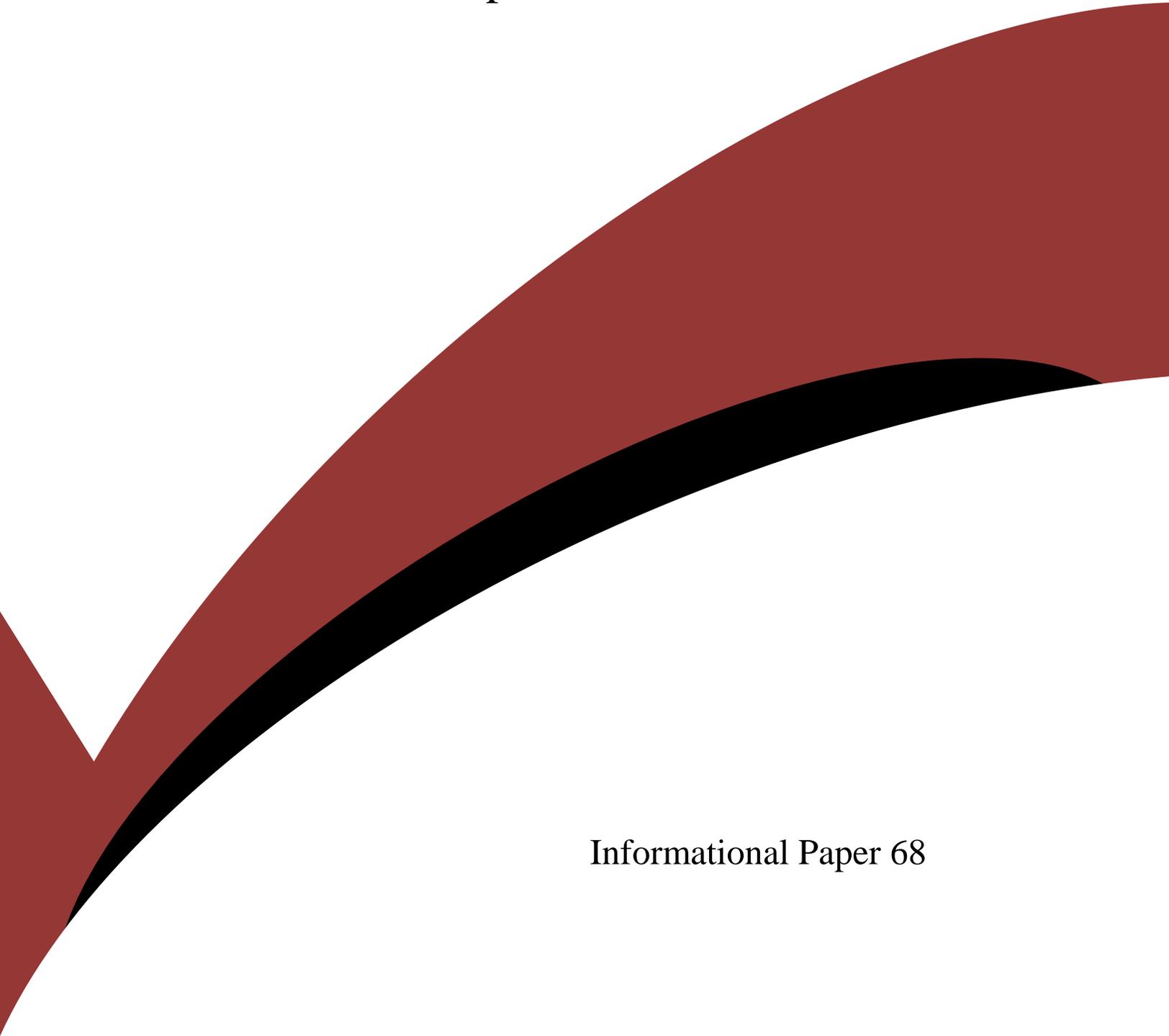


Environmental Improvement Fund



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Environmental Improvement Fund

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TABLE OF CONTENTS

Introduction.....	1
CHAPTER 1 -- CLEAN WATER FUND PROGRAM.....	3
Project Eligibility and Priority	3
Financial Assistance Criteria	6
Loan and Grant Programs	12
Clean Water Fund Program Costs	20
CHAPTER 2 -- SAFE DRINKING WATER LOAN PROGRAM	24
Project Eligibility and Priority	24
Financial Assistance Criteria	26
Program Funding	27
Program Costs.....	29
Safe Drinking Water Loan Guarantee Program.....	33
CHAPTER 3 -- LAND RECYCLING LOAN PROGRAM	34
Project Eligibility and Priority	34
Financial Assistance Criteria	34
Program Funding	35
CHAPTER 4 -- ENVIRONMENTAL IMPROVEMENT FUND ADMINISTRATION.....	38
Agency Responsibilities and Funding	38
Bonding Provisions.....	40
Municipal Financing Requirements.....	41
Appendices.....	42
Appendix I -- A Glossary of Key Terms	43
Appendix II -- Description of Wastewater Treatment Systems	46
Appendix III -- Biennial Finance Plan Process.....	48
Appendix IV -- Components of Clean Water Fund Loan and Grant Programs.....	50
Appendix V -- Clean Water Fund Financial Assistance Agreements (As of June 30, 2014)	51
Appendix VI -- Safe Drinking Water Loan Program Financial Assistance Agreements (As of June 30, 2014).....	57

Environmental Improvement Fund

Introduction

The environmental improvement fund is comprised of three separate programs: the clean water fund program, the safe drinking water loan program and the land recycling (brownfields) loan program. The programs provide financial assistance for wastewater treatment, drinking water and contaminated land cleanup projects. This paper describes background about the programs, financial assistance criteria, components of the loan and grant programs, special provisions and program administration.

The clean water fund program provides financial assistance to municipalities for the planning, design and construction of surface water and groundwater pollution abatement facilities; primarily for municipal wastewater treatment. Enacted in 1987 Act 399, the clean water fund shifted the state's financing of wastewater treatment facility construction from grants to loans, and placed an increased emphasis on preventive maintenance for existing pollution abatement facilities. The clean water fund replaced the point source pollution abatement grant program, which provided grants to municipalities for wastewater treatment systems from 1978 through 1990. The clean water fund began providing assistance to municipalities in 1991.

The clean water fund administers financial assistance through the following programs: (1) a federal revolving loan program; (2) a state leveraged loan program; (3) a state direct loan and hardship program; and (4) a small loan program. The state-only programs represent the Legislature's decision to exceed the federal financial commitment to surface water pollution abatement assistance. As of June 30, 2014, the clean water fund program had entered into 870 financial assistance agreements with municipalities totaling \$4.0 billion.

The safe drinking water loan program was enacted in 1997 Act 27 to provide financial assistance to certain municipalities for the planning, design, construction or modification of public water systems, if the projects will facilitate compliance with national primary drinking water regulations under the federal Safe Drinking Water Act Amendments of 1996 (SDWA) or otherwise significantly further the health protection objectives of the Act. The safe drinking water loan program began providing assistance in 1998. As of June 30, 2014, the safe drinking water loan program had entered into 246 financial assistance agreements totaling \$488.8 million.

The land recycling (brownfields) loan program was enacted in 1997 Act 27 to provide financial assistance to certain local governments for the investigation and remediation of certain contaminated properties. The land recycling loan program is a subprogram within the clean water fund program and is funded from a reallocation of \$20 million of repayments of clean water fund loans. The program began providing assistance in 2000. As of June 30, 2014, the land recycling loan program had entered into 10 financial assistance agreements totaling \$15.2 million (actual disbursements totaled \$13.5 million), all of them prior to June 30, 2008. Under 2009 Act 28, the program was authorized to lend up to \$6.2 million of the remaining available balance to the dry cleaner environmental response program. As of June 30, 2014, all of the available \$6.2 million had been loaned to the dry cleaner program.

Table 1 shows project funding for each program within the environmental improvement fund. The table shows the amount of financial assistance agreements entered into for each program by biennium. Table 1 also shows the estimated project demand for the 2015-17 and 2017-19 biennia, as estimated by the Departments of Natural Resources (DNR) and Administration

Table 1: Environmental Improvement Fund, Financial Assistance Agreements by Biennium (\$ in Millions)

Biennium	Clean Water Fund Program	Safe Drinking Water Loan Program	Land Recycling Loan Program	Total
1989-91	\$152.6			\$152.6
1991-93	395.8			395.8
1993-95	188.5			188.5
1995-97	224.3			224.3
1997-99	214.9	\$53.0		267.9
1999-01	222.9	19.8	\$1.9	244.6
2001-03	502.9	20.0	8.0	530.9
2003-05	252.9	74.6	1.8	329.3
2005-07	380.9	41.4	2.7	425.0
2007-09	500.9	73.2	0.8	574.9
2009-11	461.4	71.1	0.0	532.5
2011-13	393.0	102.2	0.0	495.2
2013-14 actual*	149.4	33.4	0.0	182.8
2015-17 est**	463.1	148.0	0.0	611.1
2017-19 est**	169.6	84.9	0.0	254.5

* Actual 2013-14. Additional financial assistance agreements will be entered into during 2014-15. DNR and DOA estimated project needs during the 2013-15 biennium as \$685.2 million for CWF and \$115.3 million for SDW projects.

** DNR and DOA estimated project need in the September, 2014, biennial finance plan.

(DOA) in September, 2014.

The clean water fund program and the safe drinking water loan program receive federal capitalization grants for a state revolving loan fund, for which Wisconsin provides a 20% match through issuance of general obligation bonds (with debt service costs paid by general purpose revenues (GPR) and interest on program loan repayments for clean water debt service (SEG)). The clean water fund program is also funded through revenue bonds, general obligation bonds to pay for the subsidy component of the revenue bond program, and repayments of clean water fund loans.

State debt service costs for the environmental improvement fund have increased from \$2.5 million in 1990-91 (the first year of the clean water fund program), to \$50.5 million in 2008-09. In 2009-10 through 2011-12, state debt service costs for the program were lower (\$22.1 million in 2011-12) because of the restructuring and deferral of principal payments on the state's general

obligation debt programs. Environmental improvement fund state debt service costs were \$46.7 million in 2012-13 and \$45.5 million in 2013-14, and are budgeted at \$46.8 million in 2014-15.

DOA administers certain aspects of the financial management of the environmental improvement fund and DNR administers all other loan and grant provisions. The environmental improvement fund programs are authorized by statute under s. 281.58 through s. 281.625 and s. 234.86, and administered through administrative rules NR 162, NR 166, NR 167 and ADM 35.

Other informational papers prepared by the Legislative Fiscal Bureau discuss additional aspects of the state's efforts to provide financial assistance to address surface water pollution concerns. (See the Legislative Fiscal Bureau's informational papers entitled, "Private Onsite Wastewater Treatment System Grant Program" and "Nonpoint Source Water Pollution Abatement and Soil Conservation Programs.")

Project Eligibility and Priority

General Purposes for Assistance

The clean water fund program may provide financial assistance to municipalities for three general purposes. "Municipality" means any city, town, village, county, county utility district, town sanitary district, public inland lake protection and rehabilitation district, metropolitan sewerage district, or tribe. Although all three of the following purposes are eligible; to date, the clean water fund program has not funded national estuary conservation plans. Eligible purposes include:

Sewage Treatment. Planning, designing, constructing, replacing or maintaining a treatment facility (defined as any devices and systems used in the storage, treatment, recycling and reclamation of municipal sewage or liquid industrial waste, including intercepting sewers, outfall sewers, and sewage collection systems).

Nonpoint Source Pollution Abatement. Implementing a nonpoint source pollution control management plan established under the federal Water Quality Act of 1987. Currently, state financial assistance for the abatement of nonpoint source pollution is primarily provided by a separate program. (See the Legislative Fiscal Bureau's informational paper entitled, "Nonpoint Source Water Pollution Abatement and Soil Conservation Programs.") Nonpoint source pollution is water pollution which is not attributable to a single, well defined point or origin but which is carried by rainfall or snowmelt from a variety of sources, such as from

storm water runoff, farm fields, barnyards, construction sites, highways, city streets and parking lots. The clean water fund program has entered into 26 financial assistance agreements for nonpoint source pollution abatement or storm water projects.

National Estuary Conservation Plan. Developing a conservation plan related to the national estuary program established under the federal Water Quality Act of 1987. Although the state clean water fund program has not yet provided assistance for this purpose, it was included in the state law to provide maximum flexibility if federal law changes were made. For Wisconsin, Great Lakes estuaries (the portions of the Great Lakes that extend inland to meet the mouth of a river) could become eligible for federal assistance.

Appendix I provides a glossary of key terms related to wastewater treatment. Appendix II includes a description of wastewater treatment systems.

Eligible Types of Projects

DNR and DOA are authorized to provide financial assistance for the following types of projects.

Compliance Maintenance. Projects to prevent a significant violation of an effluent limitation by a municipal sewage treatment facility.

New or Changed Limits. Projects to achieve compliance with an effluent limitation established after May 17, 1988, if the project is for a municipality that is not a violator of the specific

limit that is changing. For example, if the limit for ammonia discharge is changing, as long as a municipality is complying with its existing permit with regard to ammonia, it is not considered a violator for the purposes of this eligibility requirement.

Unsewered Communities. Projects to provide treatment facilities and sewers for unsewered areas.

Nonpoint and Storm Water. Projects to prevent or treat nonpoint source pollution or urban storm water runoff.

Violator. Projects to plan, design, construct or replace treatments works that violate effluent limitations contained in an existing permit. "Violator" is defined as a municipality, which, after May 17, 1988, is not in substantial compliance with the enforceable requirements of its discharge permit, for a reason that the DNR determines is, or has been, within the control of the municipality.

Pilot Projects. Projects that are consistent with federal requirements for nontraditional wastewater treatment projects that help municipalities meet water quality requirements consistent with the federal Clean Water Act. This use was authorized in 2013 Wisconsin Act 7. DNR anticipates that this might include projects identified in adaptive management plans. Adaptive management programs are intended to allow multiple entities to collaboratively meet water quality standards by focusing funding and activities on sources whose contributions of a particular pollutant or pollutants can be reduced or eliminated most cost-effectively. For example, point sources, such as wastewater treatment plants or industrial facilities, may have discharges that can be identified and monitored, but pursuing additional reductions may be technologically difficult and significantly expensive. At the same time, point sources may be able to work with nearby nonpoint sources that may have relatively fewer

pollution controls and, therefore, may be able to manage their runoff with more basic, lower-cost practices to help meet overall water quality standards for area waters.

Criteria Used to Prioritize Projects

Administrative rule NR 162 establishes a priority ranking system which scores each project. The system ranks projects in the event funding is not available for all requested projects in a given year. The priority ranking system is based on the following:

a. The project type, which includes the following categories: (1) compliance maintenance for wastewater and storm water projects with permits; (2) new or changed limits; (3) unsewered; (4) non-permitted urban storm water runoff; and (5) violators of current permit limits.

b. The impact of the project on public health.

c. The impact of the project on water quality, including: (1) fish and aquatic life; (2) wild and domestic animals; (3) outstanding and exceptional resource waters; (4) local water resource priorities; and (5) other criteria related to the treatment of septage or leachate.

d. The population served by the project.

The priority system assigns a score to a project based on the criteria listed above. The priority system is designed to give emphasis to funding compliance maintenance projects. For this reason, although project type, human health and water quality have approximately the same potential weight in the project score, project type has been the most important factor in determining priority ranking. On average, the four criteria make up the total priority score in the following proportions: project type (77%); human health (6%); water quality (16%); and population (1%). The highest scoring project type is a project that DNR

determines is necessary to prevent a municipality from significantly exceeding an effluent limitation in a wastewater discharge elimination permit.

DNR is also required to give a higher priority than would otherwise be given to certain joint projects that will serve more than one municipality in small population areas. Effective December 1, 2003, NR 162 gives a slightly higher priority to such projects. DNR has not used this factor to assign priority points to a project.

To date, funding has been sufficient to fund all eligible clean water fund projects, except for those projects requested under the hardship program (discussed in a following section). Therefore, the project priority scores have only been used in the hardship program for the purpose of distributing available funding.

Emphasis on Prevention of Discharge Violations

Facilities discharging waste to state waters are required to operate under a Wisconsin pollution discharge elimination system (WPDES) permit issued by DNR. These permits establish requirements a municipality must meet for each point source of pollution. If that standard is being exceeded at the time the permit is issued, the permit provides a compliance schedule, which is a legally binding step-by-step set of requirements regarding how and when a municipality is to achieve compliance with the permit.

Compliance Maintenance Program. In the 1970s and 1980s, Wisconsin provided grants to municipalities to help the state meet a federal Clean Water Act mandate for fishable and swimmable waters. To protect the large public investment in the former grant program, DNR promulgated an administrative rule creating a compliance maintenance program. Its purpose is to encourage and, where necessary, require municipalities to take necessary actions to avoid wa-

ter quality degradation and prevent violations of WPDES permit effluent limits.

Annual Report. Municipalities must submit annual reports to the DNR assessing the physical condition and performance of their sewerage systems. The report contains a point system component to identify whether voluntary or required actions are needed to maintain or improve the existing sewerage system. Under the point system, three action levels are established: (a) "voluntary range," where the municipality may initiate longer range planning for new, upgraded or additional treatment facilities; (b) "Department recommendation range," where DNR notifies the municipality that an "operation and needs review" is recommended; and (c) "Department action range," where DNR requires the municipality to complete an operation and needs review, and to implement any needed action.

Project Scoring. Projects needed to maintain compliance with existing permit limitations receive the highest priority score in the category of project type and the largest interest rate subsidy (other than financial hardship projects).

Revised Contaminant Limits. In recent years, the federal and state standards setting contamination limits for both drinking water and surface water have become more stringent and have included contaminants not previously regulated. In response to federal and state requirements, DNR promulgates new or revised administrative rules for groundwater and surface water establishing new or modified limits for toxic substances, heavy metals, and other contaminants. To assist municipalities in achieving compliance with newly added permit limitations for substances such as toxics, the program gives these project types priority second only to compliance maintenance projects when assigning priority scores.

Financial Assistance Criteria

Types of Financial Assistance

Under the clean water fund program, municipalities may receive financial assistance in the form of loans, refinancing, guarantees, purchase of insurance, credit enhancement or grants, as follows:

- a. Provide loans at or below market interest rates.
- b. Purchase or refinance the debt obligation of a municipality incurred for municipal treatment facilities that would otherwise be eligible under the clean water fund program.
- c. Guarantee or purchase insurance for municipal obligations for the construction or replacement of a treatment facility if the guarantee or insurance would improve a municipality's access to the credit market, or reduce the interest rate the municipality would otherwise receive.
- d. Provide grants under the financial hardship assistance program.
- e. Make payments to the Board of Commissioners of Public Lands to reduce principal or interest payments, or both, on loans made to municipalities by the Board for projects that would otherwise be eligible under the clean water fund program.
- f. Provide principal forgiveness for up to 50% of project costs for certain projects financed with federal funds received under the American Recovery and Reinvestment Act of 2009 (ARRA) and with the regular federal funding for federal fiscal years 2010 and subsequent years.

Limitations and Conditions on Financial Assistance

Under certain circumstances, eligibility for financial assistance from the clean water fund program is restricted, as indicated below:

Previous Compliance. Any municipality that has failed to substantially comply with the terms of a federal or state grant or loan previously received for wastewater collection, transportation, treatment or disposal is ineligible.

Reserve Capacity. To be eligible for financial assistance, except a market rate loan, the amount of reserve capacity included in a project is limited to the future capacity which will be needed to serve the users of the project expected to exist within the sewer service area of the project 10 years after the project becomes operational. The amount of reserve capacity is also limited to the future capacity required to serve the need expected to exist outside of the sewer service area of the project area for septage that is reasonably likely to be disposed of in the project 10 years after the project becomes operational. Reserve capacity is extra wastewater system capacity not currently needed, but constructed to take future growth into consideration.

Future Development. Public sanitary sewer mains, interceptors and individual systems that exclusively serve future development are ineligible.

Most Cost-Effective Alternative. Financial assistance may be provided for a project only if that project is the most cost-effective alternative for the municipality.

Sewer Lines. Connection laterals and sewer lines that transport wastewater from individual structures to public sewers or to on-site treatment systems are not eligible.

Violators. The portion of a project designed to address a WPDES permit violation receives mar-

ket interest rate loans or other assistance that result in reducing the interest rate to not less than the market rate. The purpose of this restriction is to encourage municipalities to develop plans and begin construction before any pollution limitation violations occur and thus minimize any harmful effects to the environment.

Industrial Wastes. Financial assistance for the portion of a project used to treat industrial wastes may only be provided at the market interest rate.

Length of Loans. The loan repayment period may be for no longer than 20 years after the date of the financial assistance agreement. The federal Water Resource Reform and Development Act of 2014 (WRRDA), enacted in June, 2014, authorizes (but does not require) states to allow 30-year loan agreements if they do not exceed the projected useful life of project components. Wisconsin statutes do not allow loans for longer than 20 years.

Local Financial Administration. To be eligible for a clean water fund loan, each municipality must: (a) establish a dedicated source of revenue for repayment of any financial assistance (except grants made under financial hardship provisions); (b) pledge any security required by DNR or DOA administrative rules; (c) develop an operation and maintenance program for the treatment facility; and (d) develop a system of user charges in compliance with federal law to ensure that each user of the treatment work pays its proportionate share of the operation and maintenance costs. (An exemption may be issued for a city or village that imposes a system of charges based on assessed property values, if it is served by a regional wastewater treatment plant operated by a metropolitan sewerage district.)

Limit Per Municipality. No municipality may receive funding that would exceed 35.2% of the total present value amount awarded during any biennium (the concept of "present value" is discussed in a following section).

Unsewered Communities. Construction projects in unsewered communities receive a reduced interest rate loan (75% of the market interest rate) only if two-thirds of the initial flow originating from the area in question, as of project start-up, is from wastewater from residences that were in existence prior to October 17, 1972. This is known as the "two-thirds rule." Projects for unsewered communities that do not meet this criterion are eligible only for assistance at market rate interest or its equivalent. An unsewered municipality which is planning to use a treatment work in another municipality for disposal of its wastewater is not eligible for assistance until it has executed an agreement with that other municipality.

In several parts of the state, the high level of the groundwater table and the type of soil combine to create a large number of ineffective or failing septic systems. This can cause adverse public health effects since groundwater and surface water can be contaminated by untreated sewage. As a result, unsewered projects may receive relatively high priority scores because of the priority given the public health effects of groundwater and surface water contamination. DNR believes that some communities have not applied for clean water fund financial assistance because they do not meet the two-thirds requirement. In addition, DNR believes that the further the October, 17, 1972, date moves into the past, the more likely it is that growing municipalities and subdivisions that seek funding for providing sewers in currently unsewered areas will not meet the two-thirds rule.

New Federal Requirements. The federal WRRDA, requires recipients of loans awarded after October 1, 2014, to adhere to certain federal requirements related to use of accounting standards, Davis-Bacon wage payments, use of American iron and steel, and energy efficiency. Loan applications submitted on or after October 1, 2014, are required to include certain environmen-

Table 2: Application and Construction Deadlines for Clean Water Fund Program Financial Assistance

Deadline	Action Required
Regular Projects:	
Continuous Funding*	
Six months before beginning of fiscal year in which financial assistance will be requested.	Municipality notifies DNR of its intent to apply for financial assistance.
Anytime during year.	Municipality submits regular application, design plans and specifications.
Within eight months of application acceptance.	Municipality signs CWF financial assistance agreement.
Hardship: Annual Cycle	
Six months before beginning of fiscal year in which financial assistance will be requested.	Municipality notifies DNR of its intent to apply for financial assistance. If a sanitary district, the municipality must also submit a map of sanitary district boundaries.
Before July 1 of the following year (six months later).	Municipality submits a hardship application, designs and specifications.
By approximately October of the following year (four months after application).	DNR publishes a funding list of applicants that applied for and qualify for hardship assistance.
Within eight months of publishing funding list.	DNR issues financial assistance agreement based on the project's eligibility, priority, and available funding.

* If the administering agencies determine that the amount of present value subsidy, general obligation bonding authority and revenue bonding authority are insufficient to fund all projects for which applications will be approved during the biennium, the program would revert to an annual funding cycle. Funds would be allocated based on environmental priority scores. Municipalities would be required to submit complete applications by June 30 of affected years.

tal reviews for certain treatment works projects.

Application Process

In order to be considered for clean water fund program assistance, a municipality must meet the application and construction deadlines listed in Table 2. A municipality may not submit more than one application for any single project in any 12-month period, except for applications for financial assistance for additional costs of an approved project. Regular projects are funded on a continuous funding cycle. Financial hardship assistance projects are funded on an annual cycle.

Loan Interest Rates

The interest rate on a municipality's loan under the clean water fund program is determined

by the type of project, the financial capability of the municipality and other special provisions. This section discusses how interest rates are established.

Interest Rates and Project Types. The statutes require that the loan interest rate set for each application be based on the type of project.

Current law establishes interest rates as a percent of the market interest rate and specifies which project type receives which interest rate. The market rate is the interest rate of state revenue bonds. Table 3 lists the project types by interest rate. DNR and DOA may request the Legislature's Joint Committee on Finance to modify the interest rates; however, no Committee action has been requested.

Table 3: Clean Water Fund Program Loan Interest Rates by Project Type

Project Category	Percent of Market Rate 2009-11	Percent of Market Rate 2011-13 and 2013-15	Interest Rate 2009-11	Interest Rate 2011-13 and 2013-15	Estimated Rate 2015-17 Biennial Finance Plan
Compliance maintenance/ New and changed limits	60%	75%	2.4%	2.625%	3.75%
Storm water/nonpoint Unsewered	65	75	2.6	2.625	3.75
Violator, reserve capacity, Industrial flow or unsewered not meeting two-thirds rule	70	75	2.8	2.625	3.75
Transition	100	100	4.0	3.5	5.0
Hardship	Not Applicable	Not Applicable	2.5	2.5	2.5
Hardship grants and principal forgiveness	Variable	Variable	0.0 to 5.0	0.0 to 3.5	0.0 to 5.0
Pilot project	Grant	Grant	Grant	Grant	Grant
Septage treatment and capacity	Not Applicable	Not Applicable	0.0	0.0	0.0
	0	0	0.0	0.0	0.0

Compliance maintenance and new or changed limits projects received the greatest subsidy in biennia prior to 2011-13 (other than financial hardship assistance projects) because these projects receive the highest priority. For loans financed with funding allocated in biennia prior to 2009-11, the interest rate for these projects was 55% of the market interest rate. In 2009 Act 28, the state subsidy for these projects was decreased by increasing the interest rate to 60% of the market interest rate. In 2011 Act 32, the state subsidy for these projects was decreased by increasing the interest rate to 75% of the market interest rate.

Second priority of state subsidy prior to 2011-13 was provided to loans for storm water or nonpoint source pollution abatement projects. As of June 30, 2014, the program has funded 26 urban storm water or nonpoint projects for \$23,414,900 (none between July 1, 2012, and June 30, 2014). Third priority of state subsidy prior to 2011-13 was provided to unsewered projects that meet the two-thirds rule. In 2011 Wisconsin Act 32, the state subsidy for storm water and nonpoint projects was decreased by increasing the interest rate from 65% to 75% of the market interest rate. Act 32 also decreased the state subsidy for unsewered projects by increasing the interest rate from 70% to 75% of the market interest rate. Market inter-

est rate loans are provided to the portion of a project: (a) designed to address a WPDES permit violation; (b) serving industrial flow; or (c) unsewered areas not meeting the two-thirds rule.

Transition Loan Interest Rates. As part of the transition from the point source grant program to the clean water fund program, a specific group of communities was guaranteed 2.5% interest rate loans. To receive this reduced interest rate for a project, the community, at the time of the transition to the clean water fund loan program, either had: (a) grant applications pending under the former grant program for the project; or (b) had a staged compliance schedule (affected only the Milwaukee Metropolitan Sewerage District).

Transition projects were required, in general, to meet the criteria of the point source grant program rather than the clean water fund loan program. Financial assistance agreements of \$345.0 million have been entered into for eligible transition period projects as of June 30, 2014. Specific transition loan limitations exist for Milwaukee Metropolitan Sewerage District (MMSD). The total amount of transition loans that MMSD can receive during the duration of the clean water fund program is limited to \$230.9 million. The program entered into \$230.4 million in transition period project financial assistance agreements

with MMSD as of November 1, 2001. No financial assistance agreements have been entered into under this provision since that time. With \$287,000 in unused funds from prior agreements, a total of \$832,800 remains in unused transitional period project funding for MMSD. MMSD has not used the remaining transition project funding.

Hardship Project Interest Rates. Projects that meet certain criteria are eligible for grants and loans (see section on financial hardship assistance). Interest rates may be as low as 0% and grants may be for up to 70% of project costs. A combination of grant and loan is provided to reduce the municipality's residential wastewater treatment charges to 2% of the median household income of the municipality.

Pilot Project Interest Rates. In their 2015-17 biennial finance plan, DNR and DOA anticipate setting aside \$20 million during the biennium to be awarded through 0% interest rate loans, to fund nontraditional projects that address water quality issues consistent with the federal Clean Water Act. 2013 Act 7 authorized pilot projects and did not specify what interest rate could be charged.

Septage Management Interest Rates. Projects receive a 0% interest rate for the portion of a program loan related to septage receiving and storing facilities and capacity for septage treatment. As of June 30, 2014, the program has funded 15 projects with \$4,171,200 in septage treatment costs.

Principal Forgiveness. Under the federal American Recovery and Reinvestment Act of 2009 (ARRA), and under federal provisions applicable to federal grants received by the state for federal fiscal year 2010 and subsequent federal fiscal years, the program may provide forgiveness of a portion of the loan principal. 2013 Wisconsin Act 7 authorizes principal forgiveness on an ongoing basis in years that it is allowed under federal provisions.

Estimated Interest Rates. The interest rates paid by a municipality partly depend on the market rate, which changes with each state clean water fund revenue bond issue. Table 3 lists the program loan interest rates in the 2009-11 biennium (based on an actual 4.0% market interest rate through August, 2012), and the 2011-13 and 2013-15 biennia (based on an actual 3.5% market interest rate beginning in August, 2012). The 2015-17 biennial finance plan prepared by DNR and DOA uses a planning market interest rate estimate of 5.0%. (Appendix III describes the biennial finance plan process.) The percent of market rate listed in the table is based on the project category.

The actual interest rate for a specific project may be a composite of the interest rates listed in Table 3. This occurs if the project includes components that are associated with different interest rates. For example, an adjustment is often made for the project costs that are associated with industrial discharges. These costs would be funded at 100% of the market interest rate.

Biennial Loan Cap -- "The Present Value Subsidy Limit"

To provide a financial control mechanism, the law created a concept unique to the clean water fund program, termed a "present value subsidy" limit. This limit is a means for the Legislature to control the commitment of state financial assistance to municipalities in a biennium. Because it incorporates the debt service that will be paid on bond issuances, the present value subsidy limit reflects the total cost to the state, in current dollars, of subsidizing clean water fund program projects. The present value subsidy limit acts as a cap on the sum of all assistance provided through the clean water fund program in a biennium. To the extent that actual bond interest rates are greater or less than assumed rates, the number of projects that may be funded would decrease or increase.

Definition Of Subsidy And Present Value Subsidy. The "subsidy" is the amount provided by the clean water fund program for the purposes of: (a) reducing the interest rate of loans to a level below the market rate; and (b) providing financial hardship assistance grants. The subsidy is the difference between the debt service (principal and interest) that the state pays for the revenue bonds to finance the loan and the amount the municipality pays back into the fund.

The "present value subsidy" represents the cost, in 2013 dollars, to provide 20 years of subsidy for all financial assistance to be provided during the 2013-15 biennium. The amount of present value subsidy is intended to be the equivalent of the amount the state would expend, but not be repaid, for a given project if that entire subsidy were provided in the year the loan was made, rather than over 20 years. Conceptually, the present value subsidy is the amount the state would need to invest today at a 7% annual rate of return to receive payments equal to the annual subsidy provided to municipalities.

The 2013-15 biennial budget act established a present value subsidy limit of \$61.9 million by discounting the estimated subsidy costs at a statutory rate of 7% per year to July 1, 2013. The September, 2014, biennial finance plan proposes a present value subsidy limit for 2015-17 of \$53.4

million. The current and proposed present value subsidy limits are shown in Table 4.

How The Present Value Is Established. The amount of the present value subsidy limit is established in the statutes in each biennial budget. There are several factors that affect the present value, including the interest rate the municipality pays to the state, the interest rate the state pays for its bonds, and the expected discount rate. All these are incorporated by DNR and DOA in calculating the present value limit that is included in the biennial finance plan for consideration by the Legislature. The limit approved by the Legislature determines the present value subsidies for all clean water fund program obligations that could be made during the biennium, including amounts for financial hardship assistance.

Distribution Of The Present Value Subsidy Limit. The statutes require that the total present value subsidy limit be distributed as 95% for the basic loan commitments and 5% for financial hardship assistance. Table 4 lists the distribution of the present value subsidy among project categories as approved for 2013-15 and proposed for 2015-17. Table 4 shows the present value subsidy limit for hardship assistance is greater than 5% because the category would also include principal forgiveness for expenditure of the federal fiscal year 2012 and 2013 grants.

Table 4: Clean Water Fund Program Present Value Subsidy Limit

Project Category	Authorized 2013-15 Biennium		Proposed (September, 2014) 2015-17 Biennial Finance Plan	
	Present Value (2013-14 Dollars)	Percent of Total	Present Value (2015-16 Dollars)	Percent of Total
Loans at 75% of Market Rate -- All Types				
-Compliance Maintenance, New & Changed Limits	\$51,500,000	83.2%	\$37,000,000	69.3%
-Storm Water, Nonpoint				
-Unsewered				
Market rate	0	0.0	0	0.0
Transition	0	0.0	0	0.0
Septage treatment or capacity	0	0.0	0	0.0
Hardship and Principal Forgiveness	10,400,000	16.8	10,000,000	18.7
Pilot Projects	0	0.0	6,400,000	12.0
Total	\$61,900,000	100.0%	\$53,400,000	100.0%

Loan and Grant Programs

The clean water fund program provides financial assistance to municipalities through loans and limited grants. The state's clean water fund program is broader in scope than what is required to meet federal Water Quality Act requirements. The clean water fund program includes the direct federal revolving loan program and four state-only components: (1) leveraged loans; (2) proprietary loans; (3) hardship loans and grants; and (4) small project loans. Appendix IV provides an outline of the program components.

The amount of funding and interest rate received by municipalities is determined for all projects based on the program criteria previously discussed (such as project type and priority level), regardless of which loan program is used to finance the project. DOA selects the loan program to finance a project based on the following considerations: (a) all federal grant funding is used first, within federal guidelines and restrictions; (b) state revenue bond proceeds are used for as many non-federally funded projects as possible; and (c) state general obligation bond proceeds are used for loans which cannot be funded under (a) or (b) due to funding availability or other financial considerations.

The program has entered into 870 financial assistance agreements totaling \$4.0 billion as of June 30, 2014, including \$115.7 million for hardship grant awards. Table 5 shows the amount of financial assistance agreements entered into in every fiscal year between 1990-91 (the first year the program entered into financial assistance agreements) and 2013-14. Appendix V lists the total amount of financial assistance agreements provided to municipalities.

The total amount received by individual municipalities for financial assistance ranges be-

Table 5: Clean Water Fund Program, Financial Assistance Agreements by Fiscal Year

State Fiscal Year	Grant and Principal Forgiveness	Loan	Total
1990-91	\$0	\$152,620,646	\$152,620,646
1991-92	10,144,503	252,605,656	262,750,159
1992-93	20,584,960	112,492,580	133,077,540
1993-94	11,469,235	76,354,193	87,823,428
1994-95	7,681,464	92,961,017	100,642,481
1995-96	14,587,588	82,654,586	97,242,174
1996-97	1,284,877	125,730,689	127,015,566
1997-98	1,956,066	92,745,736	94,701,802
1998-99	11,938,555	108,298,122	120,236,677
1999-00	0	109,097,750	109,097,750
2000-01	696,993	113,086,192	113,783,185
2001-02	16,733,379	288,301,555	305,034,934
2002-03	1,500,864	196,408,101	197,908,965
2003-04	1,791,314	75,359,841	77,151,155
2004-05	4,893,698	170,831,796	175,725,494
2005-06	1,695,582	215,063,483	216,759,065
2006-07	1,444,516	162,650,641	164,095,157
2007-08	80,000	277,435,251	277,515,251
2008-09	2,762,550	220,590,023	223,352,573
2009-10	104,808,217*	173,900,158	278,708,375
2010-11	2,380,493	180,275,927	182,656,420
2011-12	7,075,336	221,233,898	228,309,234
2012-13	3,945,314	160,740,920	164,686,234
2013-14	<u>5,439,866</u>	<u>143,945,963</u>	<u>149,385,829</u>
Total	\$234,895,370	\$3,805,384,724	\$4,040,280,094

* Includes grants and principal forgiveness under the American Recovery and Reinvestment Act of 2009.

tween \$22,000 and \$1,335,922,400. The Milwaukee Metropolitan Sewerage District, the largest recipient of clean water fund loans, accounted for 33.0% of the cumulative financial assistance amount as of June 30, 2014.

Direct Revolving Loans

One subprogram of the clean water fund program is known as the direct loan component. The federal Water Quality Act of 1987 makes grants available to states for a state revolving loan fund. The individual states that choose to participate receive a percentage of the total federal funds available each year. These funds can then be

loaned by the states to municipalities to use for water quality planning and pollution abatement projects. These funds are termed "revolving" because the federal act requires that municipal repayments of these loans must be deposited back into the fund, thus providing a source of future loans for other municipalities.

Intended Use Plan and Annual Report. To receive the state's share of the capitalization grant, the state must provide an annual plan to the federal Environmental Protection Agency (EPA) that identifies the intended uses of the amounts in its revolving loan fund for the following fiscal year. At the conclusion of each fiscal year, the state is required to provide an annual report to the EPA describing how the state has met the goals and objectives for the previous year. EPA reviews the state program annually and audits the revolving loan fund, or requires the state to have an independently conducted audit. The state must demonstrate that the federal portion of the revolving loan fund and the state match are being maintained in perpetuity.

Eligible Uses Of Federal Funds. Federal law establishes three categories of eligible uses for federal funds: (a) the construction of publicly-owned treatment works; (b) control of nonpoint source pollution; and (c) national estuary conservation plans.

To be eligible for assistance from the revolving loan program, the municipality's project must be: (a) a publicly-owned treatment work; (b) consistent with areawide water quality management plans and nonpoint watershed plans; and (c) on the state's priority list.

Conditions For State Receipt of Federal Capitalization Grants. To receive federal capitalization grants, the state must contribute an amount equal to at least 20% of the federal grant amount. The state match is provided with general obligation bond proceeds. General obligation bonds are repaid from the state's general fund taxes and

loan repayments on clean water fund loans. The state must also meet federal regulations related to procurement, accounting and financial management. State funding in the clean water fund program, other than the 20% state matching funds for the revolving loan program, is not subject to these restrictions. Funding received under ARRA was not subject to the state match requirements.

Types Of Assistance Available To Municipalities. In addition to restrictions on the broad categories of uses for capitalization grants, there are federal limitations on the types of assistance that may be provided to municipalities with the federal component of the clean water fund and the associated state match. Prior to 2009, states were not permitted to use the federal funds or the state match to provide grants to municipalities. However, 2009 and subsequent federal acts have allowed for forgiveness of loan principal for federal fiscal year 2010 and subsequent years. The funds may be used to:

1. Make loans, on the conditions that: (a) the loans are made at or below market interest rates; (b) the terms do not exceed 20 years; (c) the municipality that is the recipient of the loan must establish a dedicated source of revenue for repayment; and (d) the fund will be credited with all payments of principal and interest on all loans.
2. Buy or refinance the debt obligation of municipalities incurred after March 7, 1985 (the date the U.S. Senate began considering the Water Quality Act of 1987), for the purpose of constructing a treatment facility otherwise eligible under this program.
3. Guarantee, or purchase insurance for, local debt obligations if doing so improves the municipality's access to the credit market, or reduces its interest rate.
4. Provide loan guarantees for similar revolving funds established by municipalities.

5. Provide forgiveness of loan principal (grants) for projects funded under federal fiscal year 2010 and subsequent years. DNR and DOA limit principal forgiveness for a municipality to 10%, 30%, or 50% of the amount of the eligible project costs, depending on the population and median-household income of the municipality.

Federal Funding Levels. In the Water Quality Act of 1987, Congress authorized initial funding with federal capitalization grants for state revolving loan programs for the period from federal fiscal year (FFY) 1989 through 1994. From FFY 1989 through 1994, Wisconsin received 2.7342% of the total available capitalization grant funds nationwide. As of January, 2015, the Water Quality Act had not been reauthorized. Federal funding in FFY 1995 through 2014 for state revolving loan programs has been provided through annual appropriations.

The revolving fund can be used to finance the costs of administering the fund, including only those activities related to federally funded projects. The state is permitted to set aside not more than 4% of federal grants received for these administrative purposes. Table 6 lists federal capitalization grants and annual appropriations received to date, including: (a) federal grants for direct loans to municipalities; (b) federal funds provided for grants or principal forgiveness; (c) the 4% of federal grants allowed for administration; and (d) the required 20% state match provided from the issuance of general obligation bonds.

ARRA Provisions. Under the federal American Recovery and Reinvestment Act of 2009, DNR and DOA received a one-time grant of \$105,948,300. Of the total, \$103,967,400 was used to provide principal forgiveness for 50% of eligible project costs, and the remaining \$1,980,900 was allocated to program administration. (This is an adjustment reflecting the 2012-13 program reallocation of \$219,100 from ad-

ministration to principal forgiveness.)

Under ARRA, Wisconsin was authorized to provide grants, principal forgiveness, or loans at different interest rates than the regular state program. To implement required federal priorities, DNR established an ARRA funding list through the following steps: (a) ranked all eligible projects by priority score; (b) allocated 20% of funds for green projects, in priority order; (c) allocated at least 25% of funds to projects in counties with an unemployment rate higher than the state average unemployment rate, by priority score (some projects met both green project and high unemployment area criteria); (d) allocated funds to at least one project in each of the five DNR regions if not funded under (b) or (c); and (e) allocated all remaining ARRA funds based on project priority score, subject to the readiness to proceed criteria. DNR and DOA awarded all ARRA clean water funds during the fall of 2009.

DNR established a cap of 35.2% of ARRA clean water funds that could be received by any one municipality. This was done to be consistent with the statutory requirement for the regular program that restrict any one municipality from receiving more than 35.2% of the clean water fund present value subsidy available in any biennium.

Provisions for Federal Fiscal Year 2010 and Subsequent Years. The federal capitalization grants for FFY 2010 through 2014 include the same requirements as included in ARRA related to principal forgiveness and priority for green projects (but not for projects in high unemployment areas). The federal requirements allow states to use up to 30% of the federal capitalization grant for principal forgiveness, based on a nationwide formula applied to the portion of the nationwide appropriation that exceeded \$1 billion. DNR and DOA established a maximum amount of principal forgiveness of \$500,000 per municipality per year.

Table 6: Revolving Loan Program Federal Grants and State Match

Fiscal Year		Federal Funding				State Match	Federal and State Total
Federal	State	Loans	Grants and Principal Forgiveness	Administration	Subtotal Federal		
1989	1990	\$24,479,500		\$1,020,000	\$25,499,500	\$5,099,900	\$30,599,400
1990	1991	25,398,100		1,058,300	26,456,400	5,291,300	31,747,700
1991	1991	53,437,900		2,226,600	55,664,500	11,132,900	66,797,400
1992	1993	50,427,000		2,101,100	52,528,100	10,505,600	63,033,700
1993	1994	49,883,600		2,078,500	51,962,100	10,392,400	62,354,500
1994	1995	30,952,100		1,289,700	32,241,800	6,448,300	38,690,100
1995	1996	31,966,900		1,332,000	33,298,900	6,659,800	39,958,700
1996	1997	52,362,700		2,181,800	54,544,500	10,908,900	65,453,400
1997	1998	16,175,000		674,000	16,849,000	3,369,800	20,218,800
1998	1999	34,947,800		1,456,200	36,404,000	7,280,800	43,684,800
1999	2000	38,382,500		1,599,300	39,981,800	7,996,400	47,978,200
2000	2001	34,832,300		1,451,300	36,283,600	7,256,700	43,540,300
2001	2002	34,522,500		1,438,400	35,960,900	7,192,200	43,153,100
2002	2003	34,681,800		1,441,600	36,123,400	7,224,700	43,348,100
2003*	2004	34,517,400	\$1,212,900	1,432,300	37,162,600	7,229,200	44,391,800
2004	2005	34,395,400		1,433,100	35,828,500	7,165,700	42,994,200
2005	2006	27,966,700		1,165,300	29,132,000	5,826,400	34,958,400
2006	2007	22,726,900		947,000	23,673,900	4,734,800	28,408,700
2007	2008	27,777,400		1,157,400	28,934,800	5,787,000	34,721,800
2008	2009	17,660,700		735,900	18,396,600	3,679,300	22,075,900
2009**	2010	17,660,600	103,967,400	2,716,800	124,344,800	3,679,300	128,024,100
2010	2011	44,630,000	8,249,700	2,203,300	55,083,000	11,016,600	66,099,600
2011	2012	34,624,800	3,699,300	1,596,800	39,920,900	7,984,200	47,905,100
2012	2013	33,494,500	3,185,200	1,528,300	38,208,000	7,641,600	45,849,600
2013	2014	32,542,800	2,550,200	1,000,000	36,093,000	7,218,600	43,311,600
2014	2015	<u>33,810,000</u>	<u>3,094,100</u>	<u>1,000,000</u>	<u>37,905,000</u>	<u>7,581,000</u>	<u>45,486,000</u>
Total		\$874,257,800	\$125,958,800	\$38,265,000	\$1,038,481,600	\$186,303,400	\$1,224,785,000

* Includes grant under the federal rural communities hardship grants program.

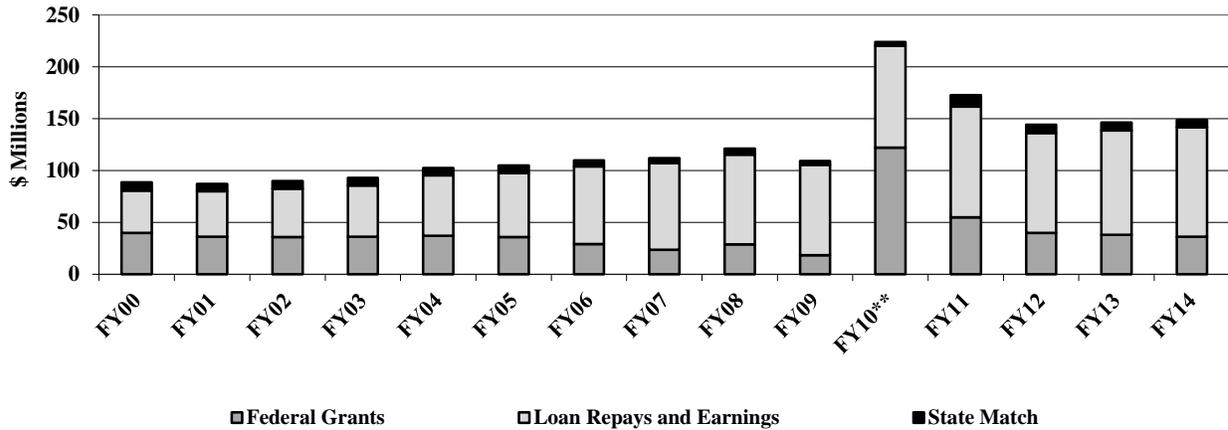
** Includes the American Recovery and Reinvestment Act of 2009 funding.

Loan Repayments Held In Perpetuity. One of the primary federal requirements the states must meet is to manage the direct revolving loan program so that the amount received in federal capitalization grants is available "in perpetuity" (for an indefinite period with no stated limit). This is accomplished through the requirement that all repayments of loans made from federal grants plus the state match be credited to the revolving fund for future loans.

The state is authorized to use up to half of the

interest repayments received for loans that were originally provided from the proceeds of general obligation bonds issued to provide the 20% state match to federal capitalization grants for general obligation bond debt service. State legislation has authorized the use of \$121.8 million in segregated loan repayments through 2013-14 to be used instead of general purpose revenues for general obligation bond debt service. In 2014-15, an additional \$8 million is appropriated for general obligation bond debt service. Use of segregated (SEG) revenue loan repayments for future loans

Figure 1: Direct Revolving Loan Program Annual Funding Available, State Fiscal Years 2000-2014*



*Each state fiscal year includes the federal grant from the previous federal fiscal year, plus the state match, plus the loan repayments and investment earnings received.
 ** FY10 includes \$103.7 million in one-time federal ARRA funds.

reduces the future reliance of the program on general obligation bond issuance for loan financing. The use of SEG loan repayments to replace general purpose revenue (GPR) debt service costs for general obligation bond debt service decreases short-term GPR debt service costs. However, the long-term effect of using SEG loan repayments is to increase the need for future issuance of general obligation bonds and revenue bonds because loan repayments are used for debt service instead of clean water fund program loans. Use of SEG loan repayments for general obligation bond debt service costs lengthens the time period that it takes for the revolving loan program to become a self-sustaining fund.

As loans are repaid, typically on a 20-year cycle, the funds become available for new loans. Funding available in a fiscal year for new loans is equal to the influx of new federal grants and state match plus loan repayments. Figure 1 portrays the level of new financing occurring in each of the last 15 state fiscal years, from 2000 through 2014. Each fiscal year includes the federal grant from the previous federal fiscal year, plus the required state match, plus loan repayments and investment earnings received. Figure 1 identifies

the gradual increase in the proportion of new loans financed with revolving funds compared to new funding. The amount of revolving loans funded from loan repayments will continue to grow for approximately 20 years subsequent to the last addition of new funding.

Disbursements. Through June 30, 2014, the direct loan program had disbursed \$1.94 billion to 233 municipalities. Generally, funding commitments are disbursed over several years. Interest rates have ranged from 0.0% to 5.006%, and the weighted average interest rate for all loans is 2.72%.

Leveraged Loans

The leveraged loan subprogram provides loans to municipalities using proceeds of state revenue bonds and general obligation bonds. The program utilizes the state's general obligation bond authority to "leverage" a larger amount of capital through the sale of state revenue bonds. Through this process, the program reduces the state's use of general debt service obligations.

Revenue Bonds. The state issues revenue bonds to provide the main source of capital to

make loans to municipalities for eligible projects. Revenue bond proceeds also pay bond issuance and administrative expenses associated with issuance of the bonds. Municipalities borrow money, including at lower than market interest rates, and use the loans for the costs of planning, design and construction of pollution abatement facilities.

The repayment of revenue bonds comes from four sources: (a) municipality repayment of loans made through the program; (b) revenue bond proceeds deposited to the credit reserve fund (paid at the end of the repayment period) and earnings on the credit reserve fund; (c) general obligation bond proceeds deposited to the subsidy reserve fund to pay the costs of below market interest rates; and (d) in cases of default, state aid otherwise paid to a municipality may be utilized.

Subsidy Reserve Fund. To meet conditions required for the sale of revenue bonds in the bond market, reserve funds are established. General obligation bonds are sold to create a subsidy reserve fund to pay the costs of the state subsidy to municipalities. The subsidy results because loans to municipalities are, in most cases, made at an interest rate below the market interest rate the state pays for its revenue bonds. The reserve fund is necessary to assure revenue bond holders that the subsidy costs are funded. The state's general fund pays debt service costs for the general obligation bonds that are in the subsidy reserve fund.

Credit Reserve Fund. A credit reserve fund is established with a portion of the proceeds of revenue bond issuances. The source of revenues for repayment of the bonds is repayments from municipalities that received clean water fund loans. The credit reserve fund provides security to the buyers of the state revenue bonds by providing a liquid asset from which payments to bond holders can be made in the event of default by a municipality. The reserve fund also enables the revenue bonds to be sold at a lower interest rate.

State Aid Intercept. Bond holders are also provided security for their investments through a state aid intercept provision. Under s. 281.59(11) of the statutes, in the event of default on a loan, the clean water fund has the authority to intercept state aid payments made to that municipality and use those funds to pay the bond holders. In addition, the state may apply an additional charge to the amount of property taxes levied by the county in which the applicable municipality is located.

Disbursements. Through June 30, 2014, the leveraged loan program had disbursed \$1.66 billion to 251 municipalities. Generally, funding commitments are disbursed over several years. Interest rates have ranged from 0.0% to 5.8%, and the weighted average interest rate for all loans is 2.77%.

Proprietary Loans

The clean water fund provides loans to municipalities through a proprietary loan portfolio. This method of financial assistance makes direct use of general obligation bond proceeds and is utilized when a project does not meet all the construction or financial criteria of the federal or leveraged loan programs and when the municipality is identified as otherwise eligible for assistance. It also funds the low-interest loan component of the hardship program (see the following section). In addition, because of specific restrictions on the use of revenue bond proceeds, such as a requirement that project refinancing must occur within 90 days of the issuance of the bond, the Department may temporarily finance projects through direct loans and subsequently transfer the project to the leveraged loan program under an upcoming bond issuance.

As of June 30, 2014, the program had loans outstanding for 45 projects with an aggregate principal balance of \$9,307,500. The \$206,800 average balance of the project loans is smaller than the \$2,170,600 average balance of leveraged loans, and the \$3,260,500 average balance of di-

rect revolving loans.

Hardship Financial Assistance

The financial hardship assistance subprogram was included in the clean water fund program to address the concern that not all communities are equally able to bear the additional costs associated with wastewater treatment plant construction or rehabilitation. Particularly in small, rural communities, the cost per capita can be high because of the limited number of individuals financing the necessary capital investment. Information developed by DNR shows that user charges for wastewater services vary greatly across the state.

Through June 30, 2014, the clean water fund program had entered into financial hardship assistance agreements with 91 municipalities totaling \$179,610,000. This included hardship grants totaling \$115,743,600 (including disbursements of \$106,126,300) and hardship loans totaling \$63,866,400 (including disbursements of \$62,848,400). These municipalities are noted in Appendix V.

Eligibility and Ranking. DNR is responsible for determining which communities receive financial hardship assistance and the form of that assistance. In making these decisions, DNR is directed to consider: (1) the project's placement on the priority list for funding; (2) the municipality's eligibility for financial hardship assistance; (3) the construction and operation and maintenance costs of the project; and (4) the total funding available to provide financial hardship assistance to all qualified applicants.

Eligibility for financial hardship assistance is determined based on the following two criteria:

1. The median household income of the municipality must be 80% or less (\$41,899 in 2013-14 and \$42,102 in 2014-15) of the median household income of the state; and

2. The estimated total annual charges per residential user in the municipality that relate to wastewater treatment would exceed 2% of the median household income in the municipality without hardship assistance.

"Median household income" means median household income determined by the U.S. Bureau of the Census. For 2013-14 and 2014-15, DNR used U.S. Census data from the American Community Survey, an ongoing survey that uses a series of monthly samples to produce annually updated data for census tracts. DNR is currently using the 2008-2012 survey data published by the U.S. Census Bureau in December, 2013.

For municipalities that are sanitary districts, DNR obtains median household income information by: (a) obtaining a map of the district boundaries from the sanitary district; (b) gathering census block data; and (c) providing census block numbers to the U.S. Census Bureau to obtain a special tabulation of median household income for the sanitary district. The methodology for obtaining census information for sanitary districts did not change between the 2009-11 and 2013-15 biennia. DNR is in the process of promulgating administrative rule changes for calculation of median household income for sanitary districts which would provide options for the calculation that take less time and cost.

"Residential user" means a structure or part of a structure, including a mobile home, that is used primarily as a home, residence or sleeping place by one person or two or more persons maintaining a common household and that uses a publicly owned treatment work. "Residential user" does not include an institutional, commercial, industrial or governmental facility.

Types of Assistance. The program provides financial hardship assistance that reduces residential user charges to an amount equal to 2% of the median household income in the municipality (or as close to 2% as is possible

with the maximum assistance). Financial hardship assistance may include grants or loans at or below the market rate. The maximum financial assistance provided to a municipality, including hardship assistance, is a 70% grant with the remaining 30% of costs provided through a 0% interest rate loan. The municipality must pay at least 30% of the eligible costs of the project.

Financial hardship assistance is provided first in the form of a low-interest loan. Then if user charges still exceed 2% of the median household income, the program adds a grant. The program may not reduce the amount of financial hardship assistance provided to a municipality if the municipality also receives funding from another source unless the combination of the financial hardship assistance plus the other funding would reduce the residential user charges to less than 2% of the median household income in the municipality.

Cap on Hardship Assistance. Funding for financial hardship assistance is statutorily limited to 5% of the total present value subsidy authorized during a biennium. In 2013-15, this equals \$2.7 million in present value subsidy. (In addition, approximately \$7.7 million of the \$61.9 million in total present value subsidy for the biennium is allocated for principal forgiveness under the federal 2012 and 2013 grants.) Prior to enactment of 2011 Act 32, the statutes limited financial hardship assistance to 15% of the total present value subsidy authorized during a biennium. The available funding for hardship assistance has been sufficient to fund all eligible requests for hardship assistance since 1998-99.

Restrictions on Assistance. The Department must comply with certain restrictions in making financial hardship awards. A municipality that is violating discharge permit pollution limitations may not receive financial hardship for that portion of the project designed to correct that violation.

All projects that receive financial hardship assistance must comply with all the criteria for general clean water fund assistance, and must be on the funding priority list. Any hardship projects that are on the financial hardship assistance funding list but do not receive funding, have not previously received funding and are in the top 20% of environmental priority ranking scores for clean water fund projects, shall receive top priority for financial hardship assistance in the following year.

One-Time Hardship Funding Priority Provisions. Several separate legislative acts were enacted over several years to provide one-time exemptions from statutory hardship criteria, modifications of hardship eligibility, or higher priority to municipalities that met specified criteria or to named municipalities. Provisions were enacted in 1993 Act 413, 1995 Acts 27 and 452, 1997 Act 27, 2003 Act 316 and 2007 Act 20. [Additional detail about the specific acts and affected municipalities can be found in the 2013 Legislative Fiscal Bureau Informational Paper #67 entitled "Environmental Improvement Fund."]

Small Project Loans

The small project loan subprogram was created in 1993 to provide an alternate funding source with a simplified application and review process for smaller municipal wastewater treatment projects. The maximum project cost is \$1,000,000. The program is intended to fund smaller projects, such as those that are requested: (a) to maintain compliance with current wastewater standards, such as the addition of equipment not involving major construction; and (b) to comply with a new or changed effluent limit. It has provided interest subsidies since June, 1995.

The small loan program utilizes an existing program operated by the Board of Commissioners of Public Lands. The Board receives revenues, managed through the State Trust Fund, which are invested or loaned to local units of

government. Trust fund revenues are derived from timber sales on Board land holdings, fines, forfeitures, escheated property and other sources. The majority of the Board's funds are invested in loans granted to school districts and municipalities.

Under the small loan program, a municipality obtains a loan from the State Trust Fund to fund a wastewater treatment project. The municipality also enters into an agreement with the clean water fund program to provide an annual subsidy of the State Trust Fund loan interest rate. The clean water fund program makes payments from the Clean Water Fund to the municipality for the interest rate subsidy. Units of government that are eligible for the clean water fund small loan program include: sewerage and sanitary districts; towns; villages; cities; counties; and public inland lake protection and rehabilitation districts.

Municipalities interested in the small loan program must submit an intent to apply form to the clean water fund program by December 31 prior to the calendar year in which the municipality applies for the interest subsidy. Municipalities may submit the application for the interest subsidy at any time during the year. Approval of an interest subsidy is made within eight months of the date the application is accepted. Assistance provided under the small loan program may not exceed the amount of subsidy that would have been provided if the loan would have been made directly by the clean water fund program.

Through June 30, 2014, the small loan program had provided interest subsidy of \$3,601,800 on 86 loans that have a loan amount of \$27,028,600. Subsidized interest rates provided by the small loan program have ranged from 0.25% to 4.5%, which reduced State Trust Fund interest rates that ranged from 3.00% to 6.75%.

Rural Communities Hardship Grant Program

In 1999, DNR received a one-time grant of

\$1,355,800 under the federal rural communities hardship grants program. DNR provided the full available amount to the Fulton Sanitary District #2 in Rock County, which met federal criteria related to having a small and rural population, lacking centralized wastewater treatment or collection systems or needing improvements to onsite wastewater treatment systems to improve public health or reduce an environmental risk, and having a per capita annual income of residents served by the project that does not exceed 80% of the national per capita annual income. The \$1,668,060 agreement included grants of \$1,355,800 in federal rural hardship assistance, \$67,790 as a required 5% state match from general obligation bonding authority, and \$244,470 in state hardship assistance. The project has been closed out.

Clean Water Fund Program Costs

The clean water fund program provides state financial assistance to municipalities with the use of state general obligation bonds and state revenue bonds. General obligation bonds are repaid from the state's general fund taxes and loan repayments on clean water fund loans. Clean water fund revenue bonds are primarily repaid from the proceeds of municipal loan repayments rather than from state tax dollars.

The cost to the state under the clean water fund program accrues over time based on the debt service costs of the general obligation bonds. The debt service costs fund: (a) the costs of subsidizing interest rates; (b) the state match required for the receipt of federal grants; (c) direct (proprietary) state loans; (d) grants provided under the financial hardship program; and (e) program costs, including bond discounts, cost of bond issuance, some administrative expenses and capitalized interest.

DNR and DOA are required to attempt to en-

sure that increases in state water pollution general obligation debt service costs do not exceed 4% annually and that state general obligation bond debt service costs for all state water pollution abatement programs are not greater than 50% of all general obligation debt service in any fiscal year. Water pollution abatement debt service is expected to be approximately 7.7% (\$81.2 million) of total statewide general obligation debt service in 2014-15 of \$1,049.4 million, which includes GPR debt service of approximately \$699.1 million. Water pollution abatement debt service includes debt service costs for the clean water fund, for the predecessor programs to the clean water fund program, and for nonpoint source water pollution abatement debt service for DNR and the Department of Agriculture, Trade and Consumer Protection (DATCP).

The total cumulative amount of debt service payments for clean water fund program general obligation bonds is shown in Table 7. Total debt service expenditures were \$47.8 million in 2008-09 for clean water fund program general obligation bonds and decreased substantially in the next three years primarily because of the deferral of most principal payments in the state's overall general obligation program. Clean water fund general obligation debt service is estimated at \$41.6 million in 2014-15. As shown in Table 7, a portion of general obligation bond debt service has been paid since 1994-95 by loan repayments received from municipalities from loans that were originally provided from the proceeds of general obligation bonds, instead of using GPR for that portion of general obligation bond debt service.

Future and Current Costs

DNR and DOA are required to develop a biennial finance plan that includes estimates of costs for the program in the upcoming biennium. (See Appendix III for a description of the biennial finance plan process.) In the 2015-17 biennial finance plan, submitted in September, 2014, DNR

Table 7: Clean Water Fund Payments of General Obligation Bond Debt Service

Year	Payment General Fund (GPR)	Payment from Loan Repayments	Total GO Debt Service Payment
1990-91	\$2,489,900		\$2,489,900
1991-92	6,536,600		6,536,600
1992-93	11,571,000		11,571,000
1993-94	15,213,000		15,213,000
1994-95	16,074,400	\$1,394,500	17,468,900
1995-96	18,083,300	1,858,300	19,941,600
1996-97	19,288,200	2,350,600	21,638,800
1997-98	21,863,100	4,000,000	25,863,100
1998-99	26,423,700	4,000,000	30,423,700
1999-00	27,639,800	4,000,000	31,639,800
2000-01	28,690,600	4,000,000	32,690,600
2001-02	23,698,300	10,200,000	33,898,300
2002-03	30,196,000	6,000,000	36,196,000
2003-04 *	14,868,100	6,000,000	20,868,100
2004-05 *	15,977,200	6,000,000	21,977,200
2005-06	36,248,800	6,000,000	42,248,800
2006-07	39,951,200	6,000,000	45,951,200
2007-08	39,780,200	6,000,000	45,780,200
2008-09	41,810,100	6,000,000	47,810,100
2009-10 **	14,815,000	15,000,000	29,815,000
2010-11 **	28,509,300	9,000,000	37,509,300
2011-12 **	12,540,300	8,000,000	20,540,300
2012-13	34,302,000	8,000,000	42,302,000
2013-14	32,347,800	8,000,000	40,347,800
2014-15 ***	<u>33,590,500</u>	<u>8,000,000</u>	<u>41,590,500</u>
Total	\$592,508,400	\$129,803,400	\$722,311,800

* Principal payments were not made on certain clean water fund bond issues, but rather were restructured under 2003 Wisconsin Act 129. In addition, DOA reduced GPR debt service payments in 2003-04 and 2004-05 by lapsing approximately \$14 million per year from clean water fund program reserve funds to the general fund, and replacing the reserves with a surety bond.

** Expenditures are lower than otherwise would have occurred because of the deferral of most principal payments on the state's general obligation (GO) bond program.

*** Budgeted.

and DOA projected program needs for the next four years (2015-16 to 2018-19), of an estimated \$632.7 million in 2014 dollars, based on the current scope of the program and current federal and state wastewater discharge requirements. Through the 2013-15 biennium, the program has been authorized \$2,708.9 million in revenue bond authority and \$740.8 million in general obligation bond

authority to fund the state's portion of program costs. This includes the deletion of \$44.6 million in excess authority under 2013 Act 20 that is not expected to be needed during the 2013-15 biennium.

Through June 30, 2014, the clean water fund program signed financial assistance agreements with municipalities for 870 projects at a total value of \$4,040.3 million, including \$3,805.4 million in loans closed and \$234.9 million in awards for grants or principal forgiveness. Appendix V shows these financial assistance agreements by municipality. Loans made under the land recycling loan program (discussed in a later section) are funded from repayments of loans under the clean water fund program, and are not included in these totals or the totals in Appendix V. Of the loans and grants awarded with signed financial assistance agreements, \$3,515.0 million in loans and \$225.8 million in awards for grants or principal forgiveness have been disbursed. Municipalities are responsible for repaying all of the loan disbursements. The clean water fund program has received loan repayments from municipalities totaling \$2,477.6 million as of June 30, 2014. Interest rates ranged from 0% to 5.8% as of 2014.

Sources and Uses of Funds

Table 8 lists the total sources (\$5.98 billion) and uses of clean water fund program funds as of June 30, 2014. The sources of program funds include revenue bonds (\$1.66 billion), federal grant proceeds (\$1.0 billion), general obligation bond proceeds (\$659 million), loan repayments (\$2.46 billion), investment income (\$206 million), and land recycling loan annual servicing fees (\$0.5 million). Uses of funds include loan and grant disbursements of \$3.75 billion, revenue bond debt service payments of \$1.57 billion, \$122 million from loan repayments for payment of general obligation bond debt service (instead of using GPR for the debt service payments), \$86 million in program and administrative costs, and \$24

Table 8: Clean Water Fund Program -- Sources and Uses of Funds through June 30, 2014 (\$ in Millions)

Sources of Funds	Amount
Revenue Bonds	\$1,654.9
Federal Grant Proceeds 1989-2013	1,000.6
General Obligation Bond Proceeds and CWF Subsidy Bonds	659.4
Loan Repayments	2,462.5
Investment Income	206.1
Land Recycling Loan Servicing Fee	<u>0.5</u>
Total Sources of Funds	\$5,984.0
Uses of Funds	
Uses – Financial Assistance Disbursements	
Loans from Revenue Bonds	\$1,467.2
Loans from Federal Grants	834.9
Loans from General Obligation Bonds	290.9
Loans from Loan Repayments	843.4
Loans from Investment Income	90.3
Hardship Grants and Principal Forgiveness	<u>225.8</u>
Subtotal	\$3,752.5
Uses - Other	
Revenue Bond Debt Service	\$1,570.3
General Obligation Bond Debt Service	121.8
Program, Administrative and Issuance Expense	85.6
Transfer to Safe Drinking Water Loan Program	<u>23.6</u>
Subtotal	\$1,801.3
Commitments and Reserves	
Loan Credit and Subsidy Reserves	139.9
Financial Assistance Agreements Closed but not Fully Disbursed	87.6
Financial Assistance Applications Approved but not Closed	<u>54.7</u>
Subtotal	\$282.2
Total Funds Unapplied	<u>\$148.0</u>
Total Uses of Funds	\$5,984.0

million in funds transferred to the safe drinking water loan program. In addition, commitments and reserves include \$140 million in loan credit and subsidy reserves, \$88 million in loans closed but not fully disbursed, \$55 million in loan applications approved but not closed, and \$148 million in unapplied funds.

The lines in Table 8 for financial assistance disbursements include the portions of closed loans that have been disbursed to the municipal recipient of the financial assistance. The line for financial assistance agreements closed but not

fully disbursed includes the portion of the financial assistance agreement that has not been disbursed to the municipality, but will be during the remainder of construction during the next few years. The line for financial assistance applications approved but not closed, includes agree-

ments that have been approved, and the present value subsidy limit has been allocated to the project, but the terms of the financial assistance agreement have not been finalized and the agreement has not been closed.

SAFE DRINKING WATER LOAN PROGRAM

Project Eligibility and Priority

Under the federal Safe Drinking Water Act (SDWA) Amendments of 1996, EPA is authorized to award federal capitalization grants to states for drinking water projects and states are required to provide a 20% match in state funds to receive the federal grant. The state safe drinking water loan program provides assistance primarily to local governments (including cities, villages, towns, counties, town sanitary districts, public inland lake protection and rehabilitation districts and municipal water districts) for eligible projects to plan, design, construct or modify public water systems, if the projects will facilitate compliance with national primary drinking water regulations under the federal Safe Drinking Water Act or otherwise significantly further the health protection objectives of the Act. A "public water system" is defined as a system providing piped water to the public for human consumption if the water system has at least 15 service connections or regularly serves an average of at least 25 individuals for at least 60 days each year.

Eligible Projects

DNR and DOA are authorized to provide financial assistance to local governments for drinking water projects that have any of the following purposes:

a. Address SDWA health standards that have been exceeded or prevent future violations of rules related to contaminants with acute or

chronic health effects;

b. Replace aging infrastructure if necessary to maintain compliance or further the public health protection goals of the SDWA;

c. Consolidate water systems that have technical, financial, or managerial difficulties;

d. Purchase a portion of another public water system's capacity if it is the most cost effective solution;

e. Restructure a public water system that is in noncompliance with the SDWA requirements or lacks the technical, managerial and financial capability to maintain the system if the assistance will ensure that the system will return to and maintain compliance with the SDWA; and

f. Create a new community water system or expand an existing community water system that, upon completion, will address existing public health problems with serious risks caused by unsafe drinking water provided by individual wells or surface water sources. A "community water system" is defined as a public water system that serves at least 15 service connections used by year-round residents of the area served by the public water system or that regularly serves at least 25 year-round residents.

Ineligible Projects

The following types of projects are ineligible for assistance under the program:

a. Construction or rehabilitation of dams;

b. Water rights, except if the water rights are owned by a public water system that is being purchased through consolidation as part of a capacity development strategy;

c. Reservoirs, except for finished water reservoirs and those reservoirs that are part of the treatment process and are located on the property where the treatment facility is located;

d. Projects needed primarily for fire protection;

e. Projects for systems that lack the adequate technical, managerial and financial capability, unless assistance will ensure compliance;

f. Projects for systems determined to be significant noncompliers unless funding will ensure compliance with SDWA requirements;

g. Projects primarily intended to serve future growth;

h. Projects for systems owned by state or federal agencies; and

i. Projects or portions of projects that are not reasonably necessary and appropriate to address a public health concern.

Other Eligible Activities

DNR is authorized to spend, with DOA approval, up to a total of 15% of the federal safe drinking water capitalization grant in any fiscal year for the following five activities authorized by the federal Safe Drinking Water Act (but not more than 10% of the federal capitalization grant for any one activity).

a. Provide a loan to the owner (whether or not a local government) of a community water system or a nonprofit noncommunity water system to acquire land or a conservation easement from a willing seller or grantor to protect the

source of the water system from contamination and to ensure compliance with national primary drinking water regulations. A "noncommunity water system" is defined as a public water system that is not a community water system.

b. Provide a loan to the owner of a community water system to: (1) implement voluntary source water protection measures in order to facilitate compliance with national primary drinking water regulations or otherwise significantly further the health protection objectives of the Safe Drinking Water Act; or (2) to implement a program for source water quality protection partnerships.

c. Assist the owner of a public water system to develop the technical, managerial and financial capacity to comply with national primary drinking water regulations (capacity development).

d. Delineate or assess source water protection areas (only available with federal fiscal year 1997 grant monies).

e. Protect wellhead areas from contamination.

DNR is authorized to spend, with DOA approval, up to a total of 10% of the federal capitalization grant in any fiscal year for the following four activities authorized by the federal Safe Drinking Water Act: (a) administration of a public water system supervision program; (b) technical assistance concerning source water protection; (c) development and implementation of a capacity development strategy required by the Act; and (d) development and administration of an operator certification program required by the Act.

DNR is authorized to spend, with DOA approval, up to a total of 2% of the federal capitalization grant in any fiscal year for technical assistance to public water systems serving 10,000 or fewer persons.

Criteria Used to Prioritize Projects

DNR is required to establish a priority ranking system that scores each safe drinking water loan program project and is used to establish a list of projects to be funded. The ranking system in administrative rule NR 166, effective August 1, 1998, includes the following priorities.

- a. First priority is provided for projects that address an acute public health risk, especially risk related to a confirmed waterborne disease outbreak or confirmed microbial contamination (such as from giardia or cryptosporidium).
- b. Second priority is provided for projects that address chronic and longer-term health risks to people who drink the water, especially risk related to organic chemical contamination.
- c. Projects receive priority ranking points if the community they serve has financial need on a per household basis, including a population less than 10,000 and a median household income equal to or less than 80% of the state median.
- d. Projects also receive priority if they correct secondary contaminant violations or system compliance needs.
- e. Projects also receive priority if they have implemented activities that demonstrate specific technical, financial and managerial capacity of the public water system (such as enacting an emergency action plan, private well abandonment ordinance or wellhead protection plan and ordinance).

Other Requirements

Any one municipality may not receive more than 25% of the funds that DOA projects will be available for the safe drinking water loan program for the biennium.

Financial Assistance Criteria

Types of Financial Assistance

DNR and DOA are authorized to use the following methods to provide financial assistance under the safe drinking water loan program.

- a. Make loans with an interest rate of 55% of market interest rate for local governments that do not meet financial need criteria established in NR 166. Table 9 shows the program interest rates.
- b. Make loans with an interest rate of 33% of market interest rate for local governments that meet the following financial need criteria established in NR 166: (1) the population of the local government is less than 10,000; and (2) the median household income of the local government is 80% or less (\$41,899 in 2013-14 and \$42,102 in 2014-15) of the statewide median.
- c. Purchase or refinance the debt obligation of a local government incurred after July 1, 1993, if the debt was incurred to finance costs of currently eligible projects.
- d. Guarantee or purchase insurance for obligations incurred to finance the cost of eligible

Table 9: Safe Drinking Water Loan Program Loan Interest Rates by Project Type

Project Category	Percent of Market Rate	Current Rate 2013-15	Estimated 2015-17 Biennial Finance Plan Rates
Financial need communities	33% of Market Rate	1.155%	1.65%
Regular eligibility	55% of Market Rate	1.925	2.75

projects if the guarantee or insurance will provide credit market access or reduce interest rates.

e. Make payments to the Board of Commissioners of Public Lands to reduce principal or interest payments, or both, on loans made to local governments for projects that are eligible for financial assistance under the safe drinking water loan program. (DNR and DOA are not currently using the Board of Commissioner of Public Lands small loan program for safe drinking water loan projects.)

f. Provide principal forgiveness for up to 50% of project costs for projects financed with federal funds received under the American Recovery and Reinvestment Act of 2009 (ARRA) and with the regular federal funding for federal fiscal year 2010 and subsequent years. The federal requirements allow states to use up to 20% to 30% of the federal capitalization grant for principal forgiveness.

DNR and DOA are authorized to jointly request the Joint Committee on Finance to modify the percentage of market interest rate for loans. To date, the agencies have not requested any change in the interest rates.

Application Procedures

A local government is required to submit a notice of its intent to apply for financial assistance under the safe drinking water loan program at least six months before the beginning of the fiscal year in which it intends to receive financial assistance. DNR may waive this requirement upon written request by the local government. An applicant must submit an engineering report prior to submitting an application for financial assistance. After DNR approves the local government's engineering report, the local government must submit an application for financial assistance under the program to DNR on or before the June 30 preceding the fiscal year in which the applicant is requesting to receive financial assistance. Applicants are limited to one application per

project per year.

DNR approves applications for financial assistance after: (a) the project is ranked on the priority list; (b) DNR determines that the project meets eligibility requirements; (c) DOA determines that the project has pledged any required security, demonstrated the financial capacity to operate and maintain the project and demonstrated the ability to repay the loan; and (d) the Legislature has approved an amount of present value subsidy limit for the program for the biennium.

Local governments must, as a condition of receiving financial assistance under the program: (a) establish a dedicated source of revenue to repay the financial assistance; (b) comply with applicable federal and state statutes and rules; (c) develop and adopt a program of water conservation as required by DNR; (d) develop and adopt a program of systemwide operation and maintenance of the public water system, including the training of personnel, as required by DNR; and (e) develop and adopt a user fee system.

DNR and DOA may, at the request of an applicant, issue a notice of financial assistance commitment after the application has been approved and funding has been allocated for the project. The commitment shall specify the conditions that the applicant must meet to secure financial assistance and include the estimated repayment schedules and other terms of financial assistance. If a loan is not closed before June 30 of the year following the year in which funding is allocated, DOA shall release the funding commitment allocated to the project.

Program Funding

Federal and State Funding

The safe drinking water loan program is au-

thorized \$60.2 million in general obligation bond authority to provide the required 20% state match to federal grants. The program has received federal capitalization grants totaling \$319.8 million for federal fiscal years (FFY) 1997 through 2013, received in state fiscal years 1997-98 through 2013-14. This includes \$37.75 million in federal grants received under the American Recovery and Reinvestment Act of 2009 (ARRA), for which no state match was required. The available amount of federal funds is anticipated to be \$15 million in FFY 2014. Table 10 shows the amounts of federal grant and state match by fiscal year.

DNR and DOA are required to develop a biennial finance plan that includes estimates of costs for the program in the upcoming biennium. The 2015-17 biennial finance plan, submitted in September, 2014, estimated that \$7.5 million in additional general obligation bond authority would be

needed in 2015-17 to match the estimated amount of federal funds to be awarded to Wisconsin for the safe drinking water loan program.

The Governor is authorized to transfer up to 33% of the federal capitalization grant received for the safe drinking water loan program to the clean water fund program, or to transfer an amount equal to up to 33% of the federal capitalization grant received for the safe drinking water loan program from the clean water fund program to the safe drinking water loan program. This would allow the state to transfer up to \$93,069,500, representing 33% of the \$282.0 million in federal safe drinking water capitalization grants for federal fiscal years 1997 through 2013 (excluding ARRA funds received). As of June 30, 2014, DOA and DNR transferred \$23,596,100 from clean water fund direct loan repayments to the safe drinking water loan program. No transfers have been made since 2005. A

Table 10: Safe Drinking Water Loan Program Federal Grants and State Match

Fiscal Year		Federal Funding			Subtotal Federal Funding	State Match	Total
Federal	State	Loans	Grants and Principal Forgiveness	Administration and Set-Asides*			
1997/1998	1999	\$42,754,500		\$8,340,300	\$51,094,800	\$10,219,000	\$61,313,800
	1999	9,607,300		400,300	10,007,600	2,001,500	12,009,100
	2000	8,736,700		1,664,100	10,400,800	2,080,200	12,481,000
	2001	8,772,800		1,671,000	10,443,800	2,088,800	12,532,600
	2002	13,067,100		2,879,400	15,946,500	3,189,300	19,135,800
	2003	12,994,900		2,855,800	15,850,700	3,170,100	19,020,800
	2004	13,382,000		3,060,800	16,442,800	3,288,600	19,731,400
	2005	13,731,900		2,676,000	16,407,900	3,281,600	19,689,500
	2006	14,716,100		1,215,200	15,931,300	3,186,300	19,117,600
	2007	16,970,800		-1,039,800	15,931,000	3,186,200	19,117,200
	2008	14,335,600		1,434,400	15,770,000	3,154,000	18,924,000
	2009	12,962,100	\$37,750,000	2,807,900	53,520,000	3,154,000	56,674,000
	2010	13,061,200	7,019,700	3,318,100	23,399,000	4,679,800	28,078,800
	2011	11,421,800	4,871,100	2,140,800	18,433,700	3,686,700	22,120,400
	2012	9,181,200	4,642,200	1,857,500	15,681,000	3,136,200	18,817,100
	2013	8,304,200	4,355,400	1,858,400	14,518,000	2,903,600	17,421,600
	2014	7,436,700	4,627,500	3,360,800	15,425,000	3,085,000	18,510,000
Total		\$231,436,900	\$63,265,900	\$40,501,000	\$335,203,800	\$59,490,900	\$394,694,700

*The actual amounts changed in subsequent years and is negative in 2007 because amounts were transferred from administration and set-asides to be used for loans.

remaining balance of \$69,473,400 could be transferred from the clean water fund program to the safe drinking water loan program.

Funds transferred from the clean water fund are first used to refinance projects on the current safe drinking water loan program funding list. Federal regulations generally require that capitalization grant funds loaned for refinanced projects must be disbursed over eight calendar quarters, or two years (the "eight quarters rule"). Funds transferred from the clean water fund are disbursed to accommodate project funding needs during the time that federal capitalization grants are not available under the eight quarters rule. Without the transferred funds, safe drinking water loans for refinanced projects would have to be disbursed over several calendar quarters, with a separate loan closing required for each quarter. Additional transfers would depend on the timing of funding of any refinanced projects on the safe drinking water funding list.

Present Value Subsidy

The law created a present value subsidy limit to provide a financial control mechanism similar to that used for the clean water fund. The subsidy limit would represent the estimated state cost, in 2013 dollars, to provide 20 years of subsidy that would fund all loans to be made during 2013-15 under the program. The 2013-15 biennial budget established a present value subsidy limit of \$26.9 million in the 2013-15 biennium for the safe drinking water loan program. The present value subsidy limit could also be used for loans funded from the transfer from the clean water fund to the safe drinking water loan programs. The September, 2014, biennial finance plan proposes a present value subsidy limit of \$32.9 million for the 2015-17 biennium.

ARRA Provisions

Under the federal ARRA provisions, DNR and DOA received a one-time grant of

\$37,750,000 in 2009. All of the ARRA funding was used to provide principal forgiveness for 50% of eligible project costs.

ARRA funding for safe drinking water projects was allocated in the same manner as ARRA funding for clean water fund projects. Priority was provided to: (a) projects ready to proceed; (b) "green" projects; (c) projects in counties with high unemployment; (d) consideration of at least one project in each DNR region; and (e) allocation by priority score.

DNR established a cap of 25% of ARRA safe drinking water funds that could be received by any one municipality. This was done to be consistent with the statutory requirement in effect at the time for the regular program that restricted any one municipality from receiving more than 25% of the safe drinking water loan program present value subsidy available in any biennium.

Federal Fiscal Year 2010 and Subsequent Years

The federal capitalization grants for FFY 2010 and subsequent years include the same requirements as included in ARRA related to principal forgiveness and priority for green projects. DNR and DOA provide up to 30% of total available funds as principal forgiveness, with a maximum of 10%, 30%, or 50% of eligible project costs for a municipality provided as principal forgiveness, based on the population and median household income of the municipality. The Departments established a maximum of \$500,000 in principal forgiveness per municipality per year.

Program Costs

Intended Use Plan

Intended use plans were submitted to EPA by

DNR and DOA every year between 1998 and 2014. The plans describe funds available for the year and the intended uses of the funds. The federal program allows for several set-asides of funds for administration, source water protection, wellhead protection, technical assistance, state management of public water supply systems and other drinking water activities. Table 11 shows the set-aside amounts from safe drinking water loan program funds.

Table 11: Safe Drinking Water Loan Program -- Administrative Set-Aside Allocations Through September 30, 2014

Set-Aside Category	Allocated Amount
a. Administration	\$9,869,804
b. Source Water Protection	3,737,926
c. Wellhead Protection	2,877,609
d. Technical Assistance	5,166,272
e. Local Assistance - Capacity Development	4,805,830
f. State Program Management (Administration of Public Water Supply Systems, Capacity Development, and Operator Certification)	<u>14,043,572</u>
Total	\$40,501,013

During the 2013-15 biennium, these set-aside amounts are being used as follows:

a. The set-aside for administration represents less than the maximum 4% of the FFY 1997 through 2013 federal grants that may be used for administration by DNR and DOA.

b. The set-aside shown in Table 11 for source water protection represents the maximum 10% of the FFY 1997 federal grant that may be allocated to this use. (Subsequent federal grants may not be used for this purpose.)

c. Wellhead protection funds are being used to: (1) work with the Center for Watershed Science and Education (a collaboration of the UW-Stevens Point College of Natural Resources and the UW-Extension) and Wisconsin Geological

and Natural History Survey to sponsor three workshops to train teachers on the use of a groundwater sand tank model and promote source water protection; (2) fund three wellhead protection study projects by the Wisconsin Geological and Natural History Survey (impacts of a rural subdivision on groundwater), University of Wisconsin - Madison (transport of cryptosporidium in aquifers), and University of Wisconsin - Stevens Point (chemical tracers in suburban groundwater); (3) continue activities related to data management, mapping, and computer programming to track contaminant sources, public wells, other high-capacity wells, well construction reports, and groundwater quality, for use by DNR staff; and (4) implement an incentivized watershed intervention approach to protecting drinking water systems in priority geographic areas, that is, to evaluate the potential for changing practices of point and nonpoint contributors of nitrogen to groundwater in order to avoid the need for installation of water treatment equipment.

d. DNR is using the 2% technical assistance funds to contract with the Wisconsin Rural Water Association to: (1) conduct at least 500 site visits annually to other-than-municipal (OTM) and non-transient non-community (NTNC) water system operators to address regulatory topics, monitoring and sampling of the water system, water system operation and maintenance, public notice and notification requirements, sanitary survey preparation, deficiency correction, water system troubleshooting, violation follow-up and correction, water treatment, and water quality problem correction; and (2) contact all the OTM and NTNC water systems in the state quarterly (approximately 5,560 to 5,680 contacts annually) to deliver information, reminders, and compliance assistance.

A NTNC means a non-community water system which regularly serves at least 25 of the same persons over six months per year. Examples of non-transient non-community water systems

include those serving schools, day care centers, and factories. A community water system means a public water system which serves at least 15 service connections used by year-round residents or regularly serves at least 25 year-round residents.

e. Local assistance capacity development funds are being used to contract with county and local health agencies for inspection of transient non-community (TNC) systems, including to: (1) conduct annual site visits; (2) collect drinking water quality samples; and (3) conduct inspections of the system at least once every five years. In 2013 and 2014, DNR contracted for services covering 50 counties and approximately 6,800 transient non-community systems (out of over 9,500 such systems). TNC systems typically include commercial establishments, restaurants, small motels, campgrounds, and churches that serve more than 25 persons per day at least 60 days out of the year, which are not required to have certified system operators.

f. State program management funds are being used for: (1) activities related to administration, coordination and policy development; (2) engineer and water supply specialist staff to conduct activities related to community, OTM, NTNC, and TNC systems such as performing sanitary surveys, plan reviews, inspections, enforcement, monitoring of submission of samples and reports from the systems, training of water system operators, and review of water system capacity evaluations; (3) computer programming and equipment; (4) administration of the water system operator certification program, including initial and renewal certification of operators, coordination of training and fulfillment of continuing education requirements with external groups and operators, and fee and database management; (5) contract with the Wisconsin State Laboratory of Hygiene to develop a protocol to assess for coliform and coordinate monitoring data exchange between the Laboratory and DNR; and (6) support of courses at the Moraine Park Tech-

nical College for operators of municipal waterworks.

The program management funds must be matched by the state on a dollar for dollar basis, which is done with state general funds used to administer the public water system supervisory program. Program management funds also include capacity development and operator certification funds which were previously reported separately.

Financial Assistance Agreements

DNR and DOA are required to establish a funding list in each fiscal year that ranks approvable loan applications in the same order that they appear on the priority list. If available funds are not sufficient to fund all approved applications, DOA is required to allocate funding to projects in the order that they appear on the funding list, except that: (a) up to 15% of the available funds in each fiscal year would be reserved for projects for public water systems that regularly serve fewer than 10,000 persons; and (b) no local government could receive more than 25% of the funds that DOA projects will be available for the safe drinking water loan program for the biennium.

The safe drinking water loan program entered into 246 financial assistance agreements totaling \$488.8 million through June 30, 2014, including \$431.6 million in loans, and \$57.2 million in grants and principal forgiveness. Of this total, \$397.6 million in loans and \$55.4 million in grants have been disbursed. Municipal loan recipients are responsible for repaying the loans. As of June 30, 2014, the safe drinking water loan program has received \$194.7 million in loan repayments.

Table 12 shows the amounts of the financial assistance agreements by fiscal year from 1998-99 (the first year of financial assistance agreements under the program) through 2013-14. Appendix VI lists the total amount of financial assis-

Table 12: Safe Drinking Water Loan Program, Financial Assistance Agreements by Fiscal Year

State Fiscal Year	Loan	Grant and Principal Forgiveness	Total
1998-99	\$52,973,432		\$52,973,432
1999-00	9,523,140		9,523,140
2000-01	10,301,107		10,301,107
2001-02	8,951,219		8,951,219
2002-03	11,049,005		11,049,005
2003-04	32,811,206		32,811,206
2004-05	41,761,265		41,761,265
2005-06	28,238,400		28,238,400
2006-07	14,822,436		14,822,436
2007-08	47,715,697		47,715,697
2008-09	25,509,966		25,509,966
2009-10	45,937,126	\$37,750,000	83,687,127
2010-11	3,319,859	1,663,557	4,983,416
2011-12	31,623,618	5,851,644	37,475,262
2012-13	37,514,929	8,080,975	45,975,904
2013-14	<u>29,576,358</u>	<u>3,846,666</u>	<u>33,423,024</u>
Total	\$431,628,763	\$57,192,843	\$488,821,606

tance agreements provided to municipalities during the same time period. The City of Oshkosh, the largest recipient of safe drinking water loans, accounted for \$36.3 million (7.4%) of the \$488.8 million in financial assistance agreements as of June 30, 2014. Five other municipalities each received more than \$25 million in financial assistance agreements, including: (a) City of Fond du Lac, \$32.7 million; (b) City of Racine, \$29.3 million; (c) City of Milwaukee, \$27.2 million; (d) City of Neenah, \$26.4 million; and (e) City of Marinette, \$26.2 million. Together, the five municipalities received 29.0% of the \$488.8 million in financial assistance agreements as of June 30, 2014.

Sources and Uses of Funds

Table 13 lists the total sources (\$605.7 million) and uses of safe drinking water loan program funds as of June 30, 2014. The sources of program funds include federal grant proceeds (\$320 million), general obligation bond proceeds (\$55 million), funds transferred from the clean

Table 13: Safe Drinking Water Loan Program Sources and Uses of Funds Through June 30, 2014 (\$ in Millions)

	Amount
Sources of Funds	
Federal Capitalization	
Grants - FFY 1997 thru FFY 2013	\$319.8
20% State Match from General Obligation Bonds	55.1
Loan Repayments	194.7
Investment Income	12.5
Transfer from Clean Water Fund Program	<u>23.6</u>
Total Sources of Funds	\$605.7
Uses of Funds	
Uses – Financial Assistance Disbursements	
Loans from Federal Grants	\$246.5
Loans from General Obligation Bonds	55.1
Loans from Loan Repayments	110.4
Loans from Investment Income	8.0
Grants and Principal Forgiveness	<u>33.0</u>
Subtotal	\$453.0
Uses – Other	
Administrative, Set-Aside and Issuance Expense	\$34.7
Commitments:	
Financial Assistance Agreements	
Closed but not Fully Disbursed	24.4
Financial Assistance Agreements	
Approved but not Closed	<u>26.9</u>
Subtotal	\$51.3
Unapplied Funds	<u>66.7</u>
Total Uses of Funds	\$605.7

water fund program (\$24 million), loan repayments (\$195 million) and investment income (\$12 million). Uses of funds include \$420 million in loan disbursements, \$33 million in grant disbursements and principal forgiveness, \$35 million in administration and set-asides, \$51 million in financial assistance commitments, and \$67 million in unexpended funds that is available for commitment for financial assistance agreements or administrative expenses in 2014-15 and subsequent years.

Debt Service Costs

The cost to the state under the safe drinking water loan program accrues over time based on the debt service costs of the general obligation bonds. The debt service costs fund: (a) the costs of subsidizing interest rates; and (b) the state

Table 14: Safe Drinking Water Loan Program Payments of General Obligation Bond Debt Service

Year	Payment from General Fund (GPR)
1998-99	\$140,500
1999-00	948,700
2000-01	1,133,200
2001-02	1,139,700
2002-03	1,231,100
2003-04 *	666,000
2004-05	1,489,600
2005-06	1,989,700
2006-07	2,318,700
2007-08	2,539,400
2008-09	2,664,600
2009-10 **	1,401,100
2010-11 **	1,656,100
2011-12 **	1,560,200
2012-13	4,446,000
2013-14	5,139,700
2014-15 ***	<u>5,234,000</u>
Total	\$35,698,400

* Principal payments were not made on certain SDW bond issues in May, 2004, but rather were restructured under 2003 Wisconsin Act 129.

** Expenditures are lower than otherwise would have occurred because of the deferral of most principal payments on the state's general obligation bond program.

*** Budgeted.

match required for the receipt of federal grants. Safe drinking water loan program general obligation debt service is estimated at \$5.2 million in 2014-15. The total cumulative amount of annual debt service payments for safe drinking water loan program general obligation bonds is shown in Table 14.

**Safe Drinking Water
Loan Guarantee Program**

1997 Act 27 created a safe drinking water

loan guarantee program to guarantee up to 80% of the principal of loans for projects that improve the quality of drinking water in water systems not owned by local units of government. The program was to be administered by the Wisconsin Housing and Economic Development Authority (WHEDA). Eligible loans would be guaranteed by funds deposited to the Wisconsin drinking water reserve fund, which consists of deposits from the safe drinking water loan fund, funds received for the program from any other source and the interest income from the fund. DNR, with the approval of DOA, was authorized to transfer funds from the safe drinking water fund appropriations. WHEDA was required to regularly monitor the fund to ensure a balance of at least one dollar for every \$4.50 in total outstanding guaranteed principal authorized under the program.

Prior to 2005, DNR and EPA negotiated policy and procedural issues related to the implementation of the program. In the fall of 2006, DNR indicated that EPA would require each small privately-owned water supply system that wanted to participate in the program to be scored according to the state's priority system and placed on a priority list with all other safe drinking water loan projects, requiring the borrower to incur costs for engineering and consulting activities. Funds would have to be allocated in the order of project priority, meaning that loan guarantees would be issued once per year, based on the funding list.

DNR officials indicated that the Department has determined that EPA requirements would be so onerous that a safe drinking water loan guarantee program could not be implemented. As of January 1, 2015, the program has not been implemented and WHEDA has not guaranteed any safe drinking water loans under this program.

Project Eligibility and Priority

Eligible Projects

In 1997 Act 27, the land recycling loan program was created within the clean water fund program in the environmental improvement fund to provide financial assistance to local governments (including cities, villages, towns, counties, redevelopment authorities or housing authorities) for the investigation and remediation of contamination at sites or facilities owned by the local government if the contamination has affected, or threatens to affect, groundwater or surface water. Sites and facilities include approved and nonapproved solid or hazardous waste disposal facilities, approved mining facilities, waste sites or sites where a hazardous substance is discharged on or after May 21, 1978. No local government loans have been made since 2008. Beginning in 2009, the remaining balance was designated to fund dry cleaner facility cleanups, discussed in a following section.

Criteria Used to Prioritize Projects

DNR is required to establish a priority ranking system that ranks each land recycling loan program project and is used to establish a list of projects to be funded. Project rankings are based on the potential of projects to reduce environmental pollution and threats to human health and, for sites and facilities that are not landfills, the extent to which projects will make land available for redevelopment after a cleanup is conducted rather than develop undeveloped land (such as

agricultural cropland or green spaces).

Administrative rule NR 167 provides the highest priority to a site which has impacted one or more public water supply wells or private drinking water supply wells above maximum contaminant levels in DNR administrative rules. Secondary priority is provided to sites: (a) which have impacted groundwater above groundwater standards; (b) which have soil or sediment contamination; (c) where an agreement has been executed between the municipality and a private developer; (d) that are larger than five acres in size; (e) that are in agreement with a municipally-adopted plan for renewal or redevelopment; or (f) that are within an area specially designated for tax incentives or targeted public funding.

Financial Assistance Criteria

Types of Financial Assistance

DNR and DOA are authorized to use the following methods to provide financial assistance under the land recycling loan program.

- a. Make loans with an interest rate of 0%.
- b. Purchase or refinance the debt obligation of a local government incurred after May 17, 1988, if the debt was incurred to finance the cost of a currently eligible project.
- c. Guarantee or purchase insurance for obligations incurred to finance the cost of eligible

projects if the guarantee or insurance would provide credit market access or reduce interest rates.

d. Make payments to the Board of Commissioners of Public Lands to reduce principal or interest payments, or both, on loans made to local governments for projects that are eligible for financial assistance under the land recycling loan program. (DNR and DOA have not used the small loan program for land recycling loan projects.)

Application Procedures

A local government is required to submit a notice of its intent to apply for financial assistance under the land recycling loan program at least six months before the beginning of the fiscal year in which the local government will request funding. DNR may waive this requirement upon written request by the local government. A local government must submit an application for financial assistance under the program to DNR by the date established by DNR. DNR must establish at least two application deadlines per year. Applicants are limited to one application per project per year.

DNR may approve an application for financial assistance after: (a) the project is ranked on the priority list; (b) DNR determines that the project meets eligibility requirements; (c) DOA determines that the project has pledged any required security, demonstrated the financial capacity to operate and maintain the project and demonstrated the ability to repay the loan; and (d) the Legislature has approved an amount of present value subsidy limit for the biennium.

Local governments must, as a condition of receiving financial assistance under the program: (a) establish a dedicated source of revenue to repay the financial assistance; (b) comply with applicable federal and state statutes and rules; and (c) allow DNR access to the property to

make inspections. DNR and DOA may, at the request of an applicant, issue a notice of financial assistance commitment after the application has been approved and funding has been allocated for the project. The commitment shall specify the conditions that the applicant must meet to secure financial assistance and include the estimated repayment schedules and other terms of financial assistance. If a loan is not closed within one year of the date on which funding is allocated, DOA shall release the funding commitment allocated to the project.

Sale of Sites Remediated Under the Program

A local government must sell a site or facility remediated under the program for not less than fair market value if the loan is outstanding. A local government that sells a site or facility remediated under the program must apply the sales proceeds first toward any state land recycling loan balance, then toward the cost of the land plus the cost of remediation, third toward any state subsidy and finally any remaining funds are retained by the municipality. If the sale price is less than or equal to the cost of the land plus the cost of remediation, the sale proceeds first has to be applied to the remaining land recycling loan balance until the remaining balance is fully paid. If the sale price exceeds the cost of the land plus the cost of remediation, 75% of the excess has to be used to repay the subsidy until the subsidy is fully repaid. Any sale proceeds remaining after the subsidy is fully paid belong entirely to the municipality.

Program Funding

Funding Level

The land recycling loan program is funded with up to \$20 million, which comes from reallocation of repayments of clean water fund pro-

gram loans made with the proceeds of federal grants to the clean water fund program. If not used for the land recycling loan program, loan dollars would be used for clean water fund loans to upgrade or replace wastewater treatment plants to meet state and federal requirements.

DNR and DOA are required to jointly charge and collect an annual service fee for reviewing and acting upon land recycling loan program applications and servicing financial assistance agreements. Statutes established the fee for 1997-99 as 0.5% of the loan balance. The fee for subsequent biennia is required to be established in the biennial finance plan for the environmental improvement program. DNR and DOA are required to specify a fee in the biennial finance plan that is designed to cover the costs of reviewing and acting upon land recycling loan program applications and servicing financial assistance agreements. No changes have been made in the service fee from the original rate. As of June 30, 2014, DNR and DOA have collected service fees totaling \$547,100.

Dry Cleaner Program Loan

Under 2009 Wisconsin Act 28, DOA and DNR were authorized to transfer up to \$6.2 million from the land recycling loan program (LRLP) to the dry cleaner environmental response program (DERP) administered by DNR. The dry cleaner environmental response program provides reimbursement to owners for a portion of the costs of cleaning up discharges of dry cleaning solvents. (For more information about the dry cleaner environmental response program, see the Legislative Fiscal Bureau's informational paper entitled, "Contaminated Land Cleanup Programs.")

DNR and DOA entered into a memorandum of understanding effective July 30, 2009, for the transfer of up to \$6.2 million. Amounts are trans-

ferred from the LRLP to the segregated dry cleaner environmental response fund (DERF) quarterly, based on the estimated amount of dry cleaner environmental response claims DNR expects to receive during the quarter. DOA assesses interest on the transferred funds at a rate no less than 0% and no greater than the Environmental Improvement Fund (EIF) market interest rate. As of July, 2014, the interest rate on the transferred funds is 0.09%. A loan repayment is required from the DERF to the EIF of at least \$1,000 per year. As of June 30, 2014, the maximum transfer has been made. A total of \$6,204,000 has been transferred from the environmental improvement fund to the dry cleaner environmental response fund, \$5,000 in principal has been repaid, \$5,900 in interest has been repaid, and \$21,600 in interest has been incurred but not repaid, for a total of \$6,220,600 owed by the DERF to the EIF.

Present Value Subsidy

The law created a "present value subsidy limit" to provide a financial control mechanism similar to that which is used for the clean water fund program. The subsidy limit would represent the estimated state cost, in 2013 dollars, to provide 20 years of subsidy to fund all loans to be made during 2013-15 under the program.

No funds were available for the program during 2009-10 through 2012-13 because the anticipated remaining unallocated funds were designated for transfer to the dry cleaner environmental response program. The 2013-15 biennial budget act established a present value subsidy limit of \$300,000 for the land recycling loan program, which made available the remaining unallocated funds after final disbursement of costs for land recycling loans made prior to 2009-10. No projects were funded during the 2013-15 biennium. The September, 2014, biennial finance plan proposes a 2015-17 present value subsidy limit of \$0.

Financial Assistance Agreements

DNR and DOA are required to establish a funding list in each fiscal year that ranks approvable applications in the same order that they appear on the priority list. If available funds are not sufficient to fund all approved applications, DOA is required to allocate funding to projects in the order that they appear on the funding list, except that: (a) DOA is not allowed to allocate more than 40% of the funds allocated in each fiscal year to landfill remediation projects; and (b) no local government may receive more than 25% of the present value subsidy limit for the biennium.

The land recycling loan program entered into financial assistance agreements totaling \$15,218,891 with nine municipalities. All agreements were entered into prior to June 30, 2008. While the projects are funded from repayments of clean water fund loans, land recycling loans are not included in the Appendix V list of clean water fund financial assistance agreements. Actual disbursements were \$13,500,343, and are shown in Table 15. In addition, \$6.2 million was transferred to the dry cleaner environmental response program. The remaining unallocated funds total almost \$300,000.

Table 15: Land Recycling Loan Program Uses of Funds as of June 30, 2014

Municipality*	Amount**
Land Recycling Loans Disbursed	
Amery	\$481,686
Clintonville	868,125
Delavan	1,061,821
New Richmond	803,462
Plymouth	1,119,340
Sheboygan	2,279,079
Sparta	4,484,713
Tomah	1,000,000
West Allis	<u>1,402,117</u>
Subtotal Final Disbursed Amount	\$13,500,343
Loan to Dry Cleaner Environmental Response Fund	<u>6,200,000</u>
Total Allocated	\$19,700,343
Unallocated Funds	<u>299,657</u>
Maximum Funds for Program	\$20,000,000

*All of these municipalities are cities.

**Financial assistance agreements totaled \$15,218,891. Some agreements exceeded the amount of the final loan disbursement shown in the table. Remaining funds are available for other loans or for transfer to the dry clean environmental response fund.

ENVIRONMENTAL IMPROVEMENT FUND ADMINISTRATION

Agency Responsibilities and Funding

Funding for administration of the three programs within the environmental improvement fund is provided from segregated revenues generated from the repayment of clean water fund loans, safe drinking water loans and land recycling loans, interest earned on bond proceeds, and federal administrative grants. Base level appropriations for administration of the environmental improvement fund total \$7.4 million and 56.6 positions for 2014-15.

Department of Natural Resources

DNR is authorized \$6,342,800 and 50.0 positions in 2014-15 for administration of the environmental improvement fund programs. This includes: (a) \$1,780,400 environmental improvement fund SEG with 15 positions; (b) \$2,052,100 clean water fund FED with 20.5 positions; and (c) \$2,510,300 safe drinking water loan program FED with 14.5 positions. The Department manages all aspects of the environmental improvement fund program not specifically assigned to DOA. DNR's specific duties include the following.

1. Calculate project priority values.
2. Take the lead state role in relations with EPA, including agreements necessary to receive a capitalization grant for the clean water fund program and the safe drinking water loan program.
3. Cooperate with DOA in administration of the environmental improvement fund program.
4. Take the lead state role with municipalities in providing environmental improvement fund information, and cooperate with DOA in providing such information.
5. Periodically inspect project construction under the environmental improvement fund to determine project compliance with construction plans and specifications approved by DNR.
6. Submit a biennial budget request for the environmental improvement fund program.
7. Establish eligibility requirements and determine eligibility for financial assistance.
8. Make commitments of financial assistance subject to a certification by DOA that the municipality has demonstrated that it is financially able to repay the loan, and that the assistance meets any terms and conditions established by DOA relating to financial management.
9. Approve applications, facility plans, and construction plans and specifications.
10. Determine which applicants receive clean water fund financial hardship assistance and manage the clean water fund financial hardship program.
11. Determine annual funding policies.
12. Prepare a biennial list of the estimated need for wastewater, drinking water and land recycling projects.

Department of Administration

DOA is authorized \$1,026,500 SEG environmental improvement fund with 6.6 positions in 2014-15 to provide financial management of the environmental improvement fund program. DOA responsibilities include the following.

1. Manage and implement certain financial aspects of the environmental improvement fund program.

2. Cooperate with DNR in administering the program.

3. Accept and hold any letter of credit from the federal government.

4. Manage environmental improvement funds with Building Commission authorization, issue clean water fund revenue bonds and distribute the proceeds of the clean water revenue obligations.

5. Establish terms and conditions of financial assistance, including the type of municipal obligation required for repayment. Before DNR and DOA can sign a financial assistance agreement with a municipality, DOA is responsible for certifying that the municipality demonstrated that it has the financial capacity to: (a) pay the debt service on its obligations; (b) meet operation and maintenance cost of the project for its useful life; and (c) meet the terms and conditions established.

6. Allocate the available present value subsidy to projects after DNR and DOA determine that the project and municipality meet eligibility requirements.

7. Disburse loans and collect municipal payments.

8. Direct the investments of the environmental improvement fund.

9. If necessary, audit or contract for audits of projects receiving financial assistance under the program.

Joint Responsibilities

Joint responsibilities of DNR and DOA include the following:

1. Prepare a biennial finance plan.

2. Charge and collect service fees.

3. Determine conditions of financial assistance.

4. Establish the loan payment and repayment schedule.

5. Enter into a financial assistance agreement with a municipality.

6. Submit the required reports to the Legislature and Building Commission on program implementation.

DNR and DOA may jointly establish administrative service fees for the purpose of recovering the costs of administering the clean water fund program. These fees would be charged to municipalities that obtain loans through the program. By law, transition loan projects are exempt from payment of these fees. DNR administrative rules provide that financial hardship communities will not be required to pay service fees. At this time, no clean water fund program or safe drinking water loan program service fees have yet been established. The land recycling loan program charges municipalities an annual service fee equal to 0.5% of the loan balance. Under the loan by the land recycling loan program to the dry cleaner environmental response programs, DOA assesses interest on the transferred funds at a rate no less than 0% and no greater than the Environmental Improvement Fund (EIF) market interest rate (currently 3.5%).

Bonding Provisions

The environmental improvement fund program contains several provisions related to the issuance of bonds, including private versus public sale of bonds, requirements for minority underwriter participation and the moral obligation requirement that can be attached to a clean water fund loan.

Private Versus Public Sale

General obligation bonds may be sold at a "private" sale to the clean water fund or safe drinking water loan program. Other sales must be "public." A public sale means that the state takes bids for the bonds from all interested underwriters and awards the sale to the lowest bidder. A private sale means that the state may make the sale to an underwriter based on a negotiated price. The award does not have to be made to the lowest bidder and the state may choose to deal with only one firm. Negotiated, or "private," sales are generally made in cases where, due to the complexity of the bond issue, there are few underwriters with the necessary expertise to fulfill the state's needs. Under current law, clean water fund revenue bonds can be sold at private or at public, competitive sale. The safe drinking water loan program does not sell revenue bonds.

Minority Underwriters

The statutes require that at least 6% of revenue and general obligation bonds and operating notes be underwritten by minority investment firms. In addition, the statutes establish a requirement that at least 6% of the services of financial advisers in the sales of bonds and notes shall be awarded to minority firms. The law specifies that all bids or proposals by underwriters or syndicates of underwriters ensure that a portion of sales are to minority investment firms. If DOA is unable to achieve the 6% participation re-

quirement, the Secretary of DOA is required to submit a report explaining the reasons to the Legislature's Joint Committee on Finance. The 6% guideline has been achieved for current clean water fund bonds.

Moral Obligation

The Building Commission is authorized to designate, by resolution, that a legislative moral obligation exists for certain loan obligations under the environmental improvement fund. If payments from a municipality on any loan designated are insufficient, DOA could certify the amount of the insufficiency to the Secretary of DOA, the Governor and the Joint Committee on Finance. The Joint Committee on Finance would be required to introduce a bill with an appropriation of the amount needed to pay the revenue obligation. The statutes express the Legislature's moral obligation to make such an appropriation. No moral obligation designations have been made to date.

Investment Authority

DOA may purchase or acquire, negotiate, sell or otherwise dispose of environmental improvement fund loans at the price and terms it establishes. Further, DOA is authorized to direct the Investment Board to make any investment of the environmental improvement fund if it provides a financial benefit to the fund, the action does not weaken the purposes of the fund, and the Building Commission approves the investment action. The Investment Board is relieved of any obligations relevant to prudent investment in making the investments directed by DOA. The Department may also enter into agreements with the federal government, private entities or others to insure or, in any other manner, provide additional security for the state's revenue obligations.

Bonds Issued

A total of over \$3.5 billion in bonds has been

Table 16: Environmental Improvement Fund Bonds, July 1, 2014

	Bonds Authorized	Bonds Issued	Principal Outstanding
Clean water fund program -- general obligation	\$740,843,200	\$618,958,100	\$326,530,400
Safe drinking water loan program -- general obligation	<u>60,200,000</u>	<u>55,288,600</u>	<u>39,885,900</u>
Subtotal -- general obligation	\$801,043,200	\$674,246,700	\$366,416,300
Clean water fund program -- revenue obligation	<u>2,708,900,000</u>	<u>1,569,950,000</u>	<u>764,745,000</u>
Total	\$3,509,943,200	\$2,244,196,700	\$1,131,161,300

authorized for the program, including \$801 million in general obligation bonds and \$2.71 billion in revenue obligation bonds. This is shown in Table 16. As of June 30, 2014, \$2.24 billion of obligations have been issued, and approximately \$1.13 billion in principal is outstanding.

fund loans through one of the following three ways, including: (a) tax levy; (b) sewerage or water system user charges; or (c) proceeds from special assessments levied for the project.

Municipal Financing Requirements

Repayment Methods

Subject to the terms of the financial agreement between the municipality and the state, a municipality is statutorily authorized to repay environmental improvement fund loans from any legal means, including: (a) general funds; (b) proceeds of the sale of obligations; (c) proceeds of the sale of public improvements bonds; (d) proceeds of revenue obligations; (e) sewerage system user charges; and (f) proceeds of special obligation bonds. In practice, municipalities repay environmental improvement

Loan Anticipation Notes

If a municipality has received a commitment for an environmental improvement fund loan, but wishes to begin a project in advance of that loan, it may issue a loan anticipation note. This note could be refunded one or more times, and would be structured so that the note could be retired when the clean water fund loan is received, but not later than five years after the original date of the original obligation.

Municipal Repayment Requirements

DOA must notify DNR if a municipality fails to make a principal repayment or interest payment by its due date. DOA may then collect the amounts due by deducting them from any state payments due the municipality or may add a special charge to the amount of taxes levied on the county.

APPENDICES

Several appendices provide additional program information. These include:

- Appendix I provides a glossary of key terms to assist with understanding program terminology.
- Appendix II describes the components of a wastewater treatment facility.
- Appendix III describes the biennial finance plan process for the environmental improvement fund that includes funding and statutory requests for the upcoming biennium .
- Appendix IV provides an outline of the clean water fund loan and grant programs.
- Appendix V lists clean water fund financial assistance agreements as of June 30, 2014.
- Appendix VI lists safe drinking water loan program financial assistance agreements as of June 30, 2014.

APPENDIX I

A Glossary of Key Terms

Advanced or Tertiary Wastewater Treatment. Treatment of wastewater that is required beyond the generally-required secondary treatment.

Areawide Water Quality Management Plans. Plans prepared by the Department of Natural Resources (DNR) or a designated planning agency as required by the U.S. Environmental Protection Agency (EPA) and state statute for specific planning areas of the state. These areas are defined based upon water quality-related criteria. The plans: (1) define water quality problems in each area; (2) propose solutions to these problems; (3) delineate service areas for treatment of point source pollution; (4) identify local agencies which would be responsible for pollution abatement efforts; and (5) identify "best management practices" to be utilized in nonpoint source pollution abatement efforts. Each plan requires approval by the Governor and EPA.

Collection System or Collector Sewer. The type of sewer that generally runs beneath streets and collects sewage from individual homes and commercial or industrial establishments. Collectors differ from lateral sewers, which are the pipes that join an individual home or establishment with a collector sewer and are privately owned and maintained. Generally, sewage flows from lateral sewers to collector sewers, to interceptors, then to the treatment plant.

Community Water System. A public water system which serves at least 15 service connections used by year-round residents of the area served by the public water system or regularly serves at least 25 year-round residents.

Compliance Maintenance. A program and actions by municipalities to maintain compliance

with a WPDES permit, intended to prevent violations of discharge limits that cause degradation of water quality.

Interceptor. The type of sewer that receives sewage from collector sewers and transports it to a sewage treatment plant. Interceptors differ from collectors in that they generally do not receive sewage from individual homes or other establishments, but are only used for conveying sewage to a treatment plant.

Lateral. The type of sanitary sewer that conveys sewage from an individual residence or establishment to a public sewage collection system. Laterals are generally privately owned and maintained.

Municipal Water System. A community water system owned by a city, village, county, town, town sanitary district, utility district, public inland lake and rehabilitation district, municipal water district or a federal, state, county, or municipal owned institution for congregate care or correction, or a privately owned water utility serving the foregoing.

New and Changed Limits. This refers to pollution effluent limit changes that occur due to new or changed standards in the federal or state water pollution control laws. Examples are standards for toxic substances that are included in new rules on surface water pollution but were not a part of previous regulations except on a case-by-case basis.

Non-Community Water System. A public water system that is not a community water system. A non-community water system may be either a non-transient non-community water system or a

transit non-community water system.

Nonpoint Source Pollution. Water pollution which is not attributable to a single, well defined point or origin but which is carried by rainfall or snowmelt from a variety of sources, such as from storm water runoff, farm fields, barnyards, construction sites, highways, streets and parking lots.

Nonpoint Source Watershed Plan. A plan developed for an area that has been selected to receive state funding through the nonpoint source pollution abatement grant program. It contains information on water quality and sources of nonpoint pollution as well as a program to correct the pollution.

Non-Transient Non-Community Water System. A non-community water system which regularly serves at least 25 of the same persons over six months per year. Examples include systems serving some schools, day care centers, and factories.

Point Source Pollution. Water pollution emanating from a distinct, easily-definable source such as the end of a pipe.

Present Value Subsidy. The amount provided by the clean water fund for the purposes of: (a) reducing the interest rate of loans to a level below the market rate; and (b) providing financial hardship assistance grants. The subsidy is the difference between the debt service (principal and interest) that the state pays for the revenue bonds to finance the loan and the amount the municipality pays back into the fund. The "present value subsidy" represents the cost, in current dollars, of that subsidy. Conceptually, the present value subsidy is the amount the state would need to invest today at a 7% annual rate of return in order to make payments equal to the annual subsidy provided to municipalities.

Primary Treatment. The least complex and effective of three possible treatment levels, which

relies on screen, filters and a settling process to mechanically remove pollutants. It is generally only 30-35% effective.

Public Water System. A system providing piped water to the public for human consumption if the water system has at least 15 service connections or regularly serves an average of at least 25 individuals for at least 60 days each year. A public water system is either a community water system or a non-community water system.

Publicly-Owned Treatment Works. The term used by EPA for a sewerage system, including collectors, interceptors, treatment facilities and other appurtenances owned by a governmental entity for the primary purpose of treating residential sewage.

Sanitary Sewer. Any pipe which conveys domestic wastewater (sanitary wastes) from its origin to a treatment site or discharge point.

Secondary Treatment. Wastewater treatment more sophisticated than primary treatment, which utilizes bacteria to consume organic pollutants. Proper secondary treatment eliminates 85-90% of the pollutants in wastewater.

Sewage or Wastewater Treatment Plant. The facility in a municipal sewerage system that removes pollutants before the wastewater is discharged into a lake, stream or the groundwater.

Sewerage System. A term used to describe the entire system of sewers and treatment facilities used to transport, treat and discharge sewage.

Sludge. The accumulated wastes removed from wastewater at the treatment stage and composed of a semi-liquid mass.

Storm Sewer. A pipe that collects rain run-off and conveys it to a lake or stream in order to prevent flooding in developed areas.

Transient Non-Community Water System. A non-community water system which serves at least 25 persons per day at least 60 days out of the year. Examples include some commercial establishments, restaurants, motels, and campgrounds.

Urban Storm Water Runoff. Water runoff produced by established residential, commercial, industrial, institutional, and transportation land uses where the absorptive capacity of the earth is drastically reduced, due to the creation of impervious areas such as rooftops, sidewalks, street

surfaces, parking areas, and other hard surfaces. These impervious land areas collect and quickly convey large quantities of rain water or snowmelt, which can cause flooding, damage to aquatic habitat, and the transport of a wide array of pollutants associated with urban activity.

Wastewater Pollution Discharge Elimination System (WPDES). A system administered by DNR that develops permits for each discharger and spells out what requirements the municipality must meet for each point source.

APPENDIX II

Description of Wastewater Treatment Systems

In general, there are two types of systems used to treat and dispose of sewage. The first is used in urbanized areas where the density of residences and commercial establishments allow a municipal government to capture economies of scale by building a centralized system which collects wastewater from a wide area, transports it to a central site, treats the wastewater and discharges it to a nearby lake, stream or land. The other alternative is an "on-site" system, used generally in areas where residential density makes a centralized sewage system too expensive, and relies on a collection and treatment system existing on a single property which discharges the treated wastewater into the ground.

With either system, the problems to be solved are the same. The first problem is the removal of domestic sewage wastes before they can become a health problem. The second problem arises once a means of removing the wastes has been devised. These wastes must be disposed of in a way that will not pollute either surface waters--lakes or streams--or the groundwater.

Where density allows, which is generally in an urbanized area, both cost factors and the need to transport a large amount of sewage away from population areas for health reasons tend to favor a centralized sewage collection and treatment system. The major components of such a system are: (1) the collection system; (2) the transport system; and (3) the treatment and discharge system.

The Collection System

Sewage is collected from individual residences by means of a lateral sewer, which runs from the residence to a collector sewer,

usually in the street adjacent to the property. If the lateral is not directly owned by a municipality, it is likely to be the resident's responsibility for maintenance purposes. The collector sewer is publicly-owned and serves many residences.

The sewage collection system runs parallel to, and sometimes is part of, another system, the storm water collection system. Storm water collection is necessary to remove rain and melting snow from developed areas to prevent flooding. In the older portions of some larger cities, both domestic wastes and storm water are discharged into the same pipe, which is called a combined sewer. This type of system was often installed in the late nineteenth century or the early twentieth century and many of these systems are still in place. Storm water is not generally treated, but is conveyed and discharged directly to a lake or stream. But with combined sewers, storm water mixes with the sewage already present in the pipe requiring all the water to be treated. Because storm water is generally much greater in volume, collection or treatment capacity may be exceeded, causing bypasses.

Transport System

Once sewage is collected from a residential or commercial area, it must be transported to the treatment plant, which may be located at considerable distance because of the need to treat the sewage near a suitable discharge point and, preferably, away from a residential area. Sewers that do the transporting (and do not receive individual lateral connections) are called interceptors. Interceptors can be any size, but are generally the largest pipes in the system. Interceptors transport the sewage to the treatment plant by gravity, if

possible. Otherwise pump stations are used to move the sewage uphill where necessary. Sewers used to transport sewage against gravity are generally termed force mains.

Treatment and Discharge System

Once conveyed to a central site, the sewage is treated and discharged. The treatment site is referred to as a sewage treatment plant, wastewater treatment plant or publicly-owned treatment works depending on the context. At present, most sewage is treated by a method known as secondary treatment, a system which uses bacteria to consume organic pollutants and uses screens, filters and a settling process to remove solids in the water. Frequently, the water will be disinfected as well. Once treated, the water is discharged through an outfall pipe to a surface water body--a lake or a stream, or is spread on land for land disposal.

The solids removed from the water are termed "sludge." Sludge disposal, often the most difficult part of the process, can be done by land applica-

tion as a fertilizer in an agricultural area, disposal in a sanitary landfill, or by processing into a fertilizer which can be marketed commercially. The best-known example of commercial marketing is "Milorganite," a fertilizer produced by the Milwaukee Metropolitan Sewerage District.

If the volume of sewage is too great to be treated by a wastewater treatment plant, it can overload a plant and cause serious damage. Preventing this damage occasionally requires the provision of storage facilities, either by increasing the size of interceptor sewers or by building separate facilities. The "deep tunnels" of Milwaukee and Chicago are examples of storage facilities. If capacity is exceeded and storage is not provided, sewage is frequently diverted from the sewer system directly into a lake or stream untreated. This practice, which must be eliminated under federal and state law, is called a "by-pass" or an "overflow." It can be present in any system which has inadequate capacity, but is a common problem with systems which contain uncorrected combined sewer problems.

APPENDIX III

Biennial Finance Plan Process

The statutes require the Departments of Administration and Natural Resources to prepare a biennial finance plan for the environmental improvement fund. This plan is to be prepared and reviewed as follows:

Project Needs List. By May 1 of each even-numbered year, DNR is required to prepare and submit to DOA a biennial needs list that includes: (a) a list of wastewater treatment projects, drinking water projects and land recycling loan program projects that DNR estimates will apply for financial assistance during the next biennium; (b) the estimated cost and construction schedule of each project on each list; and (c) the estimated priority rank of each project on the priority list. The priority score is assigned by DNR on the basis of environmental priorities defined by DNR by administrative rules.

Development of the Plan. DOA and DNR are required to jointly prepare the biennial finance plan. The plan must incorporate several elements including: (a) an estimate of wastewater treatment, safe drinking water and land recycling loan project needs of the state for the four fiscal years of the next two biennia; (b) the total amount of financial assistance to municipalities for projects during the next biennium; (c) the sources of the financial assistance to be provided or committed to municipalities during the next biennium; (d) the extent to which the clean water fund program and the safe drinking water loan program would be maintained in perpetuity; (e) audited financial statements of the past operations and activities of the clean water fund program, the safe drinking water loan program and the land recycling loan program; (f) the estimated environmental improvement fund capital available in each of the next four fiscal years for the clean water fund

program and the safe drinking water loan program; (g) the projected fund balance for the clean water fund and safe drinking water loan program for each of the next 20 years given existing obligations and financial conditions; (h) the amount of the present value of the subsidy that the state would provide; (h) a discussion of the assumptions made in calculating the present value subsidy; (i) the amount of any service fee to be charged to any applicant during the next biennium; and (j) the impact of the biennial finance plan on a guideline related to water pollution abatement debt service.

Guidelines for Biennial Finance Plan. The biennial finance plan is required to include information on the impact of the program proposed in the portion of the plan related to the clean water fund program on the guideline that all state water pollution abatement general obligation bond debt service costs should not exceed 50% of all general obligation debt service costs to the state.

Legislative Action. No monies may be expended from the environmental improvement fund unless the Legislature has approved the present value subsidy amount, the revenue bonding authorization and the general obligation bonding authorization as part of the biennial budget act. Further, DOA and DNR are directed to adhere to the present value subsidy amount adopted by the Legislature.

Biennial Finance Plan Review. By October 1 of each even-numbered year, DNR and DOA are required to submit copies of the biennial finance plan to the State Building Commission, the Joint Committee on Finance and the standing committees of the Legislature having jurisdiction

over natural resources matters. Amendments to the plan reflecting the Governor's biennial budget recommendations must be provided to those committees and the Building Commission within 30 days after the Governor's biennial budget submission. No later than 30 days after the Governor signs the biennial budget act, the plan, updated with any modifications, must be submitted to these committees and the Building Commission. The Building Commission has the authority to approve or disapprove any part of the plan other than the subsidy and bonding

authorizations approved by the Legislature.

Report to the Legislature. No later than November 1 of each odd-numbered year, DOA and DNR are required to jointly submit a report to the Building Commission, Joint Committee on Finance and the appropriate standing committees of the Legislature. The report is to contain information on the operations and activities of the clean water fund program, the safe drinking water loan program and the land recycling loan program for the previous biennium.

APPENDIX IV

Components of Clean Water Fund Loan and Grant Programs

DIRECT REVOLVING LOANS	PROPRIETARY LOANS
<p>Purpose: Loans to municipalities at or below-market rates of interest for construction of publicly-owned surface water treatment facilities.</p> <p>Funding Source: Annual federal grants plus 20% state match made with general obligation bonds.</p> <p>Repayments: Loan repayments made by municipalities are deposited to the revolving fund for future loans and for general obligation bond debt service.</p>	<p>Purpose: Same purposes as direct revolving loans. Used if project does not meet requirements of other components of program.</p> <p>Funding Source: State general obligation bonds.</p> <p>Repayments: Loan repayments by municipalities are used to reduce general obligation bond costs.</p>
LEVERAGED LOANS	SMALL PROJECT LOANS
<p>Purpose: Same purposes as direct revolving loans. Supplements the funding provided to the state through federal grants.</p> <p>Funding Source: State revenue bonds fund loans and a credit reserve. State general obligation bonds fund the interest rate subsidy that municipalities receive.</p> <p>Repayments: Loan repayments by municipalities pay debt service costs on revenue bonds. The state's general fund pays general obligation bond debt service.</p>	<p>Purpose: Projects costing less than \$1,000,000.</p> <p>Funding Source: State Trust Fund administered through the Board of Commissioners of Public Lands and state general obligation bonds.</p> <p>Repayments: Municipality makes repayments to state trust fund. The state's general fund pays debt service on general obligation bonds associated with subsidy of interest rates.</p>
HARDSHIP GRANTS AND LOANS	PRINCIPAL FORGIVENESS
<p>Purpose: Grants or reduced interest rate loans to communities with: (a) high per capita costs for construction or rehabilitation of treatment plants; and (b) median household income less than 80% of the state's median.</p> <p>Funding Source: State general obligation bonds.</p> <p>Repayments: Generally, a municipality must pay at least 30% of total project costs.</p>	<p>Purpose: Same purposes as direct revolving loans.</p> <p>Funding Source: Federal grants for FFY 2010 and subsequent years, and American Recovery and Reinvestment Act of 2009.</p> <p>Repayments: Generally, principal forgiveness may not be made for more than 10%, 30%, or 50% of the eligible project costs.</p>

APPENDIX V

Clean Water Fund Program Financial Assistance Agreements as of June 30, 2014

Municipality	Amount	Municipality	Amount
Adams		Chippewa	
Adams, City	\$2,464,069	Bloomer, City	\$6,693,500
Ashland		Chippewa Falls, City	8,898,477
Ashland, City*	11,684,694	New Auburn, Village	311,524
Madeline SD	590,999	Clark	
Barron		Abbotsford, City	1,403,359
Chetek, City	527,883	Colby, City	2,837,013
Crystal Lake SD #1*	299,316	Curtiss, Village	353,373
Cumberland, City	927,675	Greenwood, City	377,960
Dallas, Village	481,364	Loyal, City	728,665
Haugen, Village	284,539	Neillsville, City	3,237,767
Bayfield		Owen, City	2,472,667
Bayfield, City*	9,761,995	Columbia	
Iron River SD #1	716,537	Arlington, Village	1,661,852
Pikes Bay SD	1,620,600	Cambria, Village **	603,350
Brown		Columbus, City	6,017,582
Allouez, Village **	4,032,120	Harmony Grove - Okee SC	2,326,813
Bayshore SD	946,574	Lodi, City	4,049,571
Bellevue, Village	23,707	Portage, City	5,508,632
De Pere, City	916,322	Poynette, Village	2,287,561
Denmark, Village	4,775,645	Rio, Village	1,463,282
Dyckesville SD	3,126,990	Wisconsin Dells	2,856,201
Green Bay MSD **	136,301,908	Wisconsin Dells - Lake Delton SC	1,935,060
Holland SD #1	1,379,790	Wyocena, Village	389,253
Morrison SD #1*	2,937,649	Crawford	
Oneida Tribe of Indians*	1,507,211	Eastman, Village*	1,427,309
Pulaski, Village*	5,091,382	Gays Mills, Village	180,185
Royal Scot SD*	1,494,150	Prairie du Chien, City	5,628,300
Suamico, Village	9,939,969	Seneca SD #1*	130,000
Wrightstown SD #1	1,464,548	Valley Ridge CWC*	6,185,231
Wrightstown, Village	6,225,722	Wauzeka, Village	128,137
Buffalo		Dane	
Fountain City	450,556	Belleville, Village	9,251,632
Nelson, Village*	781,610	Black Earth, Village	4,278,271
Burnett		Blue Mounds, Village	1,152,260
Danbury SD*	1,105,020	Brooklyn, Village	4,958,682
Grantsburg, Village	328,436	Cambridge, Village	6,675,514
St. Croix Chippewa Indians*	1,657,530	Cottage Grove, Village	7,188,424
Webster, Village	204,020	Cross Plains, Village	8,287,064
Calumet		Dane, Village	1,227,831
Brillion, City	1,064,130	Deerfield, Village	5,070,284
Chilton, City	5,736,871	Madison MSD	212,289,159
Hilbert, Village	2,502,460	Marshall, Village	7,744,261
New Holstein, City	1,518,907	Mazomanie, Village	4,752,614
Sherwood, Village	2,710,650	Middleton, City **	93,528
		Morrisonville SD #1*	824,608
		Mount Horeb, Village	5,209,994
		Oregon, Village	6,784,531
		Pleasant Springs SD #1	1,029,086

APPENDIX V (continued)

Clean Water Fund Program Financial Assistance Agreements As of June 30, 2014

Municipality	Amount	Municipality	Amount
Dane (continued)		Fond du Lac (continued)	
Rockdale, Village	\$876,526	Fond du Lac, City **	\$61,552,854
Roxbury SD #1	939,610	Mount Calvary, Village*	1,536,234
Stoughton, City	14,746,057	North Fond du Lac, Village	2,591,575
Sun Prairie, City	16,114,376	Oakfield SD #1*	22,000
		Ripon, City	6,337,088
Dodge		Forest	
Ashippun SD	4,488,890	Crandon, City	1,537,025
Beaver Dam, City **	21,452,848	Laona SD #1	746,282
Brownsville, Village	587,866		
Hustisford, Village	445,801	Grant	
Iron Ridge, Village	1,440,700	Bagley, Village	229,081
Juneau, City	1,365,108	Blue River, Village	281,218
Lebanon SD #1	605,529	Boscobel, City	1,336,536
Lomira, Village	4,963,465	Cassville, Village	441,558
Lowell, Village	2,751,001	Cuba City, City	2,561,791
Mayville, City	2,252,596	Lancaster, City	1,688,158
Portland SD #1	294,519	Montfort, Village	779,050
Waupun, City	6,249,200	Muscoda, Village	897,991
		Platteville, City	6,558,734
Door		Potosi, Village	291,485
Egg Harbor, Village	508,048	Potosi/Tennyson SC	1,543,111
Ephraim, Village	1,629,117		
Forestville, Village	585,275	Green	
Washington, Town*	658,367	Albany, Village	1,232,123
		Brodhead, City	6,548,945
Douglas		Monroe, City	26,442,131
Brule SD	367,167	Monticello, Village*	4,033,418
Gordon SD #1*	1,444,933	New Glarus, Village	10,885,368
Lake Nebagamon, Village	1,538,776		
Oliver, Village	588,000	Green Lake	
Poplar, Village	320,531	Green Lake SD	8,673,929
Superior, City **	10,850,772	Green Lake, City	3,506,719
		Little Green LPRD	1,898,268
Dunn			
Boyceville, Village	410,943	Iowa	
Elk Mound, Village*	419,030	Arena, Village	1,485,515
Knapp, Village	668,732	Avoca, Village	358,641
Menomonie, City	13,749,149	Dodgeville, City	4,995,080
Wheeler, Village*	359,745	Highland, Village	824,848
		Iowa County	485,993
Eau Claire		Linden, Village	388,913
Altoona, City **	710,450	Mineral Point, City	6,883,912
Eau Claire, City	41,395,988		
Fairchild, Village	575,000	Iron	
		Mercer SD #1*	4,769,971
Florence			
Aurora SD #1*	191,860	Jackson	
		Black River Falls, City	4,227,766
Fond du Lac		Hatfield SD #1	1,134,541
Calumet SD #1*	4,317,124	Ho-Chunk Nation	10,562,985
Campbellsport, Village	1,870,861	Merrillan, Village	648,435
Consolidated SD #1	155,438		
Fairwater, Village	1,554,473		

APPENDIX V (continued)

Clean Water Fund Program Financial Assistance Agreements As of June 30, 2014

Municipality	Amount	Municipality	Amount
Jefferson		Lincoln	
Blue Spring LMD	\$380,000	Merrill, City	\$4,044,352
Fort Atkinson, City	14,593,965	Tomahawk, City	3,026,143
Ixonia SD #1	1,339,941		
Jefferson, City	7,533,927	Manitowoc	
Lake Mills, City	1,245,823	Cleveland, Village	3,609,973
Oakland SD #1	5,767,653	Kiel, City	2,469,987
Waterloo, City	1,835,988	Manitowoc, City	23,017,518
Watertown, City	30,534,659	Mishicot, Village	4,105,629
		Reedsville, Village	2,768,023
Juneau		Rockland SD #1*	1,131,375
Camp Douglas, Village	526,091	Saint Nazianz, Village **	909,349
Lyndon Station, Village	614,582	Two Rivers, City **	10,905,420
Mauston, City	2,904,892	Valders, Village	1,537,527
Necedah, Village	2,937,094	Whitelaw, Village	1,494,310
New Lisbon, City	5,845,410		
O'Dell's Bay SD #1	475,000	Marathon	
Union Center, Village*	995,704	Athens, Village	2,428,846
		Brokaw, Village	969,429
Kenosha		Edgar, Village	554,860
Bristol, Village	6,363,516	Marathon City, Village	1,890,253
Kenosha, City	33,143,758	Mosinee, City	1,382,570
Paddock Lake, Village	10,195,208	Rib Mountain MSD	3,766,363
Salem, Town*	21,791,035		
Silver Lake, Village	2,318,400	Marinette	
Twin Lakes, Village	8,155,552	Coleman, Village	1,224,329
		Crivitz, Village*	2,753,364
Kewaunee		Goodman SD #1*	3,591,667
Algoma, City	5,546,679	Marinette, City **	2,394,284
Kewaunee, City	1,684,316	Niagara, City	180,905
Luxemburg, Village	3,178,375	Peshtigo, City	1,808,056
		Wausaukee, Village*	3,219,189
La Crosse			
Bangor, Village	1,587,060	Marquette	
Mindoro SD #1	1,113,920	Montello, City	260,000
Onalaska, City **	99,309	Packwaukee SD #1*	1,137,353
Rockland, Village	967,311	Westfield, Village	50,202
St. Joseph's SD #1	1,562,042		
West Salem, Village	4,990,006	Milwaukee	
		Bayside, Village	1,611,799
Lafayette		Cudahy, City	885,875
Argyle, Village*	1,466,993	Franklin, City	27,562,754
Belmont, Village	458,107	Milwaukee, City **	132,354,524
Benton, Village	1,100,000	Milwaukee MSD **	1,335,922,431
Darlington, City	4,070,000	Shorewood, Village	2,511,820
Gratiot, Village	723,629	South Milwaukee, City	13,575,177
Shullsburg, City	686,556	West Allis, City	2,005,496
South Wayne, Village*	1,387,982	Whitefish Bay, Village	8,328,641
Langlade			
Antigo, City	4,316,557		
Elcho SD #1*	2,891,067		

APPENDIX V (continued)

Clean Water Fund Program Financial Assistance Agreements As of June 30, 2014

Municipality	Amount	Municipality	Amount
Monroe		Polk	
Kendall, Village	\$261,352	Amery, City	\$2,430,760
Melvina, Village*	1,396,266	Cushing SD #1*	116,391
Oakdale, Village*	452,118	Frederic, Village	939,294
Sparta, City	10,726,198	Milltown, Village	336,697
Tomah, City	15,429,641	Osceola, Village	6,420,367
Warrens, Village	4,185,404	St. Croix Falls, City	7,556,855
Oconto		Portage	
Brazeau SD #1	793,405	Almond, Village	530,199
Gillett, City	2,853,337	Junction City, Village	449,150
Kelly Lake SD #1	2,438,725	Plover, Village	9,427,735
Lena, Village	342,586	Rosholt, Village	662,272
Little Suamico SD #1	2,518,724	Stevens Point, City	16,579,444
Oconto Falls, City	9,480,736		
Oconto, City	3,843,974	Price	
Pensaukee SD #1*	4,264,592	Ogema SD #1	\$190,020
		Park Falls, City	1,921,295
Oneida		Phillips, City	2,233,227
Lake Tomahawk SD #1	1,316,600	Prentice, Village	544,000
Rhineland, City **	32,184,257		
Outagamie		Racine	
Appleton, City **	16,945,143	Bohners Lake SD #1	8,007,212
Bear Creek, Village	431,809	Burlington, City	32,070,034
Black Creek, Village	5,323,725	Caledonia, Village	14,892,431
Buchanan, Town **	77,370	Dover, Town	1,787,182
Combined Locks, Village **	433,024	Norway SD #1	6,227,685
Freedom SD #1	2,748,197	Racine, City	97,364,490
Garners Creek Storm Water Utility **	1,110,807	Union Grove, Village	8,705,940
Greenville SD #1	2,739,721	Waterford, Village	1,134,587
Heart of the Valley MSD	40,884,163	Western Racine Co. Sewerage Dist	11,458,830
Hortonville, Village	5,533,330		
Kaukauna, City **	56,394	Richland	
Little Chute, Village **	853,232	Boaz, Village*	1,086,464
Ozaukee		Germantown SD*	342,270
Belgium, Village	4,538,340	Hub-Rock SD #1*	1,902,950
Saukville, Village	11,331,624	Ithaca SD #1*	1,160,926
Pepin		Richland Center, City	6,997,928
Pepin, Village	363,096	Sextonville SD*	641,864
		Viola, Village	468,061
Pierce		Rock	
Bay City, Village	1,223,535	Beloit, City	6,795,991
Ellsworth, Village	4,406,566	Beloit, Town	955,765
Plum City, Village	1,685,337	Clinton, Village	4,962,444
Prescott, City	5,348,532	Edgerton, City	7,478,225
River Falls, City	4,766,364	Evansville, City **	8,700,573
Spring Valley, Village	120,038	Footville, Village	1,645,467
		Fulton SD #2*	1,669,311
		Janesville, City	33,704,355
		Koshkonong CSC	4,018,051
		Milton, City	4,328,415

APPENDIX V (continued)

Clean Water Fund Program Financial Assistance Agreements As of June 30, 2014

Municipality	Amount	Municipality	Amount
Rusk		Trempealeau	
Sheldon, Village*	\$292,323	Arcadia, City	\$386,792
Saint Croix		Galesville, City	1,730,714
Baldwin, Village **	645,190	Independence, City	1,591,695
Hammond, Village	4,100,924	Osseo, City	1,575,170
Hudson, City	7,242,341	Trempealeau, Village	1,558,545
New Richmond, City	3,320,105	Whitehall, City	1,389,624
North Hudson, Village	640,849	Vernon	
Richmond SD #1*	46,884	De Soto, Village	256,764
Roberts, Village	3,193,935	Hillsboro, City	1,978,482
Somerset, Village	2,980,623	Readstown, Village	178,000
Sauk		Stoddard, Village	555,571
Baraboo, City	5,303,884	Viroqua, City	3,062,954
Christmas Mountain SD	1,658,960	Westby, City	416,803
Ironton, Village*	1,145,445	Vilas	
Lake Delton, Village	22,133,301	Eagle River, City	3,562,886
North Freedom, Village	498,048	Walworth	
Prairie du Sac, Village	205,400	Bloomfield, Village *	17,726,109
Reedsburg, City	20,140,997	East Troy, Village	10,101,675
Spring Green, Village	949,856	Fontana, Village **	5,113,918
Shawano		Genoa City, Village	4,226,574
Bowler, Village	114,748	Lake Como Beach SD*	15,502,380
Caroline SD*	312,016	Lyons SD #2	2,614,169
Cloverleaf Lakes SD #1	1,021,778	Pell Lake SD #1*	1,452,302
Green Valley SD #1*	468,964	Sharon, Village	1,695,000
Krakow SD #1	625,000	Walworth County MSD	45,160,676
Mattoon, Village	398,340	Walworth, Village **	1,587,077
Shawano, City	2,361,297	Whitewater, City **	7,827,463
Wolf TPC	12,847,006	Washburn	
Sheboygan		Birchwood, Village *	4,196,491
Adell - Onion River, Village*	989,061	Minong, Village	1,095,194
Adell, Village*	776,339	Spooner, City	355,488
Cascade, Village	1,200,000	Washington	
Cedar Grove, Village	3,823,284	Hartford, City	13,168,455
Gibbsville SD	1,518,190	Hartford, Town*	3,143,418
Hingham San Dist - Onion River*	678,833	Jackson, Village	6,130,258
Hingham SD*	79,082	Kewaskum, Village	9,423,144
Howards Grove, Village	2,102,385	Newburg, Village	1,549,070
Kohler, Village	400,920	Silver Lake SD *	3,461,172
Little Elkhart Lake Rehab District*	2,173,589	Slinger, Village	7,007,668
Plymouth, City	4,585,500	West Bend, City	292,300
Random Lake, Village	1,919,396		
Sheboygan, City	19,547,274		
Waldo, Village	2,748,294		
Taylor			
Chelsea SD*	80,000		
Rib Lake, Village	291,288		
Stetsonville, Village	1,140,962		
Westboro SD #1*	278,608		

APPENDIX V (continued)

Clean Water Fund Program Financial Assistance Agreements As of June 30, 2014

Municipality	Amount	Municipality	Amount
Waukesha		Winnebago	
Brookfield SD #4	\$5,749,787	Algoma SD #1*	\$3,124,776
Brookfield, City **	33,480,280	Black Wolf SD #1	4,327,485
Delafield - Hartland PCC	10,000,000	Butte des Morts CSD #1*	2,936,650
Delafield, City	1,555,831	Edgewood-Shangri La SD	1,011,312
Dousman, Village **	6,535,035	Grand Chute - Menasha West SC **	42,804,650
Lannon, Village*	12,459,777	Island View SD	2,764,149
Lisbon SD #1	2,848,788	Menasha, City	5,187,450
Menomonee Falls, Village	886,867	Menasha, Town **	5,313,516
Nashotah, Village	285,677	Neenah SD #2*	3,056,893
Oconomowoc, City	5,449,057	Neenah, City **	1,711,792
Oconomowoc, Town	6,819,232	Neenah, Town **	255,841
Pewaukee, City	8,049,176	Neenah-Menasha SC	21,440,310
Pewaukee, Village	8,191,015	Omro, City	3,510,030
Summit, Village	7,831,586	Omro, Town **	46,181
Sussex, Village	18,841,702	Orihula SD	2,521,626
Waukesha, City	75,071,787	Oshkosh, City	34,082,669
Waupaca		Sunset Point SD	685,894
Chain O'Lakes SD #1	2,081,670	Winneconne SD #3	2,078,897
Fremont, Village	1,866,706	Winneconne, Village	1,668,622
Manawa, City	1,408,334	Wood	
Waupaca, City	12,422,741	Hewitt, Village*	1,602,188
Weyauwega, City	3,284,569	Marshfield, City	24,169,823
Waushara		Nekoosa, City	3,260,437
Hancock, Village	150,800	Pittsville, City	2,768,052
Poy Sippi SD	223,000	Port Edwards, Village	3,367,924
Redgranite, Village*	5,537,215	Rudolph, Village **	286,680
Silver Lake SD *	2,263,601	Vesper, Village	1,724,160
Wautoma, City*	3,233,999	Wisconsin Rapids, City **	<u>39,160,280</u>
		Grand Total	\$4,040,280,094

SD = Sanitary District
 SC = Sewage Commission
 CSD = Consolidated Sewerage District
 RD = Rehabilitation District
 LPRD = Lake Protection and Rehabilitation District
 PCC = Pollution Control Commission

MSD = Metropolitan Sewerage District
 CSC = Consolidated Sanitary Commission
 TPC = Treatment Plant Commission
 LMD = Lake Management District
 CWC = Clean Water Commission

* = Includes financial hardship assistance

** = Includes financing under the federal American Recovery and Reinvestment Act of 2009

APPENDIX VI

Safe Drinking Water Loan Program Financial Assistance Agreements As of June 30, 2014

Municipality	Amount	Municipality	Amount
Adams			
Adams, City */**	\$900,937	Clark	
Rome, Town	4,481,197	Abbotsford, City	\$701,970
Ashland			
Ashland, City *	3,328,766	Colby, City */**	824,035
Butternut, Village */**	1,466,776	Dorchester, Village *	364,931
Glidden SD */**	175,754	Greenwood, City *	2,193,622
Barron			
Barron, City *	646,678	Loyal, City */**	819,527
Cameron, Village *	2,132,127	Thorp, City *	1,198,085
Cumberland, City */**	2,878,248	Withee, Village */**	2,577,634
Dallas, Village *	852,046	Columbia	
Turtle Lake, Village */**	3,750,947	Arlington, Village	469,723
Bayfield			
Bayfield, City *	1,625,399	Friesland, Village	733,212
Brown			
Allouez, Village	2,560,962	Portage, City	121,379
Hobart, Village	1,123,268	Rio, Village **	420,823
Holland SD #1 **	233,437	Crawford	
Wrightstown SD #1	470,152	Eastman, Village *	923,706
Wrightstown, Village	1,438,421	Prairie du Chien, City *	2,803,236
Buffalo			
Cochrane, Village *	454,324	Dane	
Fountain City, City	634,236	Cambridge, Village **	659,060
Burnett			
Grantsburg, Village *	302,257	Cottage Grove, Village	2,840,252
Webster, Village *	829,380	Dane, Village	1,634,203
Calumet			
Chilton, City	526,734	Deerfield, Village **	1,080,941
Forest Junction SD	1,254,915	Marshall, Village	579,517
New Holstein, City	716,604	Morrisonville SD #1 *	1,054,634
Sherwood, Village **	1,980,380	Oregon, Village	432,818
Chippewa			
Chippewa Falls, City **	5,198,379	Stoughton, City **	1,227,502
Cornell, City	1,826,166	Dodge	
New Auburn, Village *	1,205,891	Brownsville, Village	428,997
Stanley, City */**	1,810,082	Horicon, City **	2,528,196
Eau Claire			
Fond du Lac			
		Hustisford, Village	1,057,341
		Lomira, Village **	1,063,630
		Randolph, Village	995,504
		Eau Claire	
		Altoona, City	490,327
		Augusta, City *	1,700,000
		Fairchild, Village *	665,000
		Fond du Lac	
		Campbellsport, Village	240,583
		Fond du Lac, City	32,743,990
		Oakfield, Village	2,200,000
		Saint Cloud, Village	934,679
		Grant	
		Blue River, Village */**	609,631
		Dickeyville, Village	1,078,163
		Livingston, Village	104,175
		Mount Hope, Village	386,498

APPENDIX VI (continued)

**Safe Drinking Water Loan Program Financial Assistance Agreements
As of June 30, 2014**

Municipality	Amount	Municipality	Amount
Green Lake		Marinette	
Berlin, City	\$1,687,900	Goodman SD #1 *	\$611,093
Iowa		Marinette, City **	26,231,979
Arena, Village	141,195	Peshtigo, City	5,387,773
Avoca, Village */**	248,000	Milwaukee	
Highland, Village	556,482	Greendale, Village	5,222,022
Rewey, Village *	123,713	Milwaukee, City	27,181,311
Iron		Oak Creek, City **	16,007,242
Hurley, City */**	197,333	South Milwaukee, City	7,757,831
Jackson		Monroe	
Alma Center, Village	672,073	Kendall, Village *	535,989
Merrillan, Village *	627,303	Sparta, City *	1,229,543
Jefferson		Tomah, City *	4,024,277
Jefferson, City	1,661,054	Warrens, Village *	583,621
Juneau		Oconto	
Elroy, City *	929,156	Gillett, City	1,624,729
Lyndon Station, Village */**	1,217,276	Oconto Falls, City */**	1,918,407
Necedah, Village *	2,321,970	Suring, Village */**	1,609,144
New Lisbon, City *	1,175,277	Oneida	
La Crosse		Rhineland, City *	2,225,303
Holmen, Village	1,365,000	Three Lakes SD#1 *	517,621
Rockland, Village	343,248	Outagamie	
West Salem, Village	3,058,893	Greenville SD #1 **	4,431,687
Lafayette		Seymour, City	2,337,849
Benton, Village *	601,600	Ozaukee	
Darlington, City */**	516,588	Belgium, Village	1,174,954
South Wayne, Village *	558,676	Port Washington, City	3,403,700
Wiota SD#1 *	74,096	Pepin	
Langlade		Pepin, Village *	561,760
Elcho SD #1 *	187,734	Polk	
Lincoln		Luck, Village *	544,888
Merrill, City	2,197,117	Osceola, Village **	298,874
Manitowoc		Portage	
Reedsville, Village	1,647,018	Amherst, Village **	1,156,314
Saint Nazianz, Village	956,170	Junction City, Village *	1,102,221
Two Rivers, City **	5,708,481	Plover, Village	3,326,712
Marathon		Stevens Point, City **	13,959,968
Brokaw, Village *	729,854	Whiting, Village **	517,332
Spencer, Village	1,093,568	Price	
Stratford, Village	1,788,066	Park Falls, City *	4,062,470

APPENDIX VI (continued)

**Safe Drinking Water Loan Program Financial Assistance Agreements
As of June 30, 2014**

Municipality	Amount	Municipality	Amount
Racine			
Burlington, City	\$2,271,418	Vernon	
Racine, City	29,261,322	Genoa, Village *	\$75,010
Union Grove, Village **	3,406,477	Hillsboro, City *	992,574
Richland			
Cazenovia, Village */**	657,596	Ontario, Village *	89,773
Richland Center, City */**	1,731,933	Readstown, Village *	15,257
Viola, Village *	399,454	Viroqua, City *	3,008,677
Rock			
Footville, Village	485,135	Walworth	
Janesville, City	3,541,250	Delavan, City	2,739,708
Rusk			
Hawkins, Village *	203,783	Fontana, Village	1,664,500
Ladysmith, City *4,708,509		Williams Bay, Village	884,800
Sauk			
Bluffview SD *	694,598	Washburn	
Lake Delton, Village *	4,541,467	Minong, Village *	498,131
Prairie du Sac, Village	1,769,682	Shell Lake, City *	751,921
Reedsburg, City **	770,327	Washington	
West Baraboo, Village **	1,422,982	Germantown, Village **	1,942,940
Shawano			
Bowler, Village *	679,005	Waukesha	
Mattoon, Village *	229,742	Eagle, Village	2,161,248
Sheboygan			
Cedar Grove, Village	576,593	Mukwonago, Village	2,513,797
Sheboygan, City	3,152,000	Muskego, City **	907,948
Taylor			
Rib Lake, Village */**	688,719	Waukesha, City	1,241,779
Trempealeau			
Arcadia, City *	3,211,800	Waupaca	
Blair, City *	2,565,792	Clintonville, City *	3,714,825
Trempealeau, Village **	2,834,962	Waupaca, City *	1,106,033
Whitehall, City */**	3,451,980	Waushara	
Wood			
		Hancock, Village *	834,481
		Wautoma, City *	3,613,642
		Winnebago	
		Algoma SD #1 **	14,196,701
		Menasha, City	15,881,154
		Neenah, City	26,389,967
		Oshkosh, City	36,321,726
		Wood	
		Nekoosa, City	4,273,175
		Pittsville, City	<u>2,121,871</u>
		Grand Total	\$488,821,606

SD = Sanitary District

* = Includes financing at 33% of market interest rate based on financial need criteria

** = Includes financing under the federal American Recovery and Reinvestment Act of 2009