

ENVIRONMENTAL IMPROVEMENT FUND

Budget Summary							
Fund	2022-23 Base	2023-25	2023-25	2023-25	2023-25	Act 19 Change Over	
	Year Doubled	Governor	Jt. Finance	Legislature	Act 19	<u>Base Year Doubled</u>	Percent
GPR	\$12,974,000	\$212,338,800	\$12,304,600	\$12,304,600	\$12,304,600	- \$669,400	- 5.2%
SEG	<u>14,000,000</u>	<u>10,500,000</u>	<u>10,500,000</u>	<u>10,500,000</u>	<u>10,500,000</u>	<u>- 3,500,000</u>	- 25.0
TOTAL	\$26,974,000	\$222,838,800	\$22,804,600	\$22,804,600	\$22,804,600	- \$4,169,400	- 15.5%
BR		\$372,000,000	\$46,000,000	\$46,000,000	\$46,000,000		

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 FUNDING

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Net Change
GPR	\$200,000,000	- \$200,000,000	\$0

Governor: Provide \$200,000,000 in 2023-24 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) for 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 service 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.

Beginning in 2016-17, federal law authorized the state to use a portion of capitalization grant proceeds for principal forgiveness for private lead service line replacements. Since 2016-17, the state has awarded \$102.5 million in principal forgiveness for private lead service line replacements. All funds came from federal sources. Additionally, the Infrastructure Investment and Jobs Act (IIJA) provides an annual capitalization grant for lead service line replacement for five years. Beginning in 2022-23 through 2026-27, Wisconsin is expected to receive \$48,319,000 each year under this program. Of this, 49%, or \$23,676,300, will be available for principal forgiveness each year. The remaining 51% will be available as low-interest loans to municipalities.

Additionally, municipalities may administer programs approved by the Public Service Commission to provide grants or loans to water utility customers for costs of replacing the property owner's side of a lead service line. The bill would authorize utilities to provide grants that would cover 100% of the cost of lead service line replacements. [See "Public Service Commission -- Departmentwide and Utility Regulation."]

Joint Finance/Legislature: Provision not included. (Removed from budget consideration pursuant to Joint Finance Motion #10.)

2. REVENUE OBLIGATION BONDING AUTHORITY [LFB Paper 345]

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Net Change
BR	\$372,000,000	-\$326,000,000	\$46,000,000

Governor: Increase revenue obligation bonding authority by \$372,000,000 for the clean water fund and safe drinking water loan program within the EIF. 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 state match to the federal

capitalization grant for each program. Federal law requires states to provide a 20% match to receive most capitalization grants and a 10% match for certain supplemental grants provided through the IJJA. Debt service payments are made from loan repayments.

Under current law, the program is authorized to issue up to \$2,551,400,000 in revenue obligation bonds. The bill would increase that amount to \$2,923,400,000. In the EIF biennial finance plan published in late 2022, 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 through the 2025-27 state fiscal biennium.

Joint Finance/Legislature: Increase the revenue bonding authorization for the EIF by \$46,000,000, from \$2,551,400,000 to \$2,597,400,000.

[Act 19 Section: 450]

3. LAND RECYCLING LOAN PROGRAM -- ENVIRONMENTAL FUND REPAYMENTS

Governor: Transfer the outstanding liability for the land recycling loan program (LRLP) loan to the segregated dry cleaner environmental response program (DERP) fund from the DERP to the environmental management account of the environmental fund. The LRLP is a component of the clean water fund and provided financial assistance to local governments for the investigation and remediation of contamination at sites or facilities owned by the local government if the contamination affected, or threatened to affect, groundwater or surface water. The program entered into 10 financial assistance agreements and disbursed \$13.5 million. The program has not entered into a new financial assistance agreement since 2008; the final program loan is expected to be retired in 2027.

2009 Act 28 authorized DOA and DNR to transfer up to \$6.2 million from the LRLP to the DERP, which reimburses property owners for a portion of the costs of cleaning up discharges of dry cleaning solvents. The transfer must be repaid and accrues interest based on the rate earned for state investment fund earnings. DERP must pay a minimum of \$1,000 per year on the loan. As of February, 2023, \$13,000 in principal has been repaid on the loan and \$5,900 in interest has been repaid. A total of \$522,100 in unpaid interest has accrued; \$6,709,100 is outstanding on the loan.

The bill would fold DERP revenues and expenditures into the environmental management account under a program to remediate contaminated properties, known as Revitalize Wisconsin. The program would provide funding to DERP-eligible sites and to other private owners or local governments that possess contaminated properties but did not cause a discharge or environmental contamination at the property. [See "Natural Resources -- Waste, Remediation, and Air."]

Joint Finance/Legislature: Provision not included. (Removed from budget consideration pursuant to Joint Finance Motion #10.)

4. DEBT SERVICE REESTIMATE [LFB Paper 106]

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Net Change
GPR	- \$635,200	- \$34,200	- \$669,400
SEG	<u>- 3,500,000</u>	<u>0</u>	<u>- 3,500,000</u>
Total	- \$4,135,200	- \$34,200	- \$4,169,400

Governor: Reestimate GPR general obligation debt service by -\$977,700 in 2023-24 and \$342,500 in 2024-25. This includes adjustments of: (a) -\$602,200 in 2023-24 and \$695,200 in 2024-25 for the clean water fund; and (b) -\$375,500 in 2023-24 and -\$352,700 in 2024-25 for the safe drinking water loan program.

In addition, delete \$1,000,000 EIF SEG in 2023-24 and \$2,500,000 EIF SEG in 2024-25 from the annual appropriation for clean water fund debt service. Annual clean water fund SEG debt service would be \$6,000,000 in 2023-24 and \$4,500,000 beginning in 2024-25.

Joint Finance/Legislature: Reestimate GPR general obligation debt service by an additional -\$29,600 in 2023-24 and -\$4,600 in 2024-25. This includes adjustments of -\$19,000 in 2023-24 and -\$2,400 in 2024-25 for clean water fund debt service and -\$10,600 in 2023-24 and -\$2,200 in 2024-25 for safe drinking water loan program debt service. Retain the deletion of \$1,000,000 EIF SEG in 2023-24 and \$2,500,000 EIF SEG in 2024-25 for clean water fund debt service. The following table shows EIF debt service under Act 19.

Environmental Improvement Fund Debt Service

	Base	2023-24			2024-25		
		Change to Base	Change to Bill	Total	Change to Base	Change to Bill	Total
Clean Water Fund							
GPR	\$2,756,600	-\$621,200	-\$19,000	\$2,135,400	\$692,800	-\$2,400	\$3,449,400
SEG	<u>7,000,000</u>	<u>-1,000,000</u>	<u>0</u>	<u>6,000,000</u>	<u>-2,500,000</u>	<u>0</u>	<u>4,500,000</u>
Subtotal	\$9,756,600	-\$1,621,200	-\$19,000	\$8,135,400	-\$1,807,200	-\$2,400	\$7,949,400
Safe Drinking Water Loan Program							
GPR	\$3,730,400	-\$386,100	-\$10,600	\$3,344,300	-\$354,900	-\$2,200	\$3,375,500
Total	\$13,487,000	-\$2,007,300	-\$29,600	\$11,479,700	-\$2,162,100	-\$4,600	\$11,324,900