

ENVIRONMENTAL IMPROVEMENT FUND

Budget Summary							
Fund	2020-21 Base	2021-23	2021-23	2021-23	2021-23	Act 58 Change Over	
	Year Doubled	Governor	Jt. Finance	Legislature	Act 58	Base Year Doubled	Percent
GPR	\$18,996,200	\$55,526,100	\$14,967,200	\$14,967,200	\$14,967,200	- \$4,029,000	- 21.2%
SEG	<u>16,000,000</u>	<u>15,000,000</u>	<u>15,000,000</u>	<u>15,000,000</u>	<u>15,000,000</u>	<u>- 1,000,000</u>	<u>- 6.3</u>
TOTAL	\$34,996,200	\$70,526,100	\$29,967,200	\$29,967,200	\$29,967,200	- \$5,029,000	- 14.4%
BR		\$385,000,000	\$24,700,000	\$24,700,000	\$24,700,000		

FTE Position Summary
Positions for the Environmental Improvement Fund program are provided under the Departments of Administration and Natural Resources.

Budget Change Items

1. LEAD SERVICE LINE REPLACEMENT [LFB Paper 290]

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Net Change
GPR	\$40,000,000	- \$40,000,000	\$0

Governor: Provide \$40,000,000 in 2021-22 in a new continuing appropriation in the safe drinking water loan program of the Environmental Improvement Fund (EIF) to allocate to projects involving forgivable loans (grants) to cover up to 50% of the cost of replacing private lead service lines connected to public water systems. Create a legislative finding and determination that the prevalence of lead service lines in connection to public water systems poses a public health hazard and that processes for reducing lead entering drinking water from such pipes requires additional treatment of wastewater. Further, declare it is in the public interest, and the public policy of the state, to assist private users of public water systems in replacing lead service lines.

Water service lines, also known as laterals, connect a building to the water mains in the street, and carry drinking water from the public water system to the individual building. Water services lines were often constructed with lead as late as the 1980s in some areas. Lead in water service lines can leach into drinking water and damage the health of people drinking the water. In general, maintenance or replacement of the portion of the lateral that extends from the water main to the curb stop is the responsibility of the public water system, and the remaining portion of the lateral that extends from the curb stop to the building is the responsibility of the property owner.

The current safe drinking water loan program provides financial assistance to local governments that own public water systems or to the private owner of a community water system that serves a local government. The current program does not provide financial assistance to private users of public water systems.

In 2016-17 and 2017-18, the safe drinking water loan program awarded principal forgiveness loans (grants) totaling \$26,857,900 for 42 municipalities to replace private lead service lines. Further, the Water Infrastructure Financing Transfer Act (WIFTA) authorizes the state to transfer up to \$63.8 million from the clean water fund to the safe drinking water loan program to provide principal forgiveness for projects to replace private lead service lines beginning in 2021-22. However, both initiatives were funded by federal grants to the state. Both programs require that lead service line replacements occur only where public lead water mains have been replaced in the past or are to be replaced at the same time as private lead service lines.

Joint Finance/Legislature: Provision not included.

2. REVENUE BONDING AUTHORITY [LFB Paper 291]

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Net Change
BR	\$385,000,000	-\$360,300,000	\$24,700,000

Governor: Increase revenue obligation bonding authority by \$385,000,000 for the clean water fund and safe drinking water loan program within the EIF. In the EIF biennial finance plan published in late 2020, the Departments of Administration (DOA) and Natural Resources (DNR) indicated this level of bonding would be required to support capitalization grant matches and other financial assistance estimated for project applications through the next three state fiscal years (through June 30, 2024).

The clean water fund program provides low-interest loans to municipalities for planning, designing, constructing or replacing a wastewater treatment facility, or for nonpoint source pollution abatement or urban storm water runoff control projects. The safe drinking water loan program provides financial assistance to municipalities for the planning, design, construction, or modification of public water systems. State revenue obligation bonds are issued to pay a required minimum 20% state match to the federal capitalization grant for each program. Debt service payments are made from loan repayments.

Joint Finance/Legislature: Increase the revenue obligation bonding authority for the environmental improvement fund by \$24,700,000, rather than \$385,000,000 as proposed by the Governor. The total revenue obligation bonding authorization increases from \$2,526,700,000 to \$2,551,400,000 under Act 58. Amounts are intended to support state matches on federal capitalization grants anticipated in the 2021-23 biennium.

[Act 58 Section: 367]

3. ELIMINATE LAND RECYCLING LOAN PROGRAM

Governor: Repeal authorization for the land recycling loan program (LRLP) in the EIF, and remove statutory references to the program. Revert remaining funding to the clean water fund program.

The LRLP was created within the clean water fund by 1997 Wisconsin Act 27 to provide financial assistance to local governments 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. The program was funded with up to \$20 million from clean water fund loan repayments. No financial assistance agreements have been entered into since 2008. The program made \$13.5 million in financial assistance disbursements and made a \$6.2 million loan to the dry cleaner environmental response program. \$299,657 remains available for the LRLP.

Joint Finance/Legislature: Provision not included.

4. DEBT SERVICE REESTIMATE [LFB Paper 102]

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Net Change
GPR	- \$3,470,100	- \$558,900	- \$4,029,000
SEG	<u>- 1,000,000</u>	<u>0</u>	<u>- 1,000,000</u>
Total	- \$4,470,100	- \$558,900	- \$5,029,000

Governor: Reestimate GPR general obligation debt service by -\$852,600 in 2021-22 and -\$2,617,500 in 2022-23. This includes adjustments of: (a) -\$968,700 in 2021-22 and -\$2,141,900 in 2022-23 for the clean water fund; and (b) \$116,100 in 2021-22 and -\$475,600 in 2022-23 for the safe drinking water loan program.

In addition, delete \$1,000,000 EIF SEG in 2022-23 from the annual appropriation for clean water fund debt service. Annual clean water fund SEG debt service would be \$8,000,000 in 2021-22 and \$7,000,000 beginning in 2022-23. The following table summarizes debt service changes recommended by the Governor.

Environmental Improvement Fund Debt Service -- Governor

	Base	2021-22		2022-23	
		Change to Base	Total	Change to Base	Total
Clean Water Fund					
GPR	\$5,214,200	-\$968,700	\$4,245,500	-\$2,141,900	\$3,072,300
SEG	<u>8,000,000</u>	<u>0</u>	<u>8,000,000</u>	<u>-1,000,000</u>	<u>7,000,000</u>
Subtotal	\$13,214,200	-\$968,700	\$12,245,500	-\$3,141,900	\$10,072,300
Safe Drinking Water Loan Program					
GPR	<u>\$4,283,900</u>	<u>\$116,100</u>	<u>\$4,400,000</u>	<u>-\$475,600</u>	<u>\$3,808,300</u>
Total	\$17,498,100	-\$852,600	\$16,645,500	-\$3,617,500	\$13,880,600

Joint Finance/Legislature: Reestimate GPR general obligation debt service in AB 68/SB 111 by an additional -\$216,600 in 2021-22 and -\$342,300 in 2022-23. This includes adjustments of -\$221,400 in 2021-22 and -\$314,700 in 2022-23 for clean water fund debt service and \$4,800 in 2021-22 and -\$27,600 in 2022-23 for safe drinking water loan program debt service. Retain the deletion of \$1,000,000 EIF SEG in 2022-23 for clean water fund debt service. The following table shows EIF debt service changes under Act 58.

Environmental Improvement Fund Debt Service -- Act 58

	Base	2021-22			2022-23		
		Change to Base	Change to Bill	Total	Change to Base	Change to Bill	Total
Clean Water Fund							
GPR	\$5,214,200	-\$1,190,100	-\$221,400	\$4,024,100	-\$2,456,600	-\$314,700	\$2,757,600
SEG	<u>8,000,000</u>	<u>0</u>	<u>0</u>	<u>8,000,000</u>	<u>-1,000,000</u>	<u>0</u>	<u>7,000,000</u>
Subtotal	\$13,214,200	-\$1,190,100	-\$221,400	\$12,024,100	-\$3,456,600	-\$314,700	\$9,757,600
Safe Drinking Water Loan Program							
GPR	<u>\$4,283,900</u>	<u>\$120,900</u>	<u>\$4,800</u>	<u>\$4,404,800</u>	<u>-\$503,200</u>	<u>-\$27,600</u>	<u>\$3,780,700</u>
Total	\$17,498,100	-\$1,069,200	-\$216,600	\$16,428,900	-\$3,959,800	-\$342,300	\$13,538,300

5. LOAN PROGRAM APPLICATION CHANGES

Governor: Repeal the requirement that a municipality or other applicant submit a notice of intent to apply for clean water fund or safe drinking water loan program financial assistance at least six months prior to the beginning of the fiscal year in which financial assistance will be sought.

Additionally, under the safe drinking water loan program, delete the requirement that applications for safe drinking water financial assistance must be submitted by June 30 for financial assistance to be awarded in the succeeding fiscal year. Instead, require DNR to establish

application submittal instructions at least annually and provide them to prospective applicants, as well as provide any application deadlines that the Department may impose.

Repeal the requirement that a municipality submit an engineering report before receiving safe drinking water financial assistance. Instead, provide DNR discretion over engineering reporting requirements. Specify if an engineering report is required by DNR, it must be submitted no later than when the applicant submits a financial assistance application.

Repeal the requirement that DOA release safe drinking water financial assistance allocated to a project if the applicant has not closed the loan by the June 30 following the year in which the award was made.

Under current law, most applications for clean water fund financial assistance may be submitted on a continuing basis, while applications for safe drinking water financial assistance must be submitted by June 30 in the fiscal year prior to when financial assistance is sought. The bill would eliminate the safe drinking water loan application date and allow the program application period to function similarly to the clean water fund. DNR reports the provisions are intended to more closely align the application process for both programs and remove inconsistencies in how the programs are structured.

Joint Finance/Legislature: Provision not included.