

Fiscal Estimate - 2021 Session

☒ Original
 ☐ Updated
 ☐ Corrected
 ☐ Supplemental

LRB Number 21-2702/1	Introduction Number AB-1145	
Description housing and homelessness; rental assistance program; indigent civil legal services; workforce development; community action agencies; poverty reports; mental health; economic security; reimbursement for nonemergency medical transportation services; urban mass transit aid; lead exposure and abatement services; lead service line replacement; providing an exemption from emergency rule procedures; granting rule-making authority; and making an appropriation		
Fiscal Effect State: <div style="display: flex; flex-wrap: wrap;"> <div style="width: 33%;"> <input type="checkbox"/> No State Fiscal Effect <input type="checkbox"/> Indeterminate <input checked="" type="checkbox"/> Increase Existing Appropriations <input type="checkbox"/> Decrease Existing Appropriations <input type="checkbox"/> Create New Appropriations </div> <div style="width: 33%;"> <input type="checkbox"/> Increase Existing Revenues <input type="checkbox"/> Decrease Existing Revenues </div> <div style="width: 33%;"> <input checked="" type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget <div style="display: flex; justify-content: space-around;"> <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No </div> <input type="checkbox"/> Decrease Costs </div> </div> Local: <div style="display: flex; flex-wrap: wrap;"> <div style="width: 33%;"> <input type="checkbox"/> No Local Government Costs <input checked="" type="checkbox"/> Indeterminate <div style="display: flex;"> <div style="width: 50%;"> 1. <input checked="" type="checkbox"/> Increase Costs <input checked="" type="checkbox"/> Permissive <input type="checkbox"/> Mandatory 2. <input checked="" type="checkbox"/> Decrease Costs <input checked="" type="checkbox"/> Permissive <input type="checkbox"/> Mandatory </div> <div style="width: 50%;"> 3. <input checked="" type="checkbox"/> Increase Revenue <input checked="" type="checkbox"/> Permissive <input type="checkbox"/> Mandatory 4. <input type="checkbox"/> Decrease Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory </div> </div> </div> <div style="width: 33%;"> 5. Types of Local Government Units Affected <div style="display: flex; flex-wrap: wrap;"> <div style="width: 33%;"> <input checked="" type="checkbox"/> Towns <input checked="" type="checkbox"/> Counties <input type="checkbox"/> School Districts </div> <div style="width: 33%;"> <input checked="" type="checkbox"/> Village <input checked="" type="checkbox"/> Others <input type="checkbox"/> WTCS Districts </div> <div style="width: 33%;"> <input checked="" type="checkbox"/> Cities <u>as defined in 281.59 (1)(c)</u> </div> </div> </div> </div>		
Fund Sources Affected <input type="checkbox"/> GPR <input type="checkbox"/> FED <input type="checkbox"/> PRO <input type="checkbox"/> PRS <input type="checkbox"/> SEG <input type="checkbox"/> SEGS		
Affected Ch. 20 Appropriations 20.866 (2)(td)		
Agency/Prepared By DNR/ Paul Neumann (608) 266-0818	Authorized Signature Paul Neumann (608) 266-0818	Date 3/21/2022

Fiscal Estimate Narratives

DNR 3/21/2022

LRB Number	21-2702/1	Introduction Number	AB-1145	Estimate Type	Original
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Assumptions Used in Arriving at Fiscal Estimate

The bill increases bonding 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, or from other funding sources.

I. State Fiscal Effect

A. One-Time Costs

One-time workload to implement the bill would be as follows:

- a. Updating application processes;
- b. Developing guidance materials; and
- c. Establish a process for integrating this specific funding source with existing funds (federal infrastructure funds) for LSL replacements.

The proposed funding would be integrated with funding coming from the federal infrastructure bill. The infrastructure funding is structured differently from the Water Infrastructure Financing Transfer Act (WIFTA) funding that is currently being utilized for private LSL replacements. The program will be undergoing revisions in order to accommodate those differences but additional modifications would need to be made to incorporate this additional funding. It is estimated that incorporating this funding into the Private LSL Replacement Program will result in a one-time workload increase of approximately 360 hours. Assuming an average salary and fringe cost of \$51/hr., one-time costs are estimated to be \$18,400 (360 hours x \$51 = \$18,360).

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 years of the WIFTA-funded program, the Department received an average of 72 applications per year for an allocation of approximately \$37 million per year. Environmental Loans staff estimate that demand will be sufficient to award \$13 million per year over a three-year period (\$40 million/3) in addition to the federal infrastructure funds.

Based on experience in CYs 2021 and 2022 with the WIFTA-funded program, the Department would expect to receive approximately 90 applications per year. Those estimated 90 applications represent a 25% volume

increase over what was experienced during the WIFTA-funded program.

Total additional staff time that was needed during the WIFTA-funded program is estimated to be equivalent to 2.0 FTE per year. Based on a 25% increase in the volume of applications under the bill, the Department would anticipate workload increase equivalent to 0.5 FTE that is above and beyond the usual workload of the SDWLP. With average salary and fringe cost of \$51/hr. plus additional costs for office operations and supplies, annual reoccurring costs to the SDWLP are estimated at \$56,600 $[(2080 \text{ hrs} \times \$51/\text{hr.}) \times 0.5] + \$3,500$ supplies]. These reoccurring costs would be expected over a three year period. Beyond the three 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 1-2 year period as LSL replacements are completed, funds are no longer being disbursed, and closeouts are completed.

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 private side LSLs throughout Wisconsin. The matching 50% of the replacement cost will be determined by the municipality and will likely be paid by the homeowner, by the municipality using ratepayer funds, as allowed by the Public Service Commission (PSC) and 2017 Wis Act 137, or with the federal infrastructure funds.

A. Costs

1. Costs to local units of government are expected to be related to the development of a private LSL Replacement Program application, administration of a Private LSL 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 WIFTA-funded program, costs for engineering were capped and limited to municipalities with populations of 3,300 or less. Many municipalities were able to handle these responsibilities internally, both as a cost-savings measure and because the requirements of the Private LSL Replacement 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 three-year implementation period, revenues of \$13.3 million/yr. to local units of government are expected for those who receive a loan from the SDWLP to offset the cost of replacing private LSLs 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 it is estimated that \$40 million would fund the replacement of over 13,300 LSLs in the state $(\$40,000,000/\$3,000)$.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2021 Session

Detailed Estimate of Annual Fiscal Effect

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I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect): Estimated one-time costs of \$18,400 for making program modifications, updating applications, and developing guidance and outreach materials, etc.								
II. Annualized Costs:	Annualized Fiscal Impact on funds from:							
	Increased Costs	Decreased Costs						
A. State Costs by Category								
State Operations - Salaries and Fringes	\$53,100	\$						
(FTE Position Changes)	(0.5 FTE)							
State Operations - Other Costs	3,500							
Local Assistance	13,300,000							
Aids to Individuals or Organizations								
TOTAL State Costs by Category	\$13,356,600	\$						
B. State Costs by Source of Funds								
GPR								
FED								
PRO/PRS								
SEG/SEG-S	13,356,600							
III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)								
	Increased Rev	Decreased Rev						
GPR Taxes	\$	\$						
GPR Earned								
FED								
PRO/PRS								
SEG/SEG-S								
TOTAL State Revenues	\$	\$						
NET ANNUALIZED FISCAL IMPACT								
	<u>State</u>	<u>Local</u>						
NET CHANGE IN COSTS	\$13,356,600	\$						
NET CHANGE IN REVENUE	\$	\$13,300,000						
<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 40%;">Agency/Prepared By</td> <td style="width: 40%;">Authorized Signature</td> <td style="width: 20%;">Date</td> </tr> <tr> <td>DNR/ Paul Neumann (608) 266-0818</td> <td>Paul Neumann (608) 266-0818</td> <td>3/21/2022</td> </tr> </table>			Agency/Prepared By	Authorized Signature	Date	DNR/ Paul Neumann (608) 266-0818	Paul Neumann (608) 266-0818	3/21/2022
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