

### Fiscal Estimate - 2019 Session

Original                     
  Updated                     
  Corrected                     
  Supplemental

<b>LRB Number</b> <b>19-3764/1</b>	<b>Introduction Number</b> <b>SB-371</b>	
<b>Description</b> bonding for lead service line replacement and granting bonding authority		
<b>Fiscal Effect</b>		
<b>State:</b> <input type="checkbox"/> No State Fiscal Effect <input type="checkbox"/> Indeterminate <input checked="" type="checkbox"/> Increase Existing Appropriations <input type="checkbox"/> Increase Existing Revenues <input checked="" type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget <input type="checkbox"/> Decrease Existing Appropriations <input type="checkbox"/> Decrease Existing Revenues <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Create New Appropriations <input type="checkbox"/> Decrease Costs		
<b>Local:</b> <input type="checkbox"/> No Local Government Costs <input checked="" type="checkbox"/> Indeterminate 1. <input checked="" type="checkbox"/> Increase Costs                      3. <input type="checkbox"/> Increase Revenue <input checked="" type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory 2. <input checked="" type="checkbox"/> Decrease Costs                      4. <input type="checkbox"/> Decrease Revenue <input checked="" type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory 5. Types of Local Government Units Affected <input checked="" type="checkbox"/> Towns <input checked="" type="checkbox"/> Village <input checked="" type="checkbox"/> Cities <input checked="" type="checkbox"/> Counties <input checked="" type="checkbox"/> Others <u>as defined in 281.59 (1)(c)</u> <input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts		
<b>Fund Sources Affected</b> <b>Affected Ch. 20 Appropriations</b> <input type="checkbox"/> GPR <input type="checkbox"/> FED <input type="checkbox"/> PRO <input type="checkbox"/> PRS <input type="checkbox"/> SEG <input type="checkbox"/> SEGS s. 20.866 (2)(td)		
<b>Agency/Prepared By</b> DNR/ Paul Neumann (608) 266-0818	<b>Authorized Signature</b> Paul Neumann (608) 266-0818	<b>Date</b> 9/18/2019

**Fiscal Estimate Narratives**  
**DNR 9/18/2019**

LRB Number <b>19-3764/1</b>	Introduction Number <b>SB-371</b>	Estimate Type <b>Original</b>
<b>Description</b> bonding for lead service line replacement and granting bonding authority		

**Assumptions Used in Arriving at Fiscal Estimate**

The bill increases bond revenue authority for the Safe Drinking Water Loan Program (SDWLP) by \$40,000,000 to provide forgivable loans to offset the cost of replacing lead service lines (LSL) on private property. It also specifies that not more than 50% of the replacement costs are eligible for forgivable loans, which means that the remaining 50% of replacement costs must be paid by homeowners or municipalities from other funding sources.

**I. State Fiscal Effect**

**A. One-Time Costs**

1. One-time workload increases to implement the bill would be as follows:
  - a. Updating loan application processes
  - b. Developing guidance materials
  - c. Establishing a process for awarding this specific type of financial assistance; and
  - d. Preparing outreach materials for the SDLWP website and other relevant platforms

The proposed program is similar in many ways to the two-year Private LSL Replacement Pilot Program funded under the SDWLP that was implemented during state fiscal years 2017 and 2018. As such, most of the documents and processes can be updated rather than created from scratch. Even so, it is estimated that preparation for this program will result in a one-time workload increase of approximately 480 hours (further breakout is provided in Part IV below). Assuming an average salary and fringe cost of \$46/hr., one-time costs are estimated to be \$22,100 (480 hrs. x \$46 = \$22,080).

**B. Ongoing Costs**

1. Ongoing workload increases to implement the bill would be as follows:
  - a. Providing assistance to applicants
  - b. Application review
  - c. Award allocations
  - d. Reviewing loan documentation
  - e. Processing financial assistance agreements
  - f. Construction oversight
  - g. Reviewing expense eligibility
  - h. Fund disbursement
  - i. Loan closeout procedures.

The reoccurring workload increase is dependent on a number of factors, most notably the volume of applications received on an annual basis. During the two-year Pilot Program, the Department received an average of 33 applications per year for an allocation of approximately \$13 million in assistance per year. Environmental Loans staff estimate that demand will be sufficient to award \$20 million per year over a two-year period.

Based on experience with the pilot program, the Department would expect to receive approximately 50 applications per year (33 applications for \$13 million translates to an estimated 50 applications for \$20 million). Those 50 estimated applications represent a 54% volume increase over that which was experienced during the pilot program.

Total additional staff time that was needed during the pilot program is estimated to be equivalent to 1.0 FTE per year. Based on an estimated 54% increase in the volume of applications under the bill, the Department would anticipate workload increase equivalent to 1.5 FTE that is above and beyond the usual annual workload of the SDWLP. With average salary and fringe cost of \$46/hr. + additional costs for office operations and supplies, annual reoccurring costs to the SDWLP are estimated at \$151,000  $[(2,080 \text{ hrs} \times \$46/\text{hr}) \times 1.5] + \$7,000 \text{ supplies} = \$150,520$ . These reoccurring costs would be expected over a two year period. Beyond the two year period, there will continue to be reoccurring costs after all of the awards have been made; however, these costs will diminish over an estimated 1-4-year period as LSL replacements are completed and funds are no longer being disbursed.

## II. Local Fiscal Effect

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

### A. Costs

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

In the regular SDWLP, municipalities typically contract with consulting engineering firms to provide these services. However, in the two-year Pilot Program, more municipalities chose to handle these responsibilities internally, both as a cost-savings measure and because the requirements of the two-year Pilot Program were less burdensome than regular SDWLP projects. Similarly, the Department anticipates that many municipalities would administer these loans using internal staff. Actual costs to municipalities for developing and administering a LSL replacement program under the bill are indeterminate.

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

### B. Revenues

Assuming a two-year implementation period, revenues of \$20,000,000/yr. to local units of government are expected for those who receive a loan from the SDWLP to offset the cost of replacing private lead service lines under the bill. Assuming the cost to replace a private-side LSL averages about \$6,000 per household, and the funds are intended to cover 50% of this cost, then the \$40,000,000 of funding provided in the bill would fund LSL replacements in just over 13,000 homes  $(\$40,000,000/\$3,000)$ .

## Long-Range Fiscal Implications

## Fiscal Estimate Worksheet - 2019 Session

Detailed Estimate of Annual Fiscal Effect

Original     
  Updated     
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<b>LRB Number</b> 19-3764/1		<b>Introduction Number</b> SB-371	
<b>Description</b> bonding for lead service line replacement and granting bonding authority			
<b>I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):</b>			
Estimated one-time implementation costs of \$22,100 for updating on-line loan applications, developing guidance materials, establishing award processes, preparing outreach materials. etc.			
<b>II. Annualized Costs:</b>		<b>Annualized Fiscal Impact on funds from:</b>	
		Increased Costs	Decreased Costs
<b>A. State Costs by Category</b>			
	State Operations - Salaries and Fringes	\$144,000	\$
	(FTE Position Changes)	(1.5 FTE)	
	State Operations - Other Costs	7,000	
	Local Assistance	20,000,000	
	Aids to Individuals or Organizations		
	<b>TOTAL State Costs by Category</b>	<b>\$20,151,000</b>	<b>\$</b>
<b>B. State Costs by Source of Funds</b>			
	GPR		
	FED		
	PRO/PRS		
	SEG/SEG-S	20,151,000	
<b>III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)</b>			
		Increased Rev	Decreased Rev
	GPR Taxes	\$	\$
	GPR Earned		
	FED		
	PRO/PRS		
	SEG/SEG-S		
	<b>TOTAL State Revenues</b>	<b>\$</b>	<b>\$</b>
<b>NET ANNUALIZED FISCAL IMPACT</b>			
		<u>State</u>	<u>Local</u>
	NET CHANGE IN COSTS	\$20,151,000	\$
	NET CHANGE IN REVENUE	\$	\$20,000,000
<b>Agency/Prepared By</b>		<b>Authorized Signature</b>	<b>Date</b>
DNR/ Paul Neumann (608) 266-0818		Paul Neumann (608) 266-0818	9/18/2019