



State of Wisconsin  
2015 - 2016 LEGISLATURE

LRB-1186/P6  
MCP:cjs&kjf:jf

TODAY, 2-1

P7

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

**FOR 2015-2017 BUDGET -- NOT READY FOR INTRODUCTION**

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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.

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.

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***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:

15           281.58 (8) (a) 2. Connection laterals and sewer lines that transport wastewater  
16 from structures to municipally owned or individually owned wastewater systems,

1 unless water other than wastewater is entering the connection laterals or sewer lines  
2 from the ground or from above-ground sources and is being transported from a  
3 nonindustrial structure in a way that may interfere with compliance with a permit  
4 issued to a publicly owned treatment work under ch. 283.

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

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

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

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

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

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

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

24 281.58 (9) (e) If the department of natural resources and the department of  
25 administration determine that ~~the governor's recommendation, as set forth in the~~

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

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

13 281.58 (9m) (a) (intro.) Subject to ~~pars. (e) and~~ par. (d), the department shall  
14 approve an application after all of the following occur:

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

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

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

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

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

1 department shall place the project on a list for allocation when additional subsidy  
2 ~~becomes~~ financial assistance becomes available.

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

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

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

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

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

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

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

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

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

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

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

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

15          281.58 (12) (a) 3. Except as modified under par. (f) and except as restricted by  
16          sub. (8) (b), (c), (f) or (h), the interest rate for projects specified in sub. (7) (b) 4. is 70  
17          percent of market interest rate for projects for which the subsidy is allocated from  
18          the amount under s. 281.59 (3e) (b) for a biennium before the 2011–13 biennium and  
19          75 percent of market interest rate for projects for which the subsidy is allocated from  
20          the amount under s. 281.59 (3e) (b) for the 2011–13 biennium or later.

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

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

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

21          281.59 (3e) (e) The department may expend, for financial hardship assistance  
22          in a biennium under s. 281.58 (13) (e), an amount up to 5 percent of the amount  
23          ~~approved by the legislature under par. (b)~~ available to provide financial assistance  
24          for projects under this section for that biennium. The department may expend such

1 amount only from the percentage of the amount ~~approved by the legislature under~~  
2 ~~par. (b)~~ that is not available under par. (d) for financial assistance.

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

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

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

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

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

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

18 281.59 (11) (a) The department of natural resources and the department of  
19 administration may enter into a financial assistance agreement with an applicant  
20 for which the department of administration has allocated subsidy financial  
21 assistance under s. 281.58 (9m), 281.60 (8) or 281.61 (8) if the applicant meets the  
22 conditions under sub. (9) and the other requirements under this section and s.  
23 281.58, 281.60 or 281.61.

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

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

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

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

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

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

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

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

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

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

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

21           281.61 (1) (bm) “Noncommunity water system” means a public water system  
22 that is not a community water system.

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

24           281.61 (2) GENERAL. The department and the department of administration  
25 shall administer a program to provide financial assistance to local governmental

1 units and to the private owners of community water systems and nonprofit  
2 noncommunity water systems for projects for the planning, designing, construction  
3 or modification of public water systems, if the projects will facilitate compliance with  
4 national primary drinking water regulations under 42 USC 300g-1 or otherwise  
5 significantly further the health protection objectives of the Safe Drinking Water Act,  
6 42 USC 300f to 300j-26.

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

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

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

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

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

1           281.61 (3) NOTICE OF INTENT TO APPLY. (a) A local governmental unit or private  
2 owner of a community water system or nonprofit noncommunity water system shall  
3 submit notice of its intent to apply for financial assistance under the safe drinking  
4 water loan program at least 6 months before the beginning of the fiscal year in which  
5 it intends to receive the financial assistance. The notice shall be in a form prescribed  
6 by the department and the department of administration.

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

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

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

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

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

1 approved applications submitted after June 30. The application shall be in the form  
2 and include the information required by the department and the department of  
3 administration and shall include plans and specifications that are approvable by the  
4 department under this section. An applicant may not submit more than one  
5 application per project per year.

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

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

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

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


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

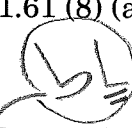
2           281.61 (7) (c) The department of administration determines that the local  
3 ~~governmental unit applicant~~ applicant will meet the requirements of s. 281.59 (9) (b).

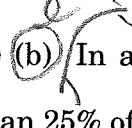
4           **SECTION 57.** 281.61 (7) (d) of the statutes is repealed.

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

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

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

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

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

21           **SECTION 61.** 281.61 (8) (b) <sup>✓</sup> of the statutes is repealed.

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

23           281.61 (8m) **CONDITIONS OF FINANCIAL ASSISTANCE** FOR LOCAL GOVERNMENTAL  
24 UNITS. As a condition of receiving financial assistance under the safe drinking water  
25 loan program, a local governmental unit shall do all of the following:

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

2           281.61 **(8p)** CONDITIONS OF FINANCIAL ASSISTANCE FOR PRIVATE OWNERS. As a  
3 condition of receiving financial assistance under the safe drinking water loan  
4 program, a private owner of a community water system or nonprofit noncommunity  
5 water system shall do all of the following:

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

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

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

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

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

17           281.61 **(11)** (a) 1. ~~For a local governmental unit~~ an applicant that does not meet  
18 financial eligibility criteria established by the department by rule, 55% of market  
19 interest rate.

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

21           281.61 **(11)** (a) 2. ~~For a local governmental unit~~ an applicant that meets  
22 financial eligibility criteria established by the department by rule, 33% of market  
23 interest rate.

24           **SECTION 67.** 281.61 (12) (g) of the statutes is amended to read:



1           281.61 (12) (g) Have the lead state role with local governmental units and  
2 private owners of community water systems or nonprofit noncommunity water  
3 systems in providing safe drinking water loan program information, and cooperate  
4 with the department of administration in providing that information ~~to local~~  
5 ~~governmental units.~~

6           **SECTION 68.** 281.625 (1) (b) of the statutes is amended to read:

7           281.625 (1) (b) “Local governmental unit” has the meaning given in s. 281.61  
8 (1) (a) (am), except that the term does not include a joint local water authority created  
9 under s. 66.0823.

10

(END)



State of Wisconsin  
2015 - 2016 LEGISLATURE

LRB-1186/P7  
MCP:cjs&kjf:jm

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

**FOR 2015-2017 BUDGET — NOT READY FOR INTRODUCTION**

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

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*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.

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.

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*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:

15           281.58 (8) (a) 2. Connection laterals and sewer lines that transport wastewater  
16 from structures to municipally owned or individually owned wastewater systems,

1 unless water other than wastewater is entering the connection laterals or sewer lines  
2 from the ground or from above-ground sources and is being transported from a  
3 nonindustrial structure in a way that may interfere with compliance with a permit  
4 issued to a publicly owned treatment work under ch. 283.

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

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

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

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

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

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

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

24 281.58 (9) (e) If the department of natural resources and the department of  
25 administration determine that ~~the governor's recommendation, as set forth in the~~

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

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

13 281.58 (9m) (a) (intro.) Subject to ~~pars. (e) and~~ par. (d), the department shall  
14 approve an application after all of the following occur:

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

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

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

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

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

1 department shall place the project on a list for allocation when additional ~~subsidy~~  
2 ~~becomes~~ financial assistance becomes available.

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

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

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

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

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

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

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

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

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

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

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

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

15          281.58 (12) (a) 3. Except as modified under par. (f) and except as restricted by  
16          sub. (8) (b), (c), (f) or (h), the interest rate for projects specified in sub. (7) (b) 4. is 70  
17          percent of market interest rate for projects for which the subsidy is allocated from  
18          ~~the amount under s. 281.59 (3e) (b) for a biennium before the 2011-13 biennium and~~  
19          75 percent of market interest rate for projects for which the subsidy is allocated from  
20          ~~the amount under s. 281.59 (3e) (b) for the 2011-13 biennium or later.~~

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

21          281.59 (3e) (e) The department may expend, for financial hardship assistance  
22 in a biennium under s. 281.58 (13) (e), an amount up to 5 percent of the amount  
23 ~~approved by the legislature under par. (b)~~ available to provide financial assistance  
24 for projects under this section for that biennium. The department may expend such

1 amount only from the percentage of the amount approved by the legislature under  
2 ~~par. (b)~~ that is not available under par. (d) for financial assistance.

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

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

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

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

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

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

18 281.59 (11) (a) The department of natural resources and the department of  
19 administration may enter into a financial assistance agreement with an applicant  
20 for which the department of administration has allocated subsidy financial  
21 assistance under s. 281.58 (9m), 281.60 (8) or 281.61 (8) if the applicant meets the  
22 conditions under sub. (9) and the other requirements under this section and s.  
23 281.58, 281.60 or 281.61.

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

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

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

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

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

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

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

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

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

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

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

21           281.61 (1) (bm) “Noncommunity water system” means a public water system  
22 that is not a community water system.

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

24           281.61 (2) GENERAL. The department and the department of administration  
25 shall administer a program to provide financial assistance to local governmental

1 units and to the private owners of community water systems and nonprofit  
2 noncommunity water systems for projects for the planning, designing, construction  
3 or modification of public water systems, if the projects will facilitate compliance with  
4 national primary drinking water regulations under 42 USC 300g-1 or otherwise  
5 significantly further the health protection objectives of the Safe Drinking Water Act,  
6 42 USC 300f to 300j-26.

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

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

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

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

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

1           281.61 (3) NOTICE OF INTENT TO APPLY. (a) A local governmental unit or private  
2           owner of a community water system or nonprofit noncommunity water system shall  
3           submit notice of its intent to apply for financial assistance under the safe drinking  
4           water loan program at least 6 months before the beginning of the fiscal year in which  
5           it intends to receive the financial assistance. The notice shall be in a form prescribed  
6           by the department and the department of administration.

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

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

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

15          SECTION 53. 281.61 (5) of the statutes is renumbered 281.61 (5) (a) and  
16          amended to read:

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

1 approved applications submitted after June 30. The application shall be in the form  
2 and include the information required by the department and the department of  
3 administration and shall include plans and specifications that are approvable by the  
4 department under this section. An applicant may not submit more than one  
5 application per project per year.

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

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

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

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

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

2           281.61 (7) (c) The department of administration determines that the local  
3 ~~governmental unit~~ applicant will meet the requirements of s. 281.59 (9) (b).

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

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

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

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

15           **SECTION 60.** 281.61 (8) (a) 2. of the statutes is renumbered 281.61 (8) (bL) and  
16 amended to read:

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

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

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

23           281.61 (8m) CONDITIONS OF FINANCIAL ASSISTANCE FOR LOCAL GOVERNMENTAL  
24 UNITS. As a condition of receiving financial assistance under the safe drinking water  
25 loan program, a local governmental unit shall do all of the following:



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

2           **281.61 (8p) CONDITIONS OF FINANCIAL ASSISTANCE FOR PRIVATE OWNERS.** As a  
3 condition of receiving financial assistance under the safe drinking water loan  
4 program, a private owner of a community water system or nonprofit noncommunity  
5 water system shall do all of the following:

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

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

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

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

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

17           **281.61 (11) (a) 1.** ~~For a local governmental unit~~ an applicant that does not meet  
18 financial eligibility criteria established by the department by rule, 55% of market  
19 interest rate.

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

21           **281.61 (11) (a) 2.** ~~For a local governmental unit~~ an applicant that meets  
22 financial eligibility criteria established by the department by rule, 33% of market  
23 interest rate.

24           **SECTION 67.** 281.61 (12) (g) of the statutes is amended to read:

