

STATE OF WISCONSIN

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Howard Marklein

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JOINT COMMITTEE ON FINANCE

MEMORANDUM

To: Members
Joint Committee on Finance

From: Senator Howard Marklein
Representative Mark Born

Date: July 23, 2025

Re: DNR/DOA Report to JFC

Attached is a report on the Wisconsin Environmental Improvement Fund from the Department of Natural Resources and the Department of Administration, pursuant to s. 281.59(3)(bm)3.

This report is being provided for your information only. No action by the Committee is required. Please feel free to contact us if you have any questions.

Attachments

HM:MB:jm

State of Wisconsin

DEPARTMENT OF ADMINISTRATION
101 E. Wilson Street
Box 7864
Madison WI, 53703-7864

Joint Finance Committee
Received Jul 23 2025



DEPARTMENT OF NATURAL RESOURCES
101 S. Webster Street
Box 7921
Madison WI 53707-7921



July 23, 2025

The Honorable Mark Born
Co-Chair Joint Committee on Finance
Room 308 East
State Capitol

**SUBJECT: Wisconsin Environmental Improvement Fund
Biennial Finance Plan for 2025-2027 Third Version**

Dear Representative Born:

Wisconsin Statutes (s. 281.59(3)(bm)3, Wis. Stats.) requires the Department of Natural Resources and the Department of Administration to jointly submit to the Legislature and to the State Building Commission the updated version of the EIF Biennial Finance Plan to reflect the adopted biennial budget act. The purpose of the Plan is to provide information on loan, loan subsidy, and bonding levels for program operations during the 2025-2027 biennium.

The first version of the Biennial Finance Plan for 2025-2027 was submitted on September 30, 2024. The second version was submitted on March 20, 2025, to reflect material included in the Governor's biennial budget.

If you have any questions regarding the Biennial Finance Plan, please contact Jim Ritchie at 608-215-6235 or Aaron Heintz at 608-267-1836.

Sincerely,

Jim Ritchie, Director
Bureau of Community Financial Assistance
Department of Natural Resources

Aaron Heintz, Director
Capital Finance Office
Department of Administration

cc: Karen Hyun, Ph.D. – DNR
Kathy Blumenfeld – DOA

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Co-Chair Joint Committee on Finance
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Sincerely,

A handwritten signature in blue ink that reads "Jim Ritchie".

Jim Ritchie, Director
Bureau of Community Financial Assistance
Department of Natural Resources

A handwritten signature in blue ink that reads "Aaron Heintz".

Aaron Heintz, Director
Capital Finance Office
Department of Administration

cc: Karen Hyun, Ph.D. – DNR
Kathy Blumenfeld – DOA

BIENNIAL FINANCE PLAN
ENVIRONMENTAL IMPROVEMENT FUND
THIRD-FINAL VERSION
JULY 23, 2025

Prepared by:

Department of Natural Resources
Bureau of Community Financial Assistance
<http://dnr.wi.gov/Aid/LoanNews.html>

Department of Administration
Capital Finance Office
<http://doa.wi.gov/capitalfinance>

ENVIRONMENTAL IMPROVEMENT FUND
BIENNIAL FINANCE PLAN
THIRD VERSION, JULY 23, 2025
EXECUTIVE SUMMARY
FUNDING LEVELS
FOR
ENVIRONMENTAL IMPROVEMENT FUND
2025-27 Biennium
BONDING AUTHORITY
(in millions)

	CHANGE IN AMOUNT	CUMULATIVE
ENVIRONMENTAL IMPROVEMENT FUND		
Revenue Bonding	\$732.3	\$3,329.7
A. CLEAN WATER FUND PROGRAM		
General Obligation Bonding	\$0.0	\$659.8
B. SAFE DRINKING WATER LOAN PROGRAM		
General Obligation Bonding	\$0.0	\$75.0

Notes:

- The enacted 2025-27 biennial budget (**2025 Wisconsin Act 15**), provided an additional \$732,250,100 of bonding authorization for Environmental Improvement Fund (**EIF**) revenue bonds (**EIFRBs**) that will be used to make loans under the Clean Water Fund Program (**CWFP**) and the Safe Drinking Water Loan Program (**SDWLP**).
- The additional bonding authorization will address the current capacity issues and address anticipated high levels of demand expected throughout the 2025-27 biennium. Such funding needs, and the corresponding funding levels, may change as more data becomes available.

ENVIRONMENTAL IMPROVEMENT FUND
BIENNIAL FINANCE PLAN
THIRD VERSION, JULY 23, 2025

I. Introduction

Section 281.59(3), Wis. Stats., requires that the Department of Natural Resources (**DNR**) and the Department of Administration (**DOA**) jointly submit a *Biennial Finance Plan* for the EIF to the Building Commission, the Joint Committee on Finance, and to the Chief Clerk of each house of the legislature. The first version of the Plan was submitted on October 1, 2024. The second version was submitted on March 15, 2025. This version of the Plan is required to be submitted within 30 days after the Biennial Budget has been signed by the Governor. The Building Commission is required to approve or disapprove the plan within 60 days. As 2025 Wisconsin Act 15 was enacted on July 3, 2025, submission of this report must occur by August 2, 2025, and Building Commission approval or disapproval must occur by September 1, 2025.

The law requires DNR and DOA to provide information on the following topics:

1. An estimate of the needs for wastewater, storm water, and safe drinking water, and the total amount of financial assistance planned to be provided or committed for projects during the four fiscal years of the next two biennia.
2. The extent to which the EIF will be maintained in perpetuity.
3. Financial statements, charts, and other financial information regarding the EIF.
4. The amount and description of service fees to be charged.
5. The Biennial Finance Plan impact on the guideline stated in s. 281.59(3)(b), Wis. Stats.

Attachment A summarizes authority levels and financial assumptions for the programs. Attachment B charts projected sources and uses of funds for the 2025-27 and the 2027-29 biennia.

II. Program Background

The purpose of the EIF is to provide affordable financial assistance to communities within the state for water infrastructure projects that protect and improve public health and water quality for current and future generations. Since its inception in 1991, the EIF has provided over \$8.0 billion in financial assistance to municipalities through the CWFPP and SDWLP, both separate programs under the EIF.

The EIF offers financial assistance to municipalities in the form of subsidized loans and additional subsidy (principal forgiveness/grants) to reduce the size of a loan. When municipalities make repayments on the loan component, those dollars revolve within the fund to make additional loans to other municipalities.

Since SFY 2015, the EIF has received no additional General Purpose Revenue (**GPR**) to support repayment of any EIFRBs and the debt service on all EIFRBs is paid entirely from municipal loan repayments to the fund.

ENVIRONMENTAL IMPROVEMENT FUND
BIENNIAL FINANCE PLAN
THIRD VERSION, JULY 23, 2025

III. Needs and Financial Assistance Planned To Be Provided

2025 Wisconsin Act 15 provided \$732,250,100 in additional revenue bonding authority, which will be used by the EIF to (1) meet the required state match on the annual capitalization grants from the US Environmental Protection Agency (**EPA**) and (2) address current and anticipated levels of applicant demand. Recent program increases are a result of increased funding due to the Bipartisan Infrastructure Law (**BIL**), inflation, and supply chain challenges.

A. Clean Water Fund Program

Table 1 shows the projections of the total amount for the wastewater and stormwater funding needs for the next four fiscal years. Projected funds and current bonding authorization, including the \$732.3 million in additional revenue bonding authorization, will meet these projected needs. These projections represent estimates as of June 30, 2025.

The funding needs are projected based on the total amount of CWFP funding requested during each of the last twelve fiscal years. In SFY 2024, there was an increase in loan demand of 154% over the 10-year average loan demand primarily attributable to the BIL. Final SFY 2025 demand totaled \$523.8 million which exceeded loan capacity by \$35.3 million (9 municipal projects were unable to be funded).

For the purposes of calculating assistance planned to be provided, we assume that the state will receive annual base Clean Water Fund State Revolving Fund (**CWSRF**) federal capitalization grants of approximately \$23.4 million in SFY's 2026 through and including 2029, plus the following in SFY's 2026 and 2027: BIL CWSRF supplemental capitalization grants of approximately \$66.7 million each year and BIL CWSRF emerging contaminant capitalization grants of approximately \$5.8 million each year. These assumptions are included in Table 1 below.

Non-disadvantaged municipalities that have a population of 10,000 or more and/or a median household income (**MHI**) greater than 80% of the State MHI are eligible to receive loans that are 55% of the market interest rate. Disadvantaged municipalities that have a population of less than 10,000 and an MHI that is 80% or less of the State MHI are eligible to receive loans that are 33% of the market interest rate. Extremely disadvantaged municipalities that have a population less than 1,000 and an MHI that is 65% or less of the State MHI are eligible to receive 0% interest rate loans. Per s. 281.58(8)(k), Wis. Stats., certain categories of project costs are only eligible at 100% of the market rate. Pilot Projects, which are non-traditional Clean Water Fund projects (such as water quality trading projects) to address water quality issues that are consistent with the federal Clean Water Act are anticipated to be eligible at 0% of the market rate.

With the revenue bonding authority noted above, revenue bond proceeds for the CWFP now provide the required state match contributions on federal capitalization grants, thereby eliminating the issuance of tax-supported general obligation bonds for that purpose.

Table 1 shows projected annual program funding levels for SFY's 2026 through and including 2029.

ENVIRONMENTAL IMPROVEMENT FUND
BIENNIAL FINANCE PLAN
THIRD VERSION, JULY 23, 2025

TABLE 1 Projected Wastewater and Storm Water Assistance Planned to be Provided (in millions)				
% of Market Interest Rate	SFY2026	SFY2027	SFY2028	SFY2029
55%	\$279.5	\$279.5	\$279.5	\$279.5
33%	103.6	103.6	103.6	103.6
0%	20.2	20.2	20.2	20.2
Market Rate (100%)	21.8	21.8	21.8	21.8
Pilot Projects at 0% of Market Rate	10.0	10.0	10.0	10.0
TOTAL	\$435.0	\$435.0	\$435.0	\$435.0

May not add due to rounding.

B. Safe Drinking Water Loan Program

Table 2 shows the projections of the total amount of drinking water funds for the next four fiscal years. Projected funds and current bonding authorization will meet these projected needs. These projections represent estimates as of June 30, 2025.

SFY 2026 funding needs are projected based on the total amount of SDWLP funding requested during each of the last eleven fiscal years. In SFY 2024, there was an increase in loan demand of 325% over the proceeding 10-year average demand. The increase in loan demand is primarily attributable to the BIL. SFY 2025 demand is lower than SFY 2024 but is still 90% above the 10-year average.

For the purposes of calculating assistance planned to be provided, we assume that, on average, the State will receive base Drinking Water State Revolving Fund (**DWSRF**) federal capitalization grants of \$8.9 million in SFY's 2026 through and including 2029, plus the following in SFY's 2026 and 2027: BIL DWSRF supplemental capitalization grants of approximately \$42.7 million, BIL DWSRF lead service line replacement capitalization grants of \$84.3 million, and BIL DWSRF emerging contaminant capitalization grants of \$13.1 million in each year. These assumptions are included in Table 2 below.

Non-disadvantaged municipalities with a population of 10,000 or more and/or MHI greater than 80% of State MHI are eligible to receive loans that are 55% of the market interest rate. Disadvantaged municipalities that have a population of less than 10,000 and an MHI that is 80% or less of the State MHI are eligible to receive loans that are 33% of the market interest rate. Lead service line replacement projects funded through the BIL are eligible for an interest rate of 0.25%.

With the revenue bonding authority noted above, revenue bond proceeds for the SDWLP now provide the required state match contributions on federal capitalization grants, thereby eliminating the issuance of tax-supported general obligation bonds for that purpose.

ENVIRONMENTAL IMPROVEMENT FUND
BIENNIAL FINANCE PLAN
THIRD VERSION, JULY 23, 2025

Table 2 shows projected annual program funding levels to meet the estimated drinking water funding needs for SFY's 2026 through and including 2029.

TABLE 2 Projected Drinking Water Financial Assistance Planned to be Provided (in millions)				
% of Market Interest Rate	SFY2026	SFY2027	SFY2028	SFY2029
55%	\$100.9	\$101.6	\$118.4	\$118.4
33%	61.1	61.5	71.6	71.6
BIL – LSL (0.25%)	28.1	27.0	0.0	0.0
TOTAL	\$190.0	\$190.0	\$190.0	\$190.0

May not add due to rounding.

III. Fund Maintained in Perpetuity

The EPA-funded programs for the CWFP and the SDWLP are self-perpetuating portfolios that will continue to grow as principal and interest payments are recycled into new loans. EPA regulations require that the EPA-funded programs be maintained in a way that guarantees that they will continue in perpetuity. Projected funds as represented in the above tables along with existing revenue bonding authority does not guarantee that funding at those assumed levels can be maintained for future years; annual reviews (and potential modifications) occur each year of the biennium. A major way that the EPA-funded programs could diminish in size is if interest costs on EIFRBs exceed interest earnings on CWFP and SDWLP loans.

DOA and DNR maintain and monitor financing models intended to assist the EIF in maintaining financing operations in perpetuity. The models reflect the funding sources, including but not limited to CWFP and SDWLP loan repayments, along with future needs and future administrative expenses.

Two loan portfolios are used to describe the EIF:

1. The **Direct Portfolio** uses capitalization grants from EPA, state matching funds that originate from EIFRBs, and proceeds from EIFRBs to make loans. Leveraging of the capitalization grants and state matching funds commenced in SFY 2016, and all new CWFP loans made since SFY 2016 and all new SDWLP loans made since November 2019 have been made from this portfolio. In SFY 2017, all loans made under the now-closed leveraged portfolio were moved into the direct portfolio as investment loans. The direct portfolio was designed so that loan repayments on EPA-funded and bond-funded loans are used to retire revenue bonds that were issued.
2. The **Proprietary Portfolio** is for loans that did not previously fit under the above portfolios. Some loans can only be funded in the proprietary portfolio because of questionable credit quality, non-conformity with EPA regulations, or federal tax requirements. The number and amount of loans maintained in the proprietary portfolio is kept to a minimum. EPA does not require the proprietary portfolio to operate in perpetuity. The proprietary portfolio has not

ENVIRONMENTAL IMPROVEMENT FUND
BIENNIAL FINANCE PLAN
THIRD VERSION, JULY 23, 2025

made a new loan since 2018 and currently has limited ongoing funding to make new loans. Once outstanding loans are repaid, the proprietary portfolio will eventually be depleted.

IV. Financial Reports

Section 281.59(3)(a)5, Wis. Stats., requires the presentation of audited financial statements for the CWFPP and the SDWLP. Financial statements covering those programs, including the balance sheet and statement of revenues and expenses, are part of the overall program financial statements prepared by the DOA and audited by Baker Tilly US, LLP. These statements must be considered in their entirety and may not be presented without accompanying statements and notes. The most recent copies of the audited financial statements, together with the report of the accountants, are available from the DOA Capital Finance Office (608-266-2305) or on the web at doa.wi.gov/capitalfinance.

V. Loan Servicing

Section 281.58(9)(d), Wis. Stats., specifies that the DNR and the DOA may jointly charge and collect service fees on CWFPP applications as established by rule for reviewing and acting upon the application and servicing the financial assistance agreement. Section NR 162.20, Wis. Admin. Code, specifies that, if a service fee is imposed, the fee shall be described in the Biennial Finance Plan. The service fee for the 2025-2027 biennium will continue to be 0.25% of the outstanding balance on CWFPP loans entered into starting in the 2017-19 biennium. The service fee is a component of the interest rate charged on CWFPP loans and does not result in an interest rate that is higher than what is described in the financial assistance agreements. Municipalities will not see an increase in the interest rate that they are charged on CWFPP loans.

Finally, Section 281.61(5)(b), Wis. Stats., specifies that the DNR and the DOA may jointly charge and collect service fees on SDWLP applications as established by rule for reviewing and acting upon the application and servicing the financial assistance agreement. Section NR 162.20, Wis. Admin. Code, specifies that, if a service fee is imposed, the fee shall be described in the Biennial Finance Plan. The service fee for the 2025-27 biennium will continue to be 0.25% of the outstanding balance on SDWLP loans entered into and the service fee was first charged and collected with the May 1, 2022 loan repayment cycle. This service fee is a component of the interest rate charged on SDWLP loans and does not result in an interest rate that is higher than what is described in the financial assistance agreements. Municipalities will not see an increase in the interest rate that they are charged on SDWLP loans.

VI. Impact on Section 281.59(3)(b), Wis. Stats., Guidelines:

Authorizing legislation for the CWFPP indicates that, in preparation of the Biennial Finance Plan, the DNR and the DOA shall consider as a guideline that all state water pollution general obligation debt service should not exceed 50% of all general obligation debt service costs of the state. The debt service costs for all state water pollution abatement programs are expected to total 0.9%, 0.8%, and 0.6% of all state debt service in SFYs 2025, 2026, and 2027. When compared to the total General Purpose Revenue debt service, the percent of debt service for state water pollution abatement programs would be 1.7%, 1.5%, and 1.2%, respectively. This plan contemplates the issuance of revenue bonds and no general obligation bonds. Accordingly, the pollution abatement debt service costs are well under the 50% guideline and should remain at such levels.

ENVIRONMENTAL IMPROVEMENT FUND
BIENNIAL FINANCE PLAN
THIRD VERSION, JULY 23, 2025

The state cost of subsidized loans to municipalities for the construction of pollution control facilities will continue to be significantly less than the costs previously incurred when state grants were offered for similar facilities. With all CWFP loans made since SFY 2016 originating from the direct portfolio, and issuance of revenue bonds funding the state match contributions, the state costs of subsidized loans is drastically reduced.

**STATE OF WISCONSIN
ENVIRONMENTAL IMPROVEMENT FUND
SUMMARY OF PROGRAM AUTHORITY AND FINANCIAL ASSUMPTIONS
ATTACHMENT TO 2025-2027 BIENNIAL FINANCE PLAN VERSION 3**

GENERAL OBLIGATION BONDS

Clean Water Fund Program

Previously Authorized But Uncommitted General Obligation Authority	\$ 79,804
Increase in General Obligation Bond Authority Included in Biennial Budget	-
Existing General Obligation Bond Authority	659,783,200
Cumulative General Obligation Bond Authority	659,783,200

Safe Drinking Water Loan Program

Previously Authorized But Uncommitted General Obligation Authority	\$ -
Increase in General Obligation Bond Authority Included in Biennial Budget	-
Existing General Obligation Bond Authority	74,950,000
Cumulative General Obligation Bond Authority	74,950,000

REVENUE BONDS

Environmental Improvement Fund (Clean Water Fund Program and Safe Drinking Water Loan Program)

Capitalization Grant Match (FYs 2025-2029)*	\$ 75,380,647	
Projects to be Funded/Bond Proceeds (FYs 2025-2029)*	830,353,567	
Allowance for Project Cost Increases and Costs of Issuance	207,670,886	
Total:		1,113,405,100
Available Revenue Bond Authority (2023-25 carry over plus 2025-27 award) *		381,155,000
Recommended Additional Revenue Bond Authority		732,251,000
Existing Revenue Bond Authority		2,597,400,000
Cumulative Revenue Bond Authority		3,329,651,000

Financial Assumptions

PROJECTS TO BE FUNDED (FYs 2026 and 27)

Wastewater Projects Eligible for 0% of Market Rate	\$ 60,325,000
Wastewater Projects Eligible for 33% of Market Rate	207,270,500
Wastewater Projects Eligible for 55% of Market Rate	558,904,500
Wastewater Projects Eligible for Market Rate	43,500,000
Safe Drinking Water Projects for 0.25% of Market Rate	55,019,660
Safe Drinking Water Projects for 33% of Market Rate	122,517,588
Safe Drinking Water Projects for 55% of Market Rate	202,462,752
Total Project Costs	1,250,000,000

CAPITALIZATION GRANTS FROM THE US EPA (estimated)

Clean Water Fund Program	\$ 208,326,243
Safe Drinking Water Loan Program	313,043,658
Total Capitalization Grants	521,369,900

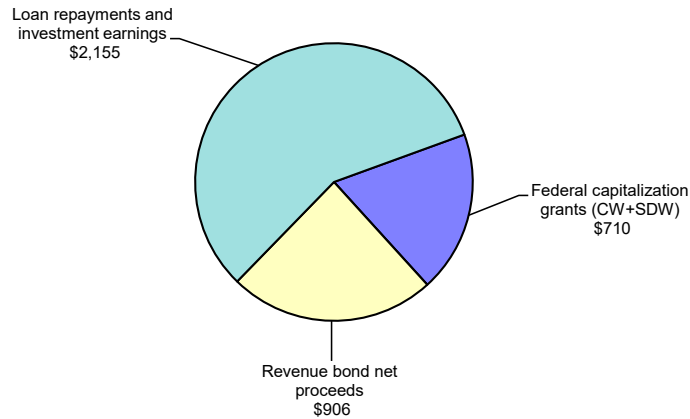
INTEREST RATES (at 5.0% estimated market rate)

Clean Water Fund Program Compliance Maint. and New/Changed Limits, Urban Storm, Nonpoint Source, and Unsewered @ 55% of market (Regular Rate)	2.750%
Clean Water Fund Program Hardship Rate (33%)	1.650%
Clean Water Fund Program Hardship Rate (0%)	0.000%
Safe Drinking Water Fund Program @ 55% of market (Regular Rate)	2.750%
Safe Drinking Water Fund Program Hardship Rate (33%)	1.650%
Safe Drinking Water Fund Program LSL (0.25%)	0.250%

* To address future revenue bond authority, includes assumed issuance for remainder of FY2025 and assumed needs in FY2026 and FY2027 so that any bonding authority needed in the next biennium is addressed in this budget in the event of future budget delays.

STATE OF WISCONSIN
ENVIRONMENTAL IMPROVEMENT FUND
ESTIMATED SOURCES AND USES FOR 2025-25 and 2027-29 BIENNIA
ATTACHMENT TO 2025-2027 BIENNIAL FINANCE PLAN VERSION 3

Sources of Funds



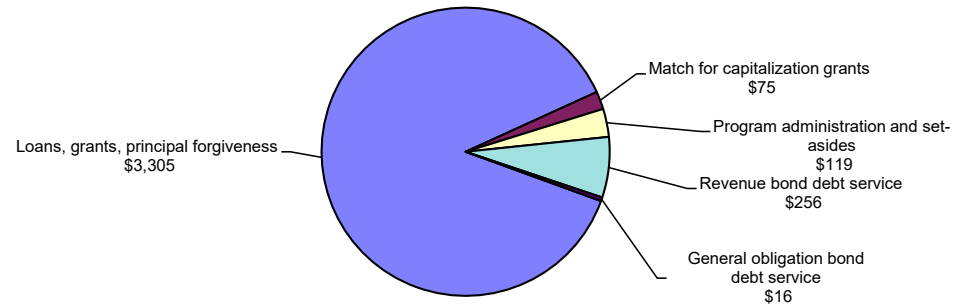
SOURCES OF FUNDS

Federal capitalization grants (CW+SDW)	\$710
Revenue bond net proceeds	906
Loan repayments and investment earnings	2,155
TOTAL SOURCES	\$3,771

Notes:

All numbers estimated and expressed in millions of dollars
Loans and grants include projects originated during period indicated to end of funding cycle
Assumptions regarding future interest rates for tax exempt bonds affect projections
Does not include accruals or unapplied fund balances

Uses of Funds



USES OF FUNDS

Loans, grants, principal forgiveness	\$3,305
Match for capitalization grants	75
Program administration and set-asides	119
Revenue bond debt service	256
General obligation bond debt service	16
TOTAL USES	\$3,771