of the following occur:

18 **SECTION 11.** 281.58 (9m) (c) of the statutes is repealed.

19 **SECTION 12.** 281.58 (9m) (e) 1. of the statutes is amended to read:

20 281.58 (9m) (e) 1. Except as provided under par. (f) and sub. (13), if a sufficient
21 amount of ~~subsidy~~ financial assistance under this section is available ~~under s. 281.59~~
22 ~~(3e) (b) for the municipality's project, based on the calculation under s. 281.59 (3e)~~
23 ~~(f), when the department approves the application under par. (a), the department of~~
24 ~~administration shall allocate that amount to the project.~~

25 **SECTION 13.** 281.58 (9m) (e) 2. of the statutes is amended to read:

1 281.58 (9m) (e) 2. If a sufficient amount of ~~subsidy~~ financial assistance under
2 this section is not available ~~under s. 281.59 (3e) (b)~~ for the municipality's project
3 when the department approves the application under ~~subd. 1. par. (a)~~, the
4 department shall place the project on a list for allocation when additional ~~subsidy~~
5 becomes financial assistance becomes available.

6 **SECTION 14.** 281.58 (9m) (f) (intro.) of the statutes is amended to read:

7 281.58 (9m) (f) (intro.) If the department of natural resources and the
8 department of administration determine that the amount ~~approved under s. 281.59~~
9 ~~(3e) (b), the amount available under s. 20.866 (2) (tc), or the amount available under~~
10 ~~s. 281.59 (4) (f)~~ available to provide financial assistance for projects under this
11 section for a biennium is insufficient to provide funding for all projects for which
12 applications will be approved during that biennium, all of the following apply:

13 **SECTION 15.** 281.58 (9m) (f) 1. of the statutes is amended to read:

14 281.58 (9m) (f) 1. The department shall establish a funding list for each fiscal
15 year of the biennium that ranks projects of municipalities that submit financial
16 assistance applications under sub. (9) (a) no later than the ~~June 30~~ preceding
17 September 30 of the fiscal year in the same order that they appear on the priority list
18 under sub. (8e).

19 **SECTION 16.** 281.58 (9m) (fm) of the statutes is amended to read:

20 281.58 (9m) (fm) The department, in consultation with the department of
21 administration, shall promulgate, by rule, methods to establish deadlines for actions
22 that must be taken by a municipality to which ~~subsidy~~ financial assistance has been
23 allocated. The methods may provide for extending deadlines under specified
24 circumstances. If a municipality fails to meet a deadline, including any extension,

1 the department of administration shall ~~release~~ rescind the ~~amount~~ allocation of
2 ~~subsidy allocated to~~ financial assistance for the municipality's project.

3 **SECTION 17.** 281.58 (9m) (g) of the statutes is repealed.

4 **SECTION 18.** 281.58 (12) (a) 1. of the statutes is amended to read:

5 281.58 (12) (a) 1. Except as modified under par. (f) and except as restricted by
6 sub. (8) (b), (c), (f) or (h), the interest rate for projects specified in sub. (7) (b) 1. and
7 2. is ~~60 percent of market interest rate for projects for which the subsidy is allocated~~
8 ~~from the amount under s. 281.59 (3e) (b) for a biennium before the 2011–13 biennium~~
9 ~~and 75 percent of market interest rate for projects for which the subsidy is allocated~~
10 ~~from the amount under s. 281.59 (3e) (b) for the 2011–13 biennium or later.~~

11 **SECTION 19.** 281.58 (12) (a) 2. of the statutes is amended to read:

12 281.58 (12) (a) 2. Except as modified under par. (f) and except as restricted by
13 sub. (8) (b), (c), (f) or (h), the interest rate for projects specified in sub. (7) (b) 5. is ~~65~~
14 ~~percent of market interest rate for projects for which the subsidy is allocated from~~
15 ~~the amount under s. 281.59 (3e) (b) for a biennium before the 2011–13 biennium and~~
16 ~~75 percent of market interest rate for projects for which the subsidy is allocated from~~
17 ~~the amount under s. 281.59 (3e) (b) for the 2011–13 biennium or later.~~

18 **SECTION 20.** 281.58 (12) (a) 3. of the statutes is amended to read:

19 281.58 (12) (a) 3. Except as modified under par. (f) and except as restricted by
20 sub. (8) (b), (c), (f) or (h), the interest rate for projects specified in sub. (7) (b) 4. is ~~70~~
21 ~~percent of market interest rate for projects for which the subsidy is allocated from~~
22 ~~the amount under s. 281.59 (3e) (b) for a biennium before the 2011–13 biennium and~~
23 ~~75 percent of market interest rate for projects for which the subsidy is allocated from~~
24 ~~the amount under s. 281.59 (3e) (b) for the 2011–13 biennium or later.~~

25 **SECTION 21.** 281.58 (13m) (b) of the statutes is amended to read:

1 281.58 (13m) (b) Grants provided under this subsection are not included for
2 the purposes of determining under sub. (8) (i) the amount that a municipality may
3 receive for projects under the clean water fund program. ~~Grants awarded under this~~
4 ~~subsection are not considered for the purposes of sub. (9m) (e) or s. 281.59 (3e) (b).~~

5 **SECTION 22.** 281.58 (15) (a) of the statutes is amended to read:

6 281.58 (15) (a) The department and the department of administration may, at
7 the request of a municipality, issue a notice of financial assistance commitment to the
8 municipality after the department approves the municipality's application under
9 sub. (9m) (a) and the department of administration has allocated subsidy financial
10 assistance for the municipality's project.

11 **SECTION 23.** 281.59 (1) (b) of the statutes is amended to read:

12 281.59 (1) (b) "Market interest rate" means the effective interest rate on a
13 fixed-rate revenue obligation issued by the state to fund a loan made under this
14 section or, ~~for a variable rate~~ if the department of administration determines that
15 there has been a significant change in interest rates after the fixed-rate revenue
16 obligation has been issued or if a fixed-rate revenue obligation has not been issued
17 by the state to fund a loan made under this section, the effective interest rate that
18 the department of administration determines would have been paid if the variable
19 rate a fixed-rate revenue obligation had been sold at a fixed rate issued on the date
20 financial assistance is allotted.

21 **SECTION 24.** 281.59 (1) (d) of the statutes is repealed.

22 **SECTION 25.** 281.59 (3) (a) 2. of the statutes is amended to read:

23 281.59 (3) (a) 2. The total amount of that the department of administration
24 projects will be available to provide financial assistance ~~planned to be provided or~~
25 ~~committed~~ for projects under subd. 1. during the next biennium.

1 **SECTION 26.** 281.59 (3) (a) 6. of the statutes is repealed.

2 **SECTION 27.** 281.59 (3) (a) 6e. of the statutes is repealed.

3 **SECTION 28.** 281.59 (3) (a) 6m. of the statutes is repealed.

4 **SECTION 29.** 281.59 (3) (a) 7. of the statutes is repealed.

5 **SECTION 30.** 281.59 (3) (j) of the statutes is amended to read:

6 281.59 (3) (j) No later than November 1 of each odd-numbered year, the
7 department of administration and the department jointly shall submit a report, to
8 the building commission and committees as required under par. (bm), ~~on the~~
9 ~~implementation of the amount established under sub. (3e) (b) as required under s.~~
10 ~~281.58 (9m) (e),~~ and on the operations and activities of the clean water fund program,
11 the safe drinking water loan program and the land recycling loan program for the
12 previous biennium.

13 **SECTION 31.** 281.59 (3e) (a) of the statutes is repealed.

14 **SECTION 32.** 281.59 (3e) (b) of the statutes is repealed.

15 **SECTION 33.** 281.59 (3e) (c) of the statutes is repealed.

16 **SECTION 34.** 281.59 (3e) (d) of the statutes is amended to read:

17 281.59 (3e) (d) The department may expend, for financial assistance in a
18 biennium other than financial hardship assistance under s. 281.58 (13) (e), an
19 amount up to 95 percent of the amount ~~approved by the legislature under par. (b)~~
20 available to provide financial assistance for projects under this section for that
21 biennium. The department may expend such amount only from the percentage of the
22 amount ~~approved under par. (b)~~ that is not available under par. (e) for financial
23 hardship assistance.

24 **SECTION 35.** 281.59 (3e) (e) of the statutes is amended to read:

1 281.59 (3e) (e) The department may expend, for financial hardship assistance
2 in a biennium under s. 281.58 (13) (e), an amount up to 5 percent of the amount
3 ~~approved by the legislature under par. (b)~~ available to provide financial assistance
4 for projects under this section for that biennium. The department may expend such
5 amount only from the percentage of the amount ~~approved by the legislature under~~
6 ~~par. (b)~~ that is not available under par. (d) for financial assistance.

7 **SECTION 36.** 281.59 (3e) (f) of the statutes is repealed.

8 **SECTION 37.** 281.59 (3m) of the statutes is repealed.

9 **SECTION 38.** 281.59 (3s) of the statutes is repealed.

10 **SECTION 39.** 281.59 (9) (am) of the statutes is amended to read:

11 281.59 (9) (am) The department of administration, in consultation with the
12 department, may establish those terms and conditions of a financial assistance
13 agreement that relate to its financial management, including what type of municipal
14 obligation, as set forth under sub. (13f), if applicable, is required for the repayment
15 of the financial assistance. Any terms and conditions established under this
16 paragraph by the department of administration shall comply with the requirements
17 of this section and s. 281.58, 281.60 or 281.61. In setting the terms and conditions,
18 the department of administration may consider factors that the department of
19 administration finds are relevant, including the type of obligation evidencing the
20 loan, the pledge of security for the obligation and the applicant's creditworthiness.

21 **SECTION 40.** 281.59 (11) (a) of the statutes is amended to read:

22 281.59 (11) (a) The department of natural resources and the department of
23 administration may enter into a financial assistance agreement with an applicant
24 for which the department of administration has allocated subsidy financial
25 assistance under s. 281.58 (9m), 281.60 (8) or 281.61 (8) if the applicant meets the

1 conditions under sub. (9) and the other requirements under this section and s.
2 281.58, 281.60 or 281.61.

3 **SECTION 41.** 281.60 (7) (d) of the statutes is repealed.

4 **SECTION 42.** 281.60 (8) (a) of the statutes is renumbered 281.60 (8).

5 **SECTION 43.** 281.60 (8) (b) of the statutes is repealed.

6 **SECTION 44.** 281.60 (8s) of the statutes is amended to read:

7 281.60 (8s) LIMITATION ON FINANCIAL ASSISTANCE. The amount of a payment
8 under sub. (2r) (d) may not exceed the amount of subsidy necessary to reduce the
9 interest rate on the loan from market rate to the interest rate that would have been
10 charged on a loan to the political subdivision under sub. (2r) (a).

11 **SECTION 45.** 281.60 (12) (b) 3. of the statutes is amended to read:

12 281.60 (12) (b) 3. If the sale proceeds are greater than the cost of the land plus
13 the cost of the cleanup, pay to the department of administration an amount equal to
14 the remaining loan balance plus the lesser of 75% of the amount by which the sale
15 proceeds exceed the cost of the land plus the cost of the cleanup or the amount of
16 subsidy incurred for the project difference between the amount of interest paid on
17 the loan and the amount of interest that would have been paid if the loan had been
18 made at the market rate, and retain the remainder of the sale proceeds.

19 **SECTION 46.** 281.61 (1) (a) of the statutes is renumbered 281.61 (1) (am).

20 **SECTION 47.** 281.61 (1) (ag) of the statutes is created to read:

21 281.61 (1) (ag) “Community water system” means a public water system that
22 serves at least 15 service connections used by year-round residents or that regularly
23 serves at least 25 year-round residents.

24 **SECTION 48.** 281.61 (1) (bm) of the statutes is created to read:

1 281.61 (1) (bm) “Noncommunity water system” means a public water system
2 that is not a community water system.

3 **SECTION 49.** 281.61 (2) of the statutes is amended to read:

4 281.61 (2) GENERAL. The department and the department of administration
5 shall administer a program to provide financial assistance to local governmental
6 units and to the private owners of community water systems and nonprofit
7 noncommunity water systems for projects for the planning, designing, construction
8 or modification of public water systems, if the projects will facilitate compliance with
9 national primary drinking water regulations under 42 USC 300g–1 or otherwise
10 significantly further the health protection objectives of the Safe Drinking Water Act,
11 42 USC 300f to 300j–26.

12 **SECTION 50.** 281.61 (2g) of the statutes is amended to read:

13 281.61 (2g) INELIGIBLE PROJECTS. A local governmental unit or the private
14 owner of a community water system or nonprofit noncommunity water system is not
15 eligible for financial assistance under this section if the local governmental unit or
16 the private owner of the community water system or nonprofit noncommunity water
17 system does not have the technical, managerial or financial capacity to ensure
18 compliance with the Safe Drinking Water Act, 42 USC 300f to 300j–26, or the public
19 water system operated by the local governmental unit or private owner of the
20 community water system or nonprofit noncommunity water system is in significant
21 noncompliance with any requirement of a primary drinking water regulation or
22 variance under 42 USC 300g–1 unless the financial assistance will ensure
23 compliance with the Safe Drinking Water Act.

24 **SECTION 51.** 281.61 (2r) (b) of the statutes is amended to read:

1 281.61 (2r) (b) Purchasing or refinancing the obligation of a local governmental
2 unit or private owner of a community water system or nonprofit noncommunity
3 water system if the obligation was incurred to finance the cost of a project described
4 in sub. (2) and the obligation was initially incurred after July 1, 1993.

5 **SECTION 52.** 281.61 (3) of the statutes is amended to read:

6 281.61 (3) NOTICE OF INTENT TO APPLY. (a) A local governmental unit or private
7 owner of a community water system or nonprofit noncommunity water system shall
8 submit notice of its intent to apply for financial assistance under the safe drinking
9 water loan program at least 6 months before the beginning of the fiscal year in which
10 it intends to receive the financial assistance. The notice shall be in a form prescribed
11 by the department and the department of administration.

12 (c) The department may waive par. (a) upon the written request of a local
13 governmental unit or private owner of a community water system or nonprofit
14 noncommunity water system.

15 **SECTION 53.** 281.61 (4) of the statutes is amended to read:

16 281.61 (4) ENGINEERING REPORT. A local governmental unit or private owner of
17 a community water system or nonprofit noncommunity water system seeking
18 financial assistance for a project under this section shall submit an engineering
19 report, as required by the department by rule.

20 **SECTION 54.** 281.61 (5) of the statutes is renumbered 281.61 (5) (a) and
21 amended to read:

22 281.61 (5) (a) After the department approves ~~a local governmental unit's an~~
23 engineering report submitted under sub. (4), the local governmental unit or private
24 owner of a community water system or nonprofit noncommunity water system shall
25 submit an application for safe drinking water financial assistance to the department.

1 The applicant shall submit the application on or before the June 30 preceding the
2 beginning of the fiscal year in which the applicant wishes to receive the financial
3 assistance, except that if funds are available in a fiscal year after funding has been
4 allocated under sub. (8) for all approved applications submitted before the June 30
5 preceding that fiscal year, the department of administration may allocate funding for
6 approved applications submitted after June 30. The application shall be in the form
7 and include the information required by the department and the department of
8 administration and shall include plans and specifications that are approvable by the
9 department under this section. An applicant may not submit more than one
10 application per project per year.

11 **SECTION 55.** 281.61 (5) (b) of the statutes is created to read:

12 281.61 (5) (b) The department of administration and the department jointly
13 may charge and collect service fees, established by rule, which shall cover the
14 estimated costs of reviewing and acting upon the application and servicing the
15 financial assistance agreement. No service fee established by rule under this
16 paragraph may be charged to or collected from an applicant for financial assistance
17 under s. 281.59 (13). The fees collected under this paragraph shall be credited to the
18 environmental improvement fund.

19 **SECTION 56.** 281.61 (6) of the statutes is amended to read:

20 281.61 (6) PRIORITY LIST. The department shall establish a priority list that
21 ranks each safe drinking water loan program project. The department shall
22 promulgate rules for determining project rankings that, to the extent possible, give
23 priority to projects that address the most serious risks to human health, that are
24 necessary to ensure compliance with the Safe Drinking Water Act, 42 USC 300f to
25 300j-26, and that assist ~~local governmental units~~ applicants that are most in need

1 on a per household basis, according to affordability criteria specified in the rules. For
2 the purpose of ranking projects under this subsection, the department shall treat a
3 project to upgrade a public water system to provide continuous disinfection of the
4 water that it distributes as if the public water system were a surface water system
5 that federal law requires to provide continuous disinfection.

6 **SECTION 57.** 281.61 (7) (c) of the statutes is amended to read:

7 281.61 (7) (c) The department of administration determines that the local
8 governmental unit applicant will meet the requirements of s. 281.59 (9) (b).

9 **SECTION 58.** 281.61 (7) (d) of the statutes is repealed.

10 **SECTION 59.** 281.61 (8) (a) (intro.) of the statutes is renumbered 281.61 (8)
11 (intro.) and amended to read:

12 281.61 (8) (intro.) The department shall establish a funding list for each fiscal
13 year that ranks projects of local governmental units applicants that submit
14 approvable applications under sub. (5) in the same order that they appear on the
15 priority list under sub. (6). If sufficient funds are not available to fund all approved
16 applications for financial assistance, the department of administration shall allocate
17 funding to projects that are approved under sub. (7) in the order that they appear on
18 the funding list, except as follows:

19 **SECTION 60.** 281.61 (8) (a) 1. of the statutes is renumbered 281.61 (8) (a).

20 **SECTION 61.** 281.61 (8) (a) 2. of the statutes is renumbered 281.61 (8) (b) and
21 amended to read:

22 281.61 (8) (b) In any biennium, no local governmental unit applicant may
23 receive more than 25% of the funds that the department of administration projects
24 will be available amount of financial assistance planned to be provided or committed
25 for projects under this section for that biennium.

1 **SECTION 62.** 281.61 (8) (b) of the statutes is repealed.

2 **SECTION 63.** 281.61 (8m) (intro.) of the statutes is amended to read:

3 281.61 **(8m)** CONDITIONS OF FINANCIAL ASSISTANCE FOR LOCAL GOVERNMENTAL
4 UNITS. As a condition of receiving financial assistance under the safe drinking water
5 loan program, a local governmental unit shall do all of the following:

6 **SECTION 64.** 281.61 (8p) of the statutes is created to read:

7 281.61 **(8p)** CONDITIONS OF FINANCIAL ASSISTANCE FOR PRIVATE OWNERS. As a
8 condition of receiving financial assistance under the safe drinking water loan
9 program, a private owner of a community water system or nonprofit noncommunity
10 water system shall do all of the following:

11 (a) Demonstrate that there is adequate security for the repayment of the
12 financial assistance.

13 (b) Comply with those provisions of 42 USC 300f to 300j-26 and this chapter
14 and the regulations and rules promulgated under those provisions that the
15 department specifies.

16 **SECTION 65.** 281.61 (8s) of the statutes is amended to read:

17 281.61 **(8s)** LIMITATION ON FINANCIAL ASSISTANCE. The amount of a payment
18 under sub. (2r) (d) may not exceed the amount of subsidy necessary to reduce the
19 interest rate on the loan from market rate to the interest rate that would have been
20 charged on a loan to the local governmental unit under sub. (2r) (a).

21 **SECTION 66.** 281.61 (11) (a) 1. of the statutes is amended to read:

22 281.61 **(11)** (a) 1. For a local governmental unit an applicant that does not meet
23 financial eligibility criteria established by the department by rule, 55% of market
24 interest rate.

25 **SECTION 67.** 281.61 (11) (a) 2. of the statutes is amended to read:

**DRAFTER'S NOTE
FROM THE
LEGISLATIVE REFERENCE BUREAU**

LRB-1186/P4dn
MCP:kjfjf

January 28, 2015

This draft reconciles LRB-1186, LRB-1192 and LRB-1215. All of these drafts should continue to appear in the compiled bill.

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State of Wisconsin
2015 - 2016 LEGISLATURE

LRB-1186/PA
MCP:cjs&kjf:jf

TODAY

DOA:.....Byrnes, BB0419 - Changes to the programs funded by the Environmental Improvement Fund

FOR 2015-2017 BUDGET - NOT READY FOR INTRODUCTION

change on p. 3 only.

d-note

do not gen

1 AN ACT ...; relating to: the budget.

Analysis by the Legislative Reference Bureau

ENVIRONMENT

WATER QUALITY

Under the environmental improvement fund, this state provides financial assistance to local governmental units for certain projects. The environmental improvement fund is made up of three programs: the clean water fund program provides financial assistance for projects to control water pollution, such as sewage treatment plants; the safe drinking water loan program provides financial assistance for projects to construct or modify public water systems that help comply with national drinking water regulations; and the land recycling loan program provides financial assistance for projects to clean up contaminated land. The environmental improvement fund is jointly administered by the DOA and DNR.

As part of the biennial budget process, the DOA and DNR must prepare a biennial finance plan that includes an estimate of the present value of the subsidies for all financial assistance that will be made under these programs for the fiscal biennium. The legislature then sets a limit, in the budget act for the biennium, on the present value of the subsidies that may be provided during that biennium. For financial assistance such as a loan at a subsidized interest rate, the present value subsidy represents the cost in today's dollars to provide 20 years of subsidy for the

financial assistance provided in the current biennium, and is intended to equal the amount the state would expend, but not be repaid, for a given project if the entire subsidy were provided in the year the loan was made. For financial assistance that is not paid out over time or repaid, such as a financial hardship assistance grant under the clean water fund program, the present value subsidy is the amount of the grant. The present value subsidy limit acts as a cap on all financial assistance that may be provided through these programs during the biennium.

This bill eliminates the present value subsidy limit. Under the bill, the DOA and DNR are not required to estimate the present value subsidy in the biennial finance plan, and the legislature does not set a present value subsidy limit for these programs for the biennium.

Instead, under the bill, the biennial finance plan must contain the amount DOA determines will be available to provide financial assistance for projects under these programs during the biennium. The legislature does not set a limit on how much financial assistance may be provided in a biennium. During the biennium, if a sufficient amount is available to provide financial assistance for a project, that amount must be allocated for the project.

Currently, the interest rates for subsidized loans provided under the environmental improvement programs are based on percentages of the market interest rate. Under current law, the market interest rate is the interest rate on a fixed-rate revenue obligation issued by the state. Under this bill, if interest rates have changed significantly between the time that a fixed-rate revenue obligation is issued and the date financial assistance is allocated, or if no fixed-rate revenue obligation is issued, then the DOA may set the market interest rate at the rate the DOA determines would have applied if a fixed-rate revenue obligation had been issued on the date the financial assistance was allocated.

Under the clean water fund program, financial assistance may only be provided to construct water systems in an unsewered municipality if at least two-thirds of the initial flow from the new system will be for wastewater from residences that have been in existence since October 17, 1972. This bill instead requires at least two-thirds of the initial flow to be from wastewater from residences in existence for at least 20 years.

In addition, connection laterals and sewer lines that transport wastewater from structures to municipally owned or individually owned wastewater systems are not currently eligible for financial assistance under the clean water fund program. This bill creates an exception that allows connection laterals and sewer lines to be eligible for financial assistance if water other than wastewater is entering the connection lateral or sewer line from below-ground or above-ground sources and is being transported from a nonindustrial structure in a way that may interfere with a publicly owned treatment work's compliance with a Wisconsin Pollutant Discharge Elimination System (WPDES) permit.

This bill also provides that, if an amount has been allocated for a project under the clean water fund program, but no amount has been distributed for the project by the end of the fiscal year immediately following the biennium when the application was submitted, the allocation is rescinded, and the applicant must reapply.

Currently, only local governmental units are eligible under the safe drinking water loan program for loans to construct or modify a public water system, which is a system that provides piped water to the public. This bill extends eligibility to private owners of community water systems and nonprofit noncommunity water systems. A community water system is a public water system of a certain size; a noncommunity water system is a public water system that is smaller than a community water system. Under this bill, these private owners are subject to many of the same requirements as local governmental units that apply for loans under the safe drinking water loan program, including complying with the federal safe drinking water act, although private owners are not required to adopt a water conservation program, a maintenance program, or a user fee system.

Finally, this bill increases the general obligation bonding authority for the safe drinking water loan program by \$7,500,000 for the 2015–17 biennium.

For further information see the *state and local* fiscal estimate, which will be printed as an appendix to this bill.

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

1 **SECTION 1.** 20.866 (2) (td) of the statutes is amended to read:

2 20.866 (2) (td) *Safe drinking water loan program.* From the capital
3 improvement fund, a sum sufficient to be transferred to the environmental
4 improvement fund for the safe drinking water loan program under s. 281.61. The
5 state may contract public debt in an amount not to exceed ~~\$60,200,000~~ \$67,700,000
6 for this purpose.

7 **SECTION 2.** 25.43 (1) (h) of the statutes is amended to read:

8 25.43 (1) (h) The fees imposed under ss. 281.58 (9) (d) ~~and~~, 281.60 (11m), and
9 281.61 (5) (b).

10 9 ✓
Insert
3-9 **SECTION 3.** 281.58 (8) (a) 2. of the statutes is amended to read:

11 281.58 (8) (a) 2. Connection laterals and sewer lines that transport wastewater
12 from structures to municipally owned or individually owned wastewater systems,
13 unless water other than wastewater is entering the connection laterals or sewer lines
14 from the ground or from above-ground sources and is being transported from a

1 nonindustrial structure in a way that may interfere with compliance with a permit
2 issued to a publicly owned treatment work under ch. 283.

3 SECTION 4. 281.58 (8) (c) of the statutes is amended to read:

4 281.58 (8) (c) Except as provided in par. (k), financial assistance may be
5 provided for the design, planning and construction of a collection system, interceptor
6 or individual system project in an unsewered municipality or an unsewered area of
7 a municipality, only if the department finds that at least two-thirds of the initial flow
8 will be for wastewater originating from residences in existence ~~on October 17, 1972~~
9 for at least 20 years prior to the submission of the application under sub. (9) (a).

10 SECTION 5. 281.58 (8) (i) of the statutes is amended to read:

11 281.58 (8) (i) After June 30, 1991, no municipality may receive for projects in
12 a biennium an amount that exceeds 35.2% of the amount ~~approved by the legislature~~
13 ~~under s. 281.59 (3e) (b)~~ that the department of administration projects will be
14 available to provide financial assistance for projects under this section for that
15 biennium.

16 SECTION 6. 281.58 (8) (j) of the statutes is amended to read:

17 281.58 (8) (j) The amount of a payment under sub. (6) (b) 8. may not exceed the
18 amount of ~~subsidy~~ necessary to reduce the interest rate on the loan from market rate
19 to the interest rate that would have been charged on a loan to the municipality under
20 sub. (6) (b) 4.

21 SECTION 7. 281.58 (9) (e) of the statutes is amended to read:

22 281.58 (9) (e) If the department of natural resources and the department of
23 administration determine that ~~the governor's recommendation, as set forth in the~~
24 ~~executive budget bill, for the amount under s. 281.59 (3e) (b), the amount available~~
25 ~~under s. 20.866 (2) (tc), or the amount available under s. 281.59 (4) (f)~~ the total

1 amount that the department of administration projects will be available to provide
2 financial assistance for projects under this section for a biennium, as set forth in the
3 biennial finance plan under s. 281.59 (3) (a) 2. and as updated under s. 281.59 (3) (bm)
4 2., is insufficient to provide funding for all projects for which applications will be
5 approved during that biennium, the department shall inform municipalities that, if
6 the governor's recommendations are approved, clean water fund program assistance
7 during a fiscal year of that biennium will be available only to municipalities that
8 submit financial assistance applications by the ~~June 30~~ preceding September 30 of
9 that fiscal year.

10 **SECTION 8.** 281.58 (9m) (a) (intro.) of the statutes is amended to read:

11 281.58 (9m) (a) (intro.) Subject to ~~pars. (e) and~~ par. (d), the department shall
12 approve an application after all of the following occur:

13 **SECTION 9.** 281.58 (9m) (c) of the statutes is repealed.

14 **SECTION 10.** 281.58 (9m) (e) 1. of the statutes is amended to read:

15 281.58 (9m) (e) 1. Except as provided under par. (f) and sub. (13), if a sufficient
16 amount of ~~subsidy~~ financial assistance under this section is available ~~under s. 281.59~~
17 ~~(3e) (b)~~ for the municipality's project, ~~based on the calculation under s. 281.59 (3e)~~
18 (f), when the department approves the application under par. (a), the department of
19 administration shall allocate that amount to the project.

20 **SECTION 11.** 281.58 (9m) (e) 2. of the statutes is amended to read:

21 281.58 (9m) (e) 2. If a sufficient amount of ~~subsidy~~ financial assistance under
22 this section is not available ~~under s. 281.59 (3e) (b)~~ for the municipality's project
23 when the department approves the application under ~~subd. 1.~~ par. (a), the
24 department shall place the project on a list for allocation when additional ~~subsidy~~
25 ~~becomes~~ financial assistance becomes available.

1 **SECTION 12.** 281.58 (9m) (f) (intro.) of the statutes is amended to read:

2 281.58 (9m) (f) (intro.) If the department of natural resources and the
3 department of administration determine that the amount approved under s. 281.59
4 (3e) (b), ~~the amount available under s. 20.866 (2) (tc), or the amount available under~~
5 ~~s. 281.59 (4) (f)~~ available to provide financial assistance for projects under this
6 section for a biennium is insufficient to provide funding for all projects for which
7 applications will be approved during that biennium, all of the following apply:

8 **SECTION 13.** 281.58 (9m) (f) 1. of the statutes is amended to read:

9 281.58 (9m) (f) 1. The department shall establish a funding list for each fiscal
10 year of the biennium that ranks projects of municipalities that submit financial
11 assistance applications under sub. (9) (a) no later than the ~~June 30~~ preceding
12 September 30 of the fiscal year in the same order that they appear on the priority list
13 under sub. (8e).

14 **SECTION 14.** 281.58 (9m) (fm) of the statutes is amended to read:

15 281.58 (9m) (fm) The department, in consultation with the department of
16 administration, shall promulgate, by rule, methods to establish deadlines for actions
17 that must be taken by a municipality to which ~~subsidy~~ financial assistance has been
18 allocated. The methods may provide for extending deadlines under specified
19 circumstances. If a municipality fails to meet a deadline, including any extension,
20 the department of administration shall ~~release~~ rescind the ~~amount~~ allocation of
21 ~~subsidy allocated to~~ financial assistance for the municipality's project.

22 **SECTION 15.** 281.58 (9m) (g) of the statutes is repealed.

23 **SECTION 16.** 281.58 (12) (a) 1. of the statutes is amended to read:

24 281.58 (12) (a) 1. Except as modified under par. (f) and except as restricted by
25 sub. (8) (b), (c), (f) or (h), the interest rate for projects specified in sub. (7) (b) 1. and

1 2. is ~~60 percent of market interest rate for projects for which the subsidy is allocated~~
2 ~~from the amount under s. 281.59 (3e) (b) for a biennium before the 2011–13 biennium~~
3 ~~and 75 percent of market interest rate for projects for which the subsidy is allocated~~
4 ~~from the amount under s. 281.59 (3e) (b) for the 2011–13 biennium or later.~~

5 **SECTION 17.** 281.58 (12) (a) 2. of the statutes is amended to read:

6 281.58 (12) (a) 2. Except as modified under par. (f) and except as restricted by
7 sub. (8) (b), (c), (f) or (h), the interest rate for projects specified in sub. (7) (b) 5. is ~~65~~
8 ~~percent of market interest rate for projects for which the subsidy is allocated from~~
9 ~~the amount under s. 281.59 (3e) (b) for a biennium before the 2011–13 biennium and~~
10 ~~75 percent of market interest rate for projects for which the subsidy is allocated from~~
11 ~~the amount under s. 281.59 (3e) (b) for the 2011–13 biennium or later.~~

12 **SECTION 18.** 281.58 (12) (a) 3. of the statutes is amended to read:

13 281.58 (12) (a) 3. Except as modified under par. (f) and except as restricted by
14 sub. (8) (b), (c), (f) or (h), the interest rate for projects specified in sub. (7) (b) 4. is ~~70~~
15 ~~percent of market interest rate for projects for which the subsidy is allocated from~~
16 ~~the amount under s. 281.59 (3e) (b) for a biennium before the 2011–13 biennium and~~
17 ~~75 percent of market interest rate for projects for which the subsidy is allocated from~~
18 ~~the amount under s. 281.59 (3e) (b) for the 2011–13 biennium or later.~~

19 **SECTION 19.** 281.58 (13m) (b) of the statutes is amended to read:

20 281.58 (13m) (b) Grants provided under this subsection are not included for
21 the purposes of determining under sub. (8) (i) the amount that a municipality may
22 receive for projects under the clean water fund program. ~~Grants awarded under this~~
23 ~~subsection are not considered for the purposes of sub. (9m) (e) or s. 281.59 (3e) (b).~~

24 **SECTION 20.** 281.58 (15) (a) of the statutes is amended to read:

1 281.58 (15) (a) The department and the department of administration may, at
2 the request of a municipality, issue a notice of financial assistance commitment to the
3 municipality after the department approves the municipality’s application under
4 sub. (9m) (a) and the department of administration has allocated subsidy financial
5 assistance for the municipality’s project.

6 **SECTION 21.** 281.59 (1) (b) of the statutes is amended to read:

7 281.59 (1) (b) “Market interest rate” means the effective interest rate on a
8 fixed-rate revenue obligation issued by the state to fund a loan made under this
9 section or, ~~for a variable rate~~ if the department of administration determines that
10 there has been a significant change in interest rates after the fixed-rate revenue
11 obligation has been issued or if a fixed-rate revenue obligation has not been issued
12 by the state to fund a loan made under this section, the effective interest rate that
13 the department of administration determines would have been paid if ~~the variable~~
14 ~~rate~~ a fixed-rate revenue obligation had been sold at a fixed rate issued on the date
15 financial assistance is allotted.

16 **SECTION 22.** 281.59 (1) (d) of the statutes is repealed.

17 **SECTION 23.** 281.59 (3) (a) 2. of the statutes is amended to read:

18 281.59 (3) (a) 2. The total amount of that the department of administration
19 projects will be available to provide financial assistance ~~planned to be provided or~~
20 ~~committed~~ for projects under subd. 1. during the next biennium.

21 **SECTION 24.** 281.59 (3) (a) 6. of the statutes is repealed.

22 **SECTION 25.** 281.59 (3) (a) 6e. of the statutes is repealed.

23 **SECTION 26.** 281.59 (3) (a) 6m. of the statutes is repealed.

24 **SECTION 27.** 281.59 (3) (a) 7. of the statutes is repealed.

25 **SECTION 28.** 281.59 (3) (j) of the statutes is amended to read:

1 281.59 (3) (j) No later than November 1 of each odd-numbered year, the
2 department of administration and the department jointly shall submit a report, to
3 the building commission and committees as required under par. (bm), ~~on the~~
4 ~~implementation of the amount established under sub. (3e) (b) as required under s.~~
5 ~~281.58 (9m) (e), and on the operations and activities of the clean water fund program,~~
6 the safe drinking water loan program and the land recycling loan program for the
7 previous biennium.

8 **SECTION 29.** 281.59 (3e) (a) of the statutes is repealed.

9 **SECTION 30.** 281.59 (3e) (b) of the statutes is repealed.

10 **SECTION 31.** 281.59 (3e) (c) of the statutes is repealed.

11 **SECTION 32.** 281.59 (3e) (d) of the statutes is amended to read:

12 281.59 (3e) (d) The department may expend, for financial assistance in a
13 biennium other than financial hardship assistance under s. 281.58 (13) (e), an
14 amount up to 95 percent of the amount ~~approved by the legislature under par. (b)~~
15 available to provide financial assistance for projects under this section for that
16 biennium. The department may expend such amount only from the percentage of the
17 amount ~~approved under par. (b)~~ that is not available under par. (e) for financial
18 hardship assistance.

19 **SECTION 33.** 281.59 (3e) (e) of the statutes is amended to read:

20 281.59 (3e) (e) The department may expend, for financial hardship assistance
21 in a biennium under s. 281.58 (13) (e), an amount up to 5 percent of the amount
22 ~~approved by the legislature under par. (b)~~ available to provide financial assistance
23 for projects under this section for that biennium. The department may expend such
24 amount only from the percentage of the amount ~~approved by the legislature under~~
25 ~~par. (b)~~ that is not available under par. (d) for financial assistance.

1 **SECTION 34.** 281.59 (3e) (f) of the statutes is repealed.

2 **SECTION 35.** 281.59 (3m) of the statutes is repealed.

3 **SECTION 36.** 281.59 (3s) of the statutes is repealed.

4 **SECTION 37.** 281.59 (9) (am) of the statutes is amended to read:

5 281.59 (9) (am) The department of administration, in consultation with the
6 department, may establish those terms and conditions of a financial assistance
7 agreement that relate to its financial management, including what type of municipal
8 obligation, as set forth under sub. (13f), if applicable, is required for the repayment
9 of the financial assistance. Any terms and conditions established under this
10 paragraph by the department of administration shall comply with the requirements
11 of this section and s. 281.58, 281.60 or 281.61. In setting the terms and conditions,
12 the department of administration may consider factors that the department of
13 administration finds are relevant, including the type of obligation evidencing the
14 loan, the pledge of security for the obligation and the applicant's creditworthiness.

15 **SECTION 38.** 281.59 (11) (a) of the statutes is amended to read:

16 281.59 (11) (a) The department of natural resources and the department of
17 administration may enter into a financial assistance agreement with an applicant
18 for which the department of administration has allocated subsidy financial
19 assistance under s. 281.58 (9m), 281.60 (8) or 281.61 (8) if the applicant meets the
20 conditions under sub. (9) and the other requirements under this section and s.
21 281.58, 281.60 or 281.61.

22 **SECTION 39.** 281.60 (7) (d) of the statutes is repealed.

23 **SECTION 40.** 281.60 (8) (a) of the statutes is renumbered 281.60 (8).

24 **SECTION 41.** 281.60 (8) (b) of the statutes is repealed.

25 **SECTION 42.** 281.60 (8s) of the statutes is amended to read:

1 **281.60 (8s) LIMITATION ON FINANCIAL ASSISTANCE.** The amount of a payment
2 under sub. (2r) (d) may not exceed the amount of ~~subsidy~~ necessary to reduce the
3 interest rate on the loan from market rate to the interest rate that would have been
4 charged on a loan to the political subdivision under sub. (2r) (a).

5 **SECTION 43.** 281.60 (12) (b) 3. of the statutes is amended to read:

6 **281.60 (12) (b) 3.** If the sale proceeds are greater than the cost of the land plus
7 the cost of the cleanup, pay to the department of administration an amount equal to
8 the remaining loan balance plus the lesser of 75% of the amount by which the sale
9 proceeds exceed the cost of the land plus the cost of the cleanup or the ~~amount of~~
10 ~~subsidy incurred for the project~~ difference between the amount of interest paid on
11 the loan and the amount of interest that would have been paid if the loan had been
12 made at the market rate, and retain the remainder of the sale proceeds.

13 **SECTION 44.** 281.61 (1) (a) of the statutes is renumbered 281.61 (1) (am).

14 **SECTION 45.** 281.61 (1) (ag) of the statutes is created to read:

15 **281.61 (1) (ag)** “Community water system” means a public water system that
16 serves at least 15 service connections used by year-round residents or that regularly
17 serves at least 25 year-round residents.

18 **SECTION 46.** 281.61 (1) (bm) of the statutes is created to read:

19 **281.61 (1) (bm)** “Noncommunity water system” means a public water system
20 that is not a community water system.

21 **SECTION 47.** 281.61 (2) of the statutes is amended to read:

22 **281.61 (2) GENERAL.** The department and the department of administration
23 shall administer a program to provide financial assistance to local governmental
24 units and to the private owners of community water systems and nonprofit
25 noncommunity water systems for projects for the planning, designing, construction

1 or modification of public water systems, if the projects will facilitate compliance with
2 national primary drinking water regulations under 42 USC 300g-1 or otherwise
3 significantly further the health protection objectives of the Safe Drinking Water Act,
4 42 USC 300f to 300j-26.

5 SECTION 48. 281.61 (2g) of the statutes is amended to read:

6 281.61 (2g) INELIGIBLE PROJECTS. A local governmental unit or the private
7 owner of a community water system or nonprofit noncommunity water system is not
8 eligible for financial assistance under this section if the local governmental unit or
9 the private owner of the community water system or nonprofit noncommunity water
10 system does not have the technical, managerial or financial capacity to ensure
11 compliance with the Safe Drinking Water Act, 42 USC 300f to 300j-26, or the public
12 water system operated by the local governmental unit or private owner of the
13 community water system or nonprofit noncommunity water system is in significant
14 noncompliance with any requirement of a primary drinking water regulation or
15 variance under 42 USC 300g-1 unless the financial assistance will ensure
16 compliance with the Safe Drinking Water Act.

17 SECTION 49. 281.61 (2r) (b) of the statutes is amended to read:

18 281.61 (2r) (b) Purchasing or refinancing the obligation of a local governmental
19 unit or private owner of a community water system or nonprofit noncommunity
20 water system if the obligation was incurred to finance the cost of a project described
21 in sub. (2) and the obligation was initially incurred after July 1, 1993.

22 SECTION 50. 281.61 (3) of the statutes is amended to read:

23 281.61 (3) NOTICE OF INTENT TO APPLY. (a) A local governmental unit or private
24 owner of a community water system or nonprofit noncommunity water system shall
25 submit notice of its intent to apply for financial assistance under the safe drinking

1 water loan program at least 6 months before the beginning of the fiscal year in which
2 it intends to receive the financial assistance. The notice shall be in a form prescribed
3 by the department and the department of administration.

4 (c) The department may waive par. (a) upon the written request of a local
5 governmental unit or private owner of a community water system or nonprofit
6 noncommunity water system.

7 **SECTION 51.** 281.61 (4) of the statutes is amended to read:

8 281.61 (4) ENGINEERING REPORT. A local governmental unit or private owner of
9 a community water system or nonprofit noncommunity water system seeking
10 financial assistance for a project under this section shall submit an engineering
11 report, as required by the department by rule.

12 **SECTION 52.** 281.61 (5) of the statutes is renumbered 281.61 (5) (a) and
13 amended to read:

14 281.61 (5) (a) After the department approves ~~a local governmental unit's~~ an
15 engineering report submitted under sub. (4), the local governmental unit or private
16 owner of a community water system or nonprofit noncommunity water system shall
17 submit an application for safe drinking water financial assistance to the department.
18 The applicant shall submit the application on or before the June 30 preceding the
19 beginning of the fiscal year in which the applicant wishes to receive the financial
20 assistance, except that if funds are available in a fiscal year after funding has been
21 allocated under sub. (8) for all approved applications submitted before the June 30
22 preceding that fiscal year, the department of administration may allocate funding for
23 approved applications submitted after June 30. The application shall be in the form
24 and include the information required by the department and the department of
25 administration and shall include plans and specifications that are approvable by the

1 department under this section. An applicant may not submit more than one
2 application per project per year.

3 **SECTION 53.** 281.61 (5) (b) of the statutes is created to read:

4 281.61 (5) (b) The department of administration and the department jointly
5 may charge and collect service fees, established by rule, which shall cover the
6 estimated costs of reviewing and acting upon the application and servicing the
7 financial assistance agreement. No service fee established by rule under this
8 paragraph may be charged to or collected from an applicant for financial assistance
9 under s. 281.59 (13). The fees collected under this paragraph shall be credited to the
10 environmental improvement fund.

11 **SECTION 54.** 281.61 (6) of the statutes is amended to read:

12 281.61 (6) PRIORITY LIST. The department shall establish a priority list that
13 ranks each safe drinking water loan program project. The department shall
14 promulgate rules for determining project rankings that, to the extent possible, give
15 priority to projects that address the most serious risks to human health, that are
16 necessary to ensure compliance with the Safe Drinking Water Act, 42 USC 300f to
17 300j-26, and that assist ~~local governmental units~~ applicants that are most in need
18 on a per household basis, according to affordability criteria specified in the rules. For
19 the purpose of ranking projects under this subsection, the department shall treat a
20 project to upgrade a public water system to provide continuous disinfection of the
21 water that it distributes as if the public water system were a surface water system
22 that federal law requires to provide continuous disinfection.

23 **SECTION 55.** 281.61 (7) (c) of the statutes is amended to read:

24 281.61 (7) (c) The department of administration determines that the local
25 ~~governmental unit~~ applicant will meet the requirements of s. 281.59 (9) (b).

1 **SECTION 56.** 281.61 (7) (d) of the statutes is repealed.

2 **SECTION 57.** 281.61 (8) (a) (intro.) of the statutes is renumbered 281.61 (8)
3 (intro.) and amended to read:

4 281.61 (8) (intro.) The department shall establish a funding list for each fiscal
5 year that ranks projects of ~~local governmental units~~ applicants that submit
6 approvable applications under sub. (5) in the same order that they appear on the
7 priority list under sub. (6). If sufficient funds are not available to fund all approved
8 applications for financial assistance, the department of administration shall allocate
9 funding to projects that are approved under sub. (7) in the order that they appear on
10 the funding list, except as follows:

11 **SECTION 58.** 281.61 (8) (a) 1. of the statutes is renumbered 281.61 (8) (a).

12 **SECTION 59.** 281.61 (8) (a) 2. of the statutes is renumbered 281.61 (8) (b) and
13 amended to read:

14 281.61 (8) (b) In any biennium, no ~~local governmental unit~~ applicant may
15 receive more than 25% of the ~~funds that the department of administration projects~~
16 ~~will be available~~ amount of financial assistance planned to be provided or committed
17 for projects under this section for that biennium.

18 **SECTION 60.** 281.61 (8) (b) of the statutes is repealed.

19 **SECTION 61.** 281.61 (8m) (intro.) of the statutes is amended to read:

20 281.61 (8m) CONDITIONS OF FINANCIAL ASSISTANCE FOR LOCAL GOVERNMENTAL
21 UNITS. As a condition of receiving financial assistance under the safe drinking water
22 loan program, a local governmental unit shall do all of the following:

23 **SECTION 62.** 281.61 (8p) of the statutes is created to read:

24 281.61 (8p) CONDITIONS OF FINANCIAL ASSISTANCE FOR PRIVATE OWNERS. As a
25 condition of receiving financial assistance under the safe drinking water loan

1 program, a private owner of a community water system or nonprofit noncommunity
2 water system shall do all of the following:

3 (a) Demonstrate that there is adequate security for the repayment of the
4 financial assistance.

5 (b) Comply with those provisions of 42 USC 300f to 300j-26 and this chapter
6 and the regulations and rules promulgated under those provisions that the
7 department specifies.

8 **SECTION 63.** 281.61 (8s) of the statutes is amended to read:

9 281.61 (8s) LIMITATION ON FINANCIAL ASSISTANCE. The amount of a payment
10 under sub. (2r) (d) may not exceed the amount of ~~subsidy~~ necessary to reduce the
11 interest rate on the loan from market rate to the interest rate that would have been
12 charged on a loan to the local governmental unit under sub. (2r) (a).

13 **SECTION 64.** 281.61 (11) (a) 1. of the statutes is amended to read:

14 281.61 (11) (a) 1. ~~For a local governmental unit~~ an applicant that does not meet
15 financial eligibility criteria established by the department by rule, 55% of market
16 interest rate.

17 **SECTION 65.** 281.61 (11) (a) 2. of the statutes is amended to read:

18 281.61 (11) (a) 2. ~~For a local governmental unit~~ an applicant that meets
19 financial eligibility criteria established by the department by rule, 33% of market
20 interest rate.

21 **SECTION 66.** 281.61 (12) (g) of the statutes is amended to read:

22 281.61 (12) (g) Have the lead state role with local governmental units and
23 private owners of community water systems or nonprofit noncommunity water
24 systems in providing safe drinking water loan program information, and cooperate

1 with the department of administration in providing that information to local
2 governmental units.

3 **SECTION 67.** 281.625 (1) (b) of the statutes is amended to read:

4 281.625 (1) (b) “Local governmental unit” has the meaning given in s. 281.61
5 (1) ~~(a)~~ (am), except that the term does not include a joint local water authority created
6 under s. 66.0823.

7 (END)

d-note

INSERT

1 finance plan updated to reflect the adopted biennial budget act, implements
 2 legislative intent on the clean water fund program, the safe drinking water loan
 3 program and the land recycling loan program. The building commission shall, no
 4 later than 60 days after the date of enactment of the biennial budget act, either
 5 approve or disapprove the biennial finance plan that is updated to reflect the adopted
 6 biennial budget act, ~~except that the building commission may not disapprove those~~
 7 ~~amounts that the legislature approves under s. 281.59 (3e) (a), (3m) (a) and (3s) (a).~~
 8 If the building commission disapproves the version of the biennial finance plan that
 9 is updated to reflect the adopted biennial budget act, it must notify the department
 10 of natural resources and the department of administration of its reasons for
 11 disapproving the plan, and those departments must revise that version of the
 12 biennial finance plan and submit the revision to the building commission.

13 SECTION 2. 20.866 (2) (td) of the statutes is amended to read:

14 20.866 (2) (td) *Safe drinking water loan program.* From the capital
 15 improvement fund, a sum sufficient to be transferred to the environmental
 16 improvement fund for the safe drinking water loan program under s. 281.61. The
 17 state may contract public debt in an amount not to exceed ~~\$60,200,000~~ \$67,700,000
 18 for this purpose.

19 SECTION 3. 25.43 (1) (h) of the statutes is amended to read:

20 25.43 (1) (h) The fees imposed under ss. 281.58 (9) (d) and, 281.60 (11m), and
 21 ~~281.61 (5) (b).~~ ^{www} 281.61 (5) (b). INSERT 3-9

22 SECTION 4. 234.86 (1) (c) of the statutes is amended to read:

23 234.86 (1) (c) "Local governmental unit" has the meaning given in s. 281.61 (1)
 24 (a) (am), except that the term does not include a joint local water authority created
 25 under s. 66.0823.

**DRAFTER'S NOTE
FROM THE
LEGISLATIVE REFERENCE BUREAU**

LRB-1186/P⁵dn
MCP:kjf:jf

↑ + jld

January 28, 2015 } date

This draft reconciles LRB-1186, LRB-1192 and LRB-1215. All of these drafts should continue to appear in the compiled bill.

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State of Wisconsin
2015 - 2016 LEGISLATURE

LRB-1186/P5
MCP:cjs&kjf:jf

1/16

Stays

DOA:.....Byrnes, BB0419 - Changes to the programs funded by the Environmental Improvement Fund

FOR 2015-2017 BUDGET - NOT READY FOR INTRODUCTION

change to
Analysis only.
Keep d-note.

Don't Gen

1 AN ACT ...; relating to: the budget.

Analysis by the Legislative Reference Bureau

ENVIRONMENT

WATER QUALITY

Under the environmental improvement fund, this state provides financial assistance to local governmental units for certain projects. The environmental improvement fund is made up of three programs: the clean water fund program provides financial assistance for projects to control water pollution, such as sewage treatment plants; the safe drinking water loan program provides financial assistance for projects to construct or modify public water systems that help comply with national drinking water regulations; and the land recycling loan program provides financial assistance for projects to clean up contaminated land. The environmental improvement fund is jointly administered by the DOA and DNR.

As part of the biennial budget process, the DOA and DNR must prepare a biennial finance plan that includes an estimate of the present value of the subsidies for all financial assistance that will be made under these programs for the fiscal biennium. The legislature then sets a limit, in the budget act for the biennium, on the present value of the subsidies that may be provided during that biennium. For financial assistance such as a loan at a subsidized interest rate, the present value subsidy represents the cost in today's dollars to provide 20 years of subsidy for the

financial assistance provided in the current biennium, and is intended to equal the amount the state would expend, but not be repaid, for a given project if the entire subsidy were provided in the year the loan was made. For financial assistance that is not paid out over time or repaid, such as a financial hardship assistance grant under the clean water fund program, the present value subsidy is the amount of the grant. The present value subsidy limit acts as a cap on all financial assistance that may be provided through these programs during the biennium.

This bill eliminates the present value subsidy limit. Under the bill, the DOA and DNR are not required to estimate the present value subsidy in the biennial finance plan, and the legislature does not set a present value subsidy limit for these programs for the biennium.

Instead, under the bill, the biennial finance plan must contain the amount DOA determines will be available to provide financial assistance for projects under these programs during the biennium. The legislature does not set a limit on how much financial assistance may be provided in a biennium. During the biennium, if a sufficient amount is available to provide financial assistance for a project, that amount must be allocated for the project.

Currently, the interest rates for subsidized loans provided under the environmental improvement programs are based on percentages of the market interest rate. Under current law, the market interest rate is the interest rate on a fixed-rate revenue obligation issued by the state. Under this bill, if interest rates have changed significantly between the time that a fixed-rate revenue obligation is issued and the date financial assistance is allocated, or if no fixed-rate revenue obligation is issued, then the DOA may set the market interest rate at the rate the DOA determines would have applied if a fixed-rate revenue obligation had been issued on the date the financial assistance was allocated.

Under the clean water fund program, financial assistance may only be provided to construct water systems in an unsewered municipality if at least two-thirds of the initial flow from the new system will be for wastewater from residences that have been in existence since October 17, 1972. This bill instead requires at least two-thirds of the initial flow to be from wastewater from residences in existence for at least 20 years.

In addition, connection laterals and sewer lines that transport wastewater from structures to municipally owned or individually owned wastewater systems are not currently eligible for financial assistance under the clean water fund program. This bill creates an exception that allows connection laterals and sewer lines to be eligible for financial assistance if water other than wastewater is entering the connection lateral or sewer line from below-ground or above-ground sources and is being transported from a nonindustrial structure in a way that may interfere with a publicly owned treatment work's compliance with a Wisconsin Pollutant Discharge Elimination System (WPDES) permit.

This bill also provides that, if an amount has been allocated for a project under the clean water fund program, but no amount has been distributed for the project by the end of the fiscal year immediately following the biennium when the application was submitted, the allocation is rescinded, and the applicant must reapply.

Currently, only local governmental units are eligible under the safe drinking water loan program for loans to construct or modify a public water system, which is a system that provides piped water to the public. This bill extends eligibility to private owners of community water systems and nonprofit noncommunity water systems. A community water system is a public water system of a certain size; a noncommunity water system is a public water system that is smaller than a community water system. Under this bill, these private owners are subject to many of the same requirements as local governmental units that apply for loans under the safe drinking water loan program, including complying with the federal safe drinking water act, although private owners are not required to adopt a water conservation program, a maintenance program, or a user fee system.

Finally, this bill increases the general obligation bonding authority for the safe drinking water loan program by \$7,500,000 for the 2015–17 biennium.

For further information see the *state and local* fiscal estimate, which will be printed as an appendix to this bill.

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

1 **SECTION 1.** 20.866 (2) (td) of the statutes is amended to read:

2 20.866 (2) (td) *Safe drinking water loan program.* From the capital
3 improvement fund, a sum sufficient to be transferred to the environmental
4 improvement fund for the safe drinking water loan program under s. 281.61. The
5 state may contract public debt in an amount not to exceed ~~\$60,200,000~~ \$67,700,000
6 for this purpose.

7 **SECTION 2.** 25.43 (1) (h) of the statutes is amended to read:

8 25.43 (1) (h) The fees imposed under ss. 281.58 (9) (d) ~~and~~, 281.60 (11m), and
9 281.61 (5) (b).

10 **SECTION 3.** 234.86 (1) (c) of the statutes is amended to read:

11 234.86 (1) (c) “Local governmental unit” has the meaning given in s. 281.61 (1)
12 ~~(a)~~ (am), except that the term does not include a joint local water authority created
13 under s. 66.0823.

14 **SECTION 4.** 281.58 (8) (a) 2. of the statutes is amended to read:

1 281.58 (8) (a) 2. Connection laterals and sewer lines that transport wastewater
2 from structures to municipally owned or individually owned wastewater systems,
3 unless water other than wastewater is entering the connection laterals or sewer lines
4 from the ground or from above-ground sources and is being transported from a
5 nonindustrial structure in a way that may interfere with compliance with a permit
6 issued to a publicly owned treatment work under ch. 283.

7 **SECTION 5.** 281.58 (8) (c) of the statutes is amended to read:

8 281.58 (8) (c) Except as provided in par. (k), financial assistance may be
9 provided for the design, planning and construction of a collection system, interceptor
10 or individual system project in an unsewered municipality or an unsewered area of
11 a municipality, only if the department finds that at least two-thirds of the initial flow
12 will be for wastewater originating from residences in existence ~~on October 17, 1972~~
13 for at least 20 years prior to the submission of the application under sub. (9) (a).

14 **SECTION 6.** 281.58 (8) (i) of the statutes is amended to read:

15 281.58 (8) (i) After June 30, 1991, no municipality may receive for projects in
16 a biennium an amount that exceeds 35.2% of the amount ~~approved by the legislature~~
17 under s. 281.59 (3e) (b) that the department of administration projects will be
18 available to provide financial assistance for projects under this section for that
19 biennium.

20 **SECTION 7.** 281.58 (8) (j) of the statutes is amended to read:

21 281.58 (8) (j) The amount of a payment under sub. (6) (b) 8. may not exceed the
22 amount ~~of subsidy~~ necessary to reduce the interest rate on the loan from market rate
23 to the interest rate that would have been charged on a loan to the municipality under
24 sub. (6) (b) 4.

25 **SECTION 8.** 281.58 (9) (e) of the statutes is amended to read:

1 281.58 (9) (e) If the department of natural resources and the department of
2 administration determine that ~~the governor's recommendation, as set forth in the~~
3 ~~executive budget bill, for the amount under s. 281.59 (3e) (b), the amount available~~
4 ~~under s. 20.866 (2) (tc), or the amount available under s. 281.59 (4) (f) the total~~
5 ~~amount that the department of administration projects will be available to provide~~
6 ~~financial assistance for projects under this section for a biennium, as set forth in the~~
7 ~~biennial finance plan under s. 281.59 (3) (a) 2. and as updated under s. 281.59 (3) (bm)~~
8 ~~2.,~~ is insufficient to provide funding for all projects for which applications will be
9 approved during that biennium, the department shall inform municipalities that, if
10 the governor's recommendations are approved, clean water fund program assistance
11 during a fiscal year of that biennium will be available only to municipalities that
12 submit financial assistance applications by the ~~June 30~~ ~~preceeding~~ September 30 of
13 that fiscal year.

14 **SECTION 9.** 281.58 (9m) (a) (intro.) of the statutes is amended to read:

15 281.58 (9m) (a) (intro.) Subject to ~~pars. (e) and~~ par. (d), the department shall
16 approve an application after all of the following occur:

17 **SECTION 10.** 281.58 (9m) (c) of the statutes is repealed.

18 **SECTION 11.** 281.58 (9m) (e) 1. of the statutes is amended to read:

19 281.58 (9m) (e) 1. Except as provided under par. (f) and sub. (13), if a sufficient
20 amount of ~~subsidy~~ financial assistance under this section is available ~~under s. 281.59~~
21 ~~(3e) (b) for the municipality's project, based on the calculation under s. 281.59 (3e)~~
22 ~~(f),~~ when the department approves the application under par. (a), the department of
23 administration shall allocate that amount to the project.

24 **SECTION 12.** 281.58 (9m) (e) 2. of the statutes is amended to read:

1 281.58 (9m) (e) 2. If a sufficient amount of ~~subsidy~~ financial assistance under
2 this section is not available under ~~s. 281.59 (3e) (b)~~ for the municipality's project
3 when the department approves the application under ~~subd. 1. par. (a)~~, the
4 department shall place the project on a list for allocation when additional ~~subsidy~~
5 ~~becomes~~ financial assistance becomes available.

6 **SECTION 13.** 281.58 (9m) (f) (intro.) of the statutes is amended to read:

7 281.58 (9m) (f) (intro.) If the department of natural resources and the
8 department of administration determine that the amount ~~approved under s. 281.59~~
9 ~~(3e) (b), the amount available under s. 20.866 (2) (tc), or the amount available under~~
10 ~~s. 281.59 (4) (f)~~ available to provide financial assistance for projects under this
11 section for a biennium is insufficient to provide funding for all projects for which
12 applications will be approved during that biennium, all of the following apply:

13 **SECTION 14.** 281.58 (9m) (f) 1. of the statutes is amended to read:

14 281.58 (9m) (f) 1. The department shall establish a funding list for each fiscal
15 year of the biennium that ranks projects of municipalities that submit financial
16 assistance applications under sub. (9) (a) no later than the ~~June 30~~ preceding
17 September 30 of the fiscal year in the same order that they appear on the priority list
18 under sub. (8e).

19 **SECTION 15.** 281.58 (9m) (fm) of the statutes is amended to read:

20 281.58 (9m) (fm) The department, in consultation with the department of
21 administration, shall promulgate, by rule, methods to establish deadlines for actions
22 that must be taken by a municipality to which ~~subsidy~~ financial assistance has been
23 allocated. The methods may provide for extending deadlines under specified
24 circumstances. If a municipality fails to meet a deadline, including any extension,

1 the department of administration shall ~~release~~ rescind the amount allocation of
2 ~~subsidy allocated to~~ financial assistance for the municipality's project.

3 **SECTION 16.** 281.58 (9m) (g) of the statutes is repealed.

4 **SECTION 17.** 281.58 (12) (a) 1. of the statutes is amended to read:

5 281.58 (12) (a) 1. Except as modified under par. (f) and except as restricted by
6 sub. (8) (b), (c), (f) or (h), the interest rate for projects specified in sub. (7) (b) 1. and
7 2. is ~~60 percent of market interest rate for projects for which the subsidy is allocated~~
8 ~~from the amount under s. 281.59 (3e) (b) for a biennium before the 2011–13 biennium~~
9 ~~and 75 percent of market interest rate for projects for which the subsidy is allocated~~
10 ~~from the amount under s. 281.59 (3e) (b) for the 2011–13 biennium or later.~~

11 **SECTION 18.** 281.58 (12) (a) 2. of the statutes is amended to read:

12 281.58 (12) (a) 2. Except as modified under par. (f) and except as restricted by
13 sub. (8) (b), (c), (f) or (h), the interest rate for projects specified in sub. (7) (b) 5. is ~~65~~
14 ~~percent of market interest rate for projects for which the subsidy is allocated from~~
15 ~~the amount under s. 281.59 (3e) (b) for a biennium before the 2011–13 biennium and~~
16 ~~75 percent of market interest rate for projects for which the subsidy is allocated from~~
17 ~~the amount under s. 281.59 (3e) (b) for the 2011–13 biennium or later.~~

18 **SECTION 19.** 281.58 (12) (a) 3. of the statutes is amended to read:

19 281.58 (12) (a) 3. Except as modified under par. (f) and except as restricted by
20 sub. (8) (b), (c), (f) or (h), the interest rate for projects specified in sub. (7) (b) 4. is ~~70~~
21 ~~percent of market interest rate for projects for which the subsidy is allocated from~~
22 ~~the amount under s. 281.59 (3e) (b) for a biennium before the 2011–13 biennium and~~
23 ~~75 percent of market interest rate for projects for which the subsidy is allocated from~~
24 ~~the amount under s. 281.59 (3e) (b) for the 2011–13 biennium or later.~~

25 **SECTION 20.** 281.58 (13m) (b) of the statutes is amended to read:

1 281.58 (13m) (b) Grants provided under this subsection are not included for
2 the purposes of determining under sub. (8) (i) the amount that a municipality may
3 receive for projects under the clean water fund program. ~~Grants awarded under this~~
4 ~~subsection are not considered for the purposes of sub. (9m) (e) or s. 281.59 (3e) (b).~~

5 **SECTION 21.** 281.58 (15) (a) of the statutes is amended to read:

6 281.58 (15) (a) The department and the department of administration may, at
7 the request of a municipality, issue a notice of financial assistance commitment to the
8 municipality after the department approves the municipality's application under
9 sub. (9m) (a) and the department of administration has allocated ~~subsidy~~ financial
10 assistance for the municipality's project.

11 **SECTION 22.** 281.59 (1) (b) of the statutes is amended to read:

12 281.59 (1) (b) "Market interest rate" means the effective interest rate on a
13 fixed-rate revenue obligation issued by the state to fund a loan made under this
14 section or, ~~for a variable rate~~ if the department of administration determines that
15 there has been a significant change in interest rates after the fixed-rate revenue
16 obligation has been issued or if a fixed-rate revenue obligation has not been issued
17 by the state to fund a loan made under this section, the effective interest rate that
18 the department of administration determines would have been paid if ~~the variable~~
19 ~~rate~~ a fixed-rate revenue obligation had been sold at a fixed rate issued on the date
20 financial assistance is allotted.

21 **SECTION 23.** 281.59 (1) (d) of the statutes is repealed.

22 **SECTION 24.** 281.59 (3) (a) 2. of the statutes is amended to read:

23 281.59 (3) (a) 2. The total amount of that the department of administration
24 projects will be available to provide financial assistance planned to be provided or
25 committed for projects under subd. 1. during the next biennium.

1 **SECTION 25.** 281.59 (3) (a) 6. of the statutes is repealed.

2 **SECTION 26.** 281.59 (3) (a) 6e. of the statutes is repealed.

3 **SECTION 27.** 281.59 (3) (a) 6m. of the statutes is repealed.

4 **SECTION 28.** 281.59 (3) (a) 7. of the statutes is repealed.

5 **SECTION 29.** 281.59 (3) (j) of the statutes is amended to read:

6 281.59 (3) (j) No later than November 1 of each odd-numbered year, the
7 department of administration and the department jointly shall submit a report, to
8 the building commission and committees as required under par. (bm), ~~on the~~
9 ~~implementation of the amount established under sub. (3e) (b) as required under s.~~
10 ~~281.58 (9m) (e), and on the operations and activities of the clean water fund program,~~
11 the safe drinking water loan program and the land recycling loan program for the
12 previous biennium.

13 **SECTION 30.** 281.59 (3e) (a) of the statutes is repealed.

14 **SECTION 31.** 281.59 (3e) (b) of the statutes is repealed.

15 **SECTION 32.** 281.59 (3e) (c) of the statutes is repealed.

16 **SECTION 33.** 281.59 (3e) (d) of the statutes is amended to read:

17 281.59 (3e) (d) The department may expend, for financial assistance in a
18 biennium other than financial hardship assistance under s. 281.58 (13) (e), an
19 amount up to 95 percent of the amount ~~approved by the legislature under par. (b)~~
20 available to provide financial assistance for projects under this section for that
21 biennium. The department may expend such amount only from the percentage of the
22 amount ~~approved under par. (b)~~ that is not available under par. (e) for financial
23 hardship assistance.

24 **SECTION 34.** 281.59 (3e) (e) of the statutes is amended to read:

1 281.59 (3e) (e) The department may expend, for financial hardship assistance
2 in a biennium under s. 281.58 (13) (e), an amount up to 5 percent of the amount
3 ~~approved by the legislature under par. (b)~~ available to provide financial assistance
4 for projects under this section for that biennium. The department may expend such
5 amount only from the percentage of the amount ~~approved by the legislature under~~
6 ~~par. (b)~~ that is not available under par. (d) for financial assistance.

7 **SECTION 35.** 281.59 (3e) (f) of the statutes is repealed.

8 **SECTION 36.** 281.59 (3m) of the statutes is repealed.

9 **SECTION 37.** 281.59 (3s) of the statutes is repealed.

10 **SECTION 38.** 281.59 (9) (am) of the statutes is amended to read:

11 281.59 (9) (am) The department of administration, in consultation with the
12 department, may establish those terms and conditions of a financial assistance
13 agreement that relate to its financial management, including what type of municipal
14 obligation, as set forth under sub. (13f), if applicable, is required for the repayment
15 of the financial assistance. Any terms and conditions established under this
16 paragraph by the department of administration shall comply with the requirements
17 of this section and s. 281.58, 281.60 or 281.61. In setting the terms and conditions,
18 the department of administration may consider factors that the department of
19 administration finds are relevant, including the type of obligation evidencing the
20 loan, the pledge of security for the obligation and the applicant's creditworthiness.

21 **SECTION 39.** 281.59 (11) (a) of the statutes is amended to read:

22 281.59 (11) (a) The department of natural resources and the department of
23 administration may enter into a financial assistance agreement with an applicant
24 for which the department of administration has allocated subsidy financial
25 assistance under s. 281.58 (9m), 281.60 (8) or 281.61 (8) if the applicant meets the

1 conditions under sub. (9) and the other requirements under this section and s.
2 281.58, 281.60 or 281.61.

3 **SECTION 40.** 281.60 (7) (d) of the statutes is repealed.

4 **SECTION 41.** 281.60 (8) (a) of the statutes is renumbered 281.60 (8).

5 **SECTION 42.** 281.60 (8) (b) of the statutes is repealed.

6 **SECTION 43.** 281.60 (8s) of the statutes is amended to read:

7 **281.60 (8s) LIMITATION ON FINANCIAL ASSISTANCE.** The amount of a payment
8 under sub. (2r) (d) may not exceed the amount of ~~subsidy~~ necessary to reduce the
9 interest rate on the loan from market rate to the interest rate that would have been
10 charged on a loan to the political subdivision under sub. (2r) (a).

11 **SECTION 44.** 281.60 (12) (b) 3. of the statutes is amended to read:

12 **281.60 (12) (b) 3.** If the sale proceeds are greater than the cost of the land plus
13 the cost of the cleanup, pay to the department of administration an amount equal to
14 the remaining loan balance plus the lesser of 75% of the amount by which the sale
15 proceeds exceed the cost of the land plus the cost of the cleanup or the ~~amount of~~
16 ~~subsidy incurred for the project~~ difference between the amount of interest paid on
17 the loan and the amount of interest that would have been paid if the loan had been
18 made at the market rate, and retain the remainder of the sale proceeds.

19 **SECTION 45.** 281.61 (1) (a) of the statutes is renumbered 281.61 (1) (am).

20 **SECTION 46.** 281.61 (1) (ag) of the statutes is created to read:

21 281.61 (1) (ag) “Community water system” means a public water system that
22 serves at least 15 service connections used by year-round residents or that regularly
23 serves at least 25 year-round residents.

24 **SECTION 47.** 281.61 (1) (bm) of the statutes is created to read:

1 281.61 (1) (bm) “Noncommunity water system” means a public water system
2 that is not a community water system.

3 **SECTION 48.** 281.61 (2) of the statutes is amended to read:

4 281.61 (2) GENERAL. The department and the department of administration
5 shall administer a program to provide financial assistance to local governmental
6 units and to the private owners of community water systems and nonprofit
7 noncommunity water systems for projects for the planning, designing, construction
8 or modification of public water systems, if the projects will facilitate compliance with
9 national primary drinking water regulations under 42 USC 300g-1 or otherwise
10 significantly further the health protection objectives of the Safe Drinking Water Act,
11 42 USC 300f to 300j-26.

12 **SECTION 49.** 281.61 (2g) of the statutes is amended to read:

13 281.61 (2g) INELIGIBLE PROJECTS. A local governmental unit or the private
14 owner of a community water system or nonprofit noncommunity water system is not
15 eligible for financial assistance under this section if the local governmental unit or
16 the private owner of the community water system or nonprofit noncommunity water
17 system does not have the technical, managerial or financial capacity to ensure
18 compliance with the Safe Drinking Water Act, 42 USC 300f to 300j-26, or the public
19 water system operated by the local governmental unit or private owner of the
20 community water system or nonprofit noncommunity water system is in significant
21 noncompliance with any requirement of a primary drinking water regulation or
22 variance under 42 USC 300g-1 unless the financial assistance will ensure
23 compliance with the Safe Drinking Water Act.

24 **SECTION 50.** 281.61 (2r) (b) of the statutes is amended to read:

1 281.61 (2r) (b) Purchasing or refinancing the obligation of a local governmental
2 unit or private owner of a community water system or nonprofit noncommunity
3 water system if the obligation was incurred to finance the cost of a project described
4 in sub. (2) and the obligation was initially incurred after July 1, 1993.

5 **SECTION 51.** 281.61 (3) of the statutes is amended to read:

6 281.61 (3) NOTICE OF INTENT TO APPLY. (a) A local governmental unit or private
7 owner of a community water system or nonprofit noncommunity water system shall
8 submit notice of its intent to apply for financial assistance under the safe drinking
9 water loan program at least 6 months before the beginning of the fiscal year in which
10 it intends to receive the financial assistance. The notice shall be in a form prescribed
11 by the department and the department of administration.

12 (c) The department may waive par. (a) upon the written request of a local
13 governmental unit or private owner of a community water system or nonprofit
14 noncommunity water system.

15 **SECTION 52.** 281.61 (4) of the statutes is amended to read:

16 281.61 (4) ENGINEERING REPORT. A local governmental unit or private owner of
17 a community water system or nonprofit noncommunity water system seeking
18 financial assistance for a project under this section shall submit an engineering
19 report, as required by the department by rule.

20 **SECTION 53.** 281.61 (5) of the statutes is renumbered 281.61 (5) (a) and
21 amended to read:

22 281.61 (5) (a) After the department approves ~~a local governmental unit's~~ an
23 engineering report submitted under sub. (4), the local governmental unit or private
24 owner of a community water system or nonprofit noncommunity water system shall
25 submit an application for safe drinking water financial assistance to the department.

1 The applicant shall submit the application on or before the June 30 preceding the
2 beginning of the fiscal year in which the applicant wishes to receive the financial
3 assistance, except that if funds are available in a fiscal year after funding has been
4 allocated under sub. (8) for all approved applications submitted before the June 30
5 preceding that fiscal year, the department of administration may allocate funding for
6 approved applications submitted after June 30. The application shall be in the form
7 and include the information required by the department and the department of
8 administration and shall include plans and specifications that are approvable by the
9 department under this section. An applicant may not submit more than one
10 application per project per year.

11 **SECTION 54.** 281.61 (5) (b) of the statutes is created to read:

12 281.61 (5) (b) The department of administration and the department jointly
13 may charge and collect service fees, established by rule, which shall cover the
14 estimated costs of reviewing and acting upon the application and servicing the
15 financial assistance agreement. No service fee established by rule under this
16 paragraph may be charged to or collected from an applicant for financial assistance
17 under s. 281.59 (13). The fees collected under this paragraph shall be credited to the
18 environmental improvement fund.

19 **SECTION 55.** 281.61 (6) of the statutes is amended to read:

20 281.61 (6) **PRIORITY LIST.** The department shall establish a priority list that
21 ranks each safe drinking water loan program project. The department shall
22 promulgate rules for determining project rankings that, to the extent possible, give
23 priority to projects that address the most serious risks to human health, that are
24 necessary to ensure compliance with the Safe Drinking Water Act, 42 USC 300f to
25 300j-26, and that assist ~~local governmental units~~ applicants that are most in need

1 on a per household basis, according to affordability criteria specified in the rules. For
2 the purpose of ranking projects under this subsection, the department shall treat a
3 project to upgrade a public water system to provide continuous disinfection of the
4 water that it distributes as if the public water system were a surface water system
5 that federal law requires to provide continuous disinfection.

6 **SECTION 56.** 281.61 (7) (c) of the statutes is amended to read:

7 281.61 (7) (c) The department of administration determines that the local
8 ~~governmental unit~~ applicant will meet the requirements of s. 281.59 (9) (b).

9 **SECTION 57.** 281.61 (7) (d) of the statutes is repealed.

10 **SECTION 58.** 281.61 (8) (a) (intro.) of the statutes is renumbered 281.61 (8)
11 (intro.) and amended to read:

12 281.61 (8) (intro.) The department shall establish a funding list for each fiscal
13 year that ranks projects of ~~local governmental units~~ applicants that submit
14 approvable applications under sub. (5) in the same order that they appear on the
15 priority list under sub. (6). If sufficient funds are not available to fund all approved
16 applications for financial assistance, the department of administration shall allocate
17 funding to projects that are approved under sub. (7) in the order that they appear on
18 the funding list, except as follows:

19 **SECTION 59.** 281.61 (8) (a) 1. of the statutes is renumbered 281.61 (8) (a).

20 **SECTION 60.** 281.61 (8) (a) 2. of the statutes is renumbered 281.61 (8) (b) and
21 amended to read:

22 281.61 (8) (b) In any biennium, no ~~local governmental unit~~ applicant may
23 receive more than 25% of the funds that the department of administration projects
24 will be available amount of financial assistance planned to be provided or committed
25 for projects under this section for that biennium.

1 **SECTION 61.** 281.61 (8) (b) of the statutes is repealed.

2 **SECTION 62.** 281.61 (8m) (intro.) of the statutes is amended to read:

3 **281.61 (8m) CONDITIONS OF FINANCIAL ASSISTANCE FOR LOCAL GOVERNMENTAL**
4 **UNITS.** As a condition of receiving financial assistance under the safe drinking water
5 loan program, a local governmental unit shall do all of the following:

6 **SECTION 63.** 281.61 (8p) of the statutes is created to read:

7 **281.61 (8p) CONDITIONS OF FINANCIAL ASSISTANCE FOR PRIVATE OWNERS.** As a
8 condition of receiving financial assistance under the safe drinking water loan
9 program, a private owner of a community water system or nonprofit noncommunity
10 water system shall do all of the following:

11 (a) Demonstrate that there is adequate security for the repayment of the
12 financial assistance.

13 (b) Comply with those provisions of 42 USC 300f to 300j-26 and this chapter
14 and the regulations and rules promulgated under those provisions that the
15 department specifies.

16 **SECTION 64.** 281.61 (8s) of the statutes is amended to read:

17 **281.61 (8s) LIMITATION ON FINANCIAL ASSISTANCE.** The amount of a payment
18 under sub. (2r) (d) may not exceed the amount of ~~subsidy~~ necessary to reduce the
19 interest rate on the loan from market rate to the interest rate that would have been
20 charged on a loan to the local governmental unit under sub. (2r) (a).

21 **SECTION 65.** 281.61 (11) (a) 1. of the statutes is amended to read:

22 **281.61 (11) (a) 1.** ~~For a local governmental unit~~ an applicant that does not meet
23 financial eligibility criteria established by the department by rule, 55% of market
24 interest rate.

25 **SECTION 66.** 281.61 (11) (a) 2. of the statutes is amended to read:

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FROM THE
LEGISLATIVE REFERENCE BUREAU

LRB-1186/P5dn → /P6dn
MCP:cjs&kjf:jf

January 29, 2015

This draft reconciles LRB-1186 and LRB-1192. Both of these drafts should continue to appear in the compiled bill.

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