



State Senator Sheila Harsdorf

Date: February 13, 2013

To: Senate Committee on Government Operations, Public Works and Telecommunications

Fr: Senator Sheila Harsdorf

Re: Senate Bill 10 – Clean Water Fund Program and the Safe Drinking Water Loan Program

Dear Chair Farrow and Committee Members,

Thank you for holding a hearing on Senate Bill 10 (SB 10), which seeks to bring Wisconsin state statutes into compliance with changes made to federal regulations and guidelines for the Clean Water Fund Program and the Safe Drinking Water Loan Program. I appreciate the opportunity to speak in support of passage of SB 10.

Under current law, the Department of Natural Resources (DNR) and the Department of Administration (DOA) administer the State Revolving Fund Loan Program which helps municipalities make water infrastructure improvements. Funding for these programs is provided by the federal government through the EPA Clean Water Fund and Safe Drinking Water Program Capitalization Grants.

Recently, Congress has made changes to various conditions involving the use of these funds, including stipulating that a portion of the grant be awarded as additional subsidization or principal forgiveness. Due to our current narrow statutory definition of Wisconsin's Clean Water Fund and Safe Drinking Water Loan Programs, the DNR is prevented from providing funding for eligible innovative projects or responding quickly to changes in requirements.

The changes proposed in SB 10 are designed to accomplish two main objectives. First, these changes will enable the DNR to comply with federal law allowing the Department to award principal forgiveness to municipalities around the state. The grants are money up front for principal forgiveness prior to the closing of a loan which effectively lowers the interest rate for municipalities. This provision will affect 20 municipalities currently eligible for funds in state fiscal year 2013. This means a savings of up to \$500,000 per municipality for the cost of infrastructure improvements.

Second, state statutes currently specify the types of projects that can be funded by the Clean Water Fund. SB 10 will provide flexibility to the DNR to provide funding for innovative pilot projects by removing current limitations on the types of projects the DNR can fund. Ultimately this will assist municipalities by giving them the ability to put into place more cost-effective projects for meeting water quality effluent limits. This has the potential to save municipalities substantial dollars as they upgrade their waste water and drinking water systems to comply with requirements, such as meeting phosphorus limits.

Under the state statutes authorizing the Safe Drinking Water Loan Program, the DNR is required to adhere to strict timeframes for the issuance of these grants. Therefore, prompt action on SB 10 is critical to ensure these municipalities will receive the funding assistance these grants provide.

I urge your support for this legislation in order to ensure the DNR has the flexibility to provide financial assistance to communities in their efforts to make improvements to their water supply and waste water systems. Your timely action in moving this bill forward will mean significant cost savings to nearly two dozen communities in this fiscal year. Thank you again for allowing me to speak in favor of the passage of SB 10. I would welcome the opportunity to take questions.



HOWARD MARKLEIN

STATE REPRESENTATIVE • 51ST ASSEMBLY DISTRICT

February 13th, 2013

Senate Bill 10 Testimony

Chairman Farrow and members of the Senate Committee on Government Operations, Public Works, and Telecommunications, I thank you for allowing me the opportunity to testify in favor of Senate Bill 10 relating to the assistance under the Clean Water Program and Safe Drinking Water Loan Program.

The Clean Water Fund Program and Safe Drinking Water Loan Program are federal funding programs that help local governments stay in compliance with the Clean Water and Safe Drinking Water Acts. Both programs are administered on the state level by the Department of Natural Resources (DNR) and the Department of Administration (DOA). The changes in this bill would prevent a number of municipalities from losing critical funding for needed water infrastructure improvements. Without the authority to award grant dollars, the EPA would consider Wisconsin in "non-compliance" with our grants and EPA could withhold grant dollars from the state or limit our ability to draw grant funds.

There is no fiscal impact to the state. However, if we do not make the proper changes to ensure that the state is in compliance with the Clean Water and Safe Drinking Water Acts, communities in Wisconsin could lose a great deal of state assistance. For example, the largest community in my district, the city of Monroe, would stand to lose \$500,000 in loan forgiveness for their wastewater program. Additionally, the City of Monroe would benefit from a below market interest rate on the financed portion of the \$17,000,000 project. The interest savings will be over \$2,000,000 for the term of the loan. Therefore, the total savings to the City of Monroe as a result of this legislation will be in excess of \$2.5 million. Communities throughout the state will experience both short term and long term savings as a result of this legislation.

Finally, this legislation will enable improvement to our water and sewer infrastructure that would probably not otherwise occur. If these infrastructure improvements are not made, the safety of the drinking water in our communities may be compromised.

The legislation would allow flexibility in the future for both the DNR and DOA to administer loans and funds to municipalities for their water programs. The bill would also ensure us the ability to maintain compliance with these federal regulations.

I would be happy to take any questions from committee members at this time.



STATE OF WISCONSIN LEGISLATURE
BEFORE THE
SENATE COMMITTEE ON GOVERNMENT OPERATIONS,
PUBLIC WORKS AND TELECOMMUNICATION

TESTIMONY PRESENTED on **SENATE BILL 10**
FEBRUARY 13, 2013

Thank you for the opportunity to testify on SB 10. My name is Robin Schmidt, and I am the Section Chief for the Environmental Loans Program at the WI Department of Natural Resources. As background, the DNR and DOA implement a State Revolving Fund Loan Program to help municipalities make water infrastructure improvements. Federal funding for these programs comes from annual EPA Clean Water Fund and Safe Drinking Water Program Capitalization Grants.

These grants have recently included various conditions stipulated by Congress, including that a portion of the grant be awarded as additional subsidization – or more commonly called “principal forgiveness”. Principal Forgiveness is the functional equivalent of grant funding.

Specifically, SB 10 will enable us to issue Principal Forgiveness to the 20 municipalities currently eligible for these funds in SFY 2013 - saving those communities up to \$500,000 of the costs of their infrastructure improvements. It also enables the DNR to make future similar awards if stipulated by Congress. Without this statutory authority, EPA has indicated we will be in “non-compliance” with our capitalization grants. This is a concern because in the past we have always been rated very highly by EPA in our ability to award funds to municipalities conducting water infrastructure projects.

In addition, this bill will enable us to fund pilot projects to help municipalities implement more cost-effective projects for meeting their water quality effluent limits. The current statute limits the types of projects that DNR can fund to traditional wastewater treatment plant, stormwater and sewer upgrades. Each of the states in EPA Region V (ex. MN, IL, OH) work with municipalities on other types of improvements and this bill will enable Wisconsin to do the same. An example of where this can be of particular help is for some municipalities that can save significant money in meeting their phosphorus limits.

Lastly, the language in the Senate Amendment to SB 10 ensures that the ability to award principal forgiveness is appropriately tied to the capitalization grant.

Thank you for your time and I am happy to answer any questions you have regarding SB 10.

1/30/13 Table indicating Municipalities that would benefit from passage of SB 10 in SFY 13 (prepared by the WDNR Bureau of Community Financial Assistance)

	Community	Zip Code	Description	Estimated PF	Estimated Loan Amount	Total Project Funding Requested	Total Interest payments without EIF funding (3.5%)	Total interest payments with EIF funding and PF	EIF Interest Rate	Estimated market interest rate
Safe Drinking Water Loan Program	Greenwood, C.3	54437	Repair/Remodel Reservoir, Repl Wells	\$500,000	\$1,467,260	\$1,967,260	\$770,967	\$301,689	1.925	3.500
	Morrisonville SD #13	53532	Construct Well/House, Treatment, Telemetry Conn Main	\$500,000	\$454,500	\$954,500	\$374,072	\$54,732	1.155	3.500
	Friesland, V.	53935	Replace 6" Main on CTH EF, Construct Richland St. Loop	\$122,343	\$285,467	\$407,810	\$159,822	\$58,696	1.925	3.500
	Randolph, V.	53956	Constr Well/House w/ Pump/Treat/Main/SCADA, Abandon 1	\$298,807	\$697,215	\$996,022	\$390,344	\$143,357	1.925	3.500
	Webster, V.3	54893	Replace Transite Mains, Loop Mains, Install Hydrants	\$500,000	\$950,789	\$1,450,789	\$568,604	\$114,796	1.155	3.500
	Bayfield, C.2	54814	Replace Aging/Undersized Mains - Freq Breaks/H2O Loss	\$190,400	\$81,600	\$272,000	\$106,598	\$9,826	1.155	3.500
	Hawkins, V.	54530	Reconstruct Water Main & Services	\$150,516	\$100,344	\$250,860	\$98,313	\$12,082	1.155	3.500
	Fairchild, V.3	54741	Replace 3" & Deteriorating/Shallow 6" Mains, Loop System	\$500,000	\$1,031,654	\$1,531,654	\$600,260	\$124,234	1.155	3.500
	Luck, V.3	54853	Loop Mains to Eliminate Dead Ends, Replace 2" Main w/ 8"	\$500,000	\$756,671	\$1,256,671	\$492,493	\$91,120	1.155	3.500
	Hillsboro, C.3	54634	Construct Well/House 3, Bkup Pwr, Distr Impr & Treat, Abdn 1	\$500,000	\$909,334	\$1,409,334	\$552,323	\$109,504	1.155	3.500
	Merrillan, V.	54754	Replace/Lower Main on STH 95/ USH 12	\$189,175	\$126,117	\$315,292	\$123,564	\$15,187	1.155	3.500
	Pepin, V.	54759	Construct Well/House/Conn Main, w/ Electric/Telem/SCADA	\$366,000	\$244,000	\$610,000	\$239,061	\$29,383	1.155	3.500
	Junction City, V.	54443	Replace Undersized Mains/ Looping	\$324,959	\$832,526	\$1,157,485	\$453,622	\$100,254	1.155	3.500
Clean Water Fund Program	MONROE, CITY OF	53566	Upgrade WWTP Undersized & Outdated Comp	\$500,000	\$16,964,320	\$17,464,320	\$6,844,325	#####	2.625	3.5
	OWEN, CITY OF	54460	Upgrade WWTP Aeration & P Chemical Syste	\$500,000	\$1,487,461	\$1,987,461	\$778,893	\$569,273	2.625	3.5
	MINONG, VILLAGE	54859	Rehabilitate WWTP and Collection Sys	\$500,000	\$1,130,655	\$1,630,655	\$639,059	\$460,979	2.625	3.5
	BIRCHWOOD, VILLAGE OF	54817	Upgrade Lagoons, Lift Station. Monitoring Wells, Red. I/I	\$500,000	\$2,804,850	\$3,304,850	\$1,295,185	\$803,343	2.625	3.5
	SAINT CROIX FALLS, CITY OF	54024	Improve WWTP Primary Treatment, Phosphorus, UV, Sludge Proc.	\$500,000	\$6,235,068	\$6,735,068	\$2,646,550	#####	2.625	3.5
	RIO, VILLAGE OF	53960	Upgrade WWTP to Meet P & NH3 Limits	\$374,237	\$2,120,675	\$2,494,912	\$977,764	\$607,430	2.625	3.5
	REEDSBURG, CTY	53959	Upgrade WWTP Sludge Dewatering Eq	\$310,956	\$3,391,838	\$3,702,794	\$1,451,137	\$971,533	2.625	3.5



American Council of Engineering Companies of Wisconsin

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Date: February 13, 2013

To: Senate Committee on Government Operations, Public Works, and Telecommunications

From: ACEC WI

Re: Support for SB 10, Clean Water and Safe Drinking Grant Programs

Good morning, Chairman Farrow and members of the Committee. My name is Gil Hantzsch, and I am Vice President of MSA Professional Services, an engineering firm which specializes in assisting local communities with planning and designing water and wastewater projects. I am providing testimony today on behalf of the American Council of Engineering Companies of Wisconsin (ACEC WI) in favor of Senate Bill 10, which relates to the Clean Water Fund and Safe Drinking Water Loan Programs.

American Council of Engineering Companies of Wisconsin members are designing and protecting Wisconsin's future with professional engineering solutions. It is the *only* organization in the state that represents the business side of the professional engineering industry. ACEC WI represents more than 87 premier engineering firms with more than 170 offices across Wisconsin and nearly 20 affiliate members that provide support to the industry. These firms employ over 3,500 engineers, architects, planners, land surveyors, geologists, soil scientists, and other highly educated, experienced professionals. These industries play an important role in Wisconsin's economic development. ACEC WI members design and oversee construction and renovation projects from bridges and buildings to parking structures and water treatment plants.

Since 1956, federal law has authorized grants for the planning, design and construction of municipal water infrastructure projects. Funding for these projects is now administered through the states via revolving loan programs. In Wisconsin, the Department of Natural Resources administers these programs. One such program, known as the Environmental Improvement Fund (EIF) provides local financing options for both the Clean Water Fund Program (CWFP) and the Safe Drinking Water Loan Program (SDWLP).

Engineering firms, such as MSA Professional Services, work with local governments and communities to design solutions through these programs to repair deteriorating water and wastewater systems and protect the public from contaminants in drinking water. Our profession is always striving to design these systems using the newest technologies and information available. These efforts not only ensure local communities have access to clean and safe water resources, but also contribute significantly to jobs and economic growth within the community.

In recognition of design and technology enhancements for water infrastructure development, Congress recently expanded the categories of projects which qualify for CWFP and SDWLP funds. However, Wisconsin's Statutes are now out-of-date and do not authorize the DNR to release program funds for these new federally approved purposes. SB 10 seeks to update Wisconsin's statutes to ensure that Wisconsin's local communities can continue to have access to these loan programs by giving the DNR the authority to utilize the funds for all projects that are consistent with the federal program.

Additionally, SB 10 expands the methods in which the DNR can grant financial assistance to communities for projects. For example, SB 10 will allow the DNR to award loans below market rates or to award principal forgiveness on certain loans. Expanding the loan program options will benefit small communities the most as they are the communities which struggle to finance large infrastructure projects even though they have some of the greatest needs.

ACEC WI urges you to support this legislation and to take quick action on the bill. According to statutory guidelines, communities need to close loans on these projects by June 30th this year. To meet this deadline, communities will need to award and sign construction contracts for the projects by May 1st. But before the construction contracts can be signed, this legislation needs to pass to ensure communities will be authorized funding for their projects. As you can see, timing is of the essence for local communities with projects currently in the pipeline.

Thank you for your consideration of the legislation and the opportunity to testify today.

**Before the Wisconsin Senate Committee
on Government Operations, Public Works and Telecommunications
February 13, 2013**

Hearing on SB 10

**Comments of Paul G. Kent and Marney I. Hoefler on behalf of
Municipal Environmental Group – Wastewater Division**

I am testifying today on behalf of the Municipal Environmental Group Wastewater Division (MEG). MEG is an association of over 100 municipalities throughout the state of Wisconsin who own and operate wastewater treatment facilities. For 25 years, MEG has been an advocate for municipalities in wastewater matters. MEG was one of the parties actively involved in the development of phosphorus water quality standards. We are here today to register our support for SB 10 and to outline the reasons why this is needed legislation.

The phosphorus water quality standards adopted by DNR in 2010 are now appearing in wastewater discharge permits being issued to facilities like municipal wastewater treatment plants. Conservative estimates are that the cost to comply with these new standards will be in excess of a billion dollars statewide. This is because most of the phosphorus from municipal effluent has already been removed under existing requirements, and removing that last small percentage will require advanced treatment technology such as membrane filtration.

And for all that money, the amount of water quality improvement that will be achieved is negligible. This is because on a statewide basis phosphorus from point sources like municipal facilities accounts for only 20% of the phosphorus in state waters. The rest comes from nonpoint sources such agriculture, urban stormwater and legacy sources. Spending billions of dollars on tertiary treatment at municipal treatment plants is not going to significantly improve water quality. Nor will it be cost-effective.

There are a couple of compliance options that provide flexibility for complying with these more stringent phosphorus limits. These concepts include water quality trading and adaptive management. Under these concepts, point sources, such as municipal treatment plants can obtain a credit for funding reductions of phosphorus elsewhere in the watershed. In most cases, the cost of removing phosphorus from nonpoint sources through improved agricultural practices or through restoring wetlands or other phosphorus reduction projects is far less than the cost of removing phosphorus at a treatment plant. Municipalities save money, nonpoint sources obtain funding and the amount of phosphorus in the watershed is actually reduced in a meaningful amount.

Although these compliance options will be less costly, there still will be a significant financial burden to the municipalities. These municipalities are eligible for grants from the Clean Water Fund but this funding is currently limited to the bricks and mortar projects such as treatment plant upgrades. The majority facilities that focus on nonpoint source pollution to comply with their phosphorus limit would not be eligible for this funding. SB 10 would expand the eligibility criteria for the Clean Water Fund to include those projects that use cost-effective means of complying with the more stringent phosphorus standard. This is vitally important to the municipalities we work with.

MEG urges you to approve this bill. It will allow municipalities to determine what is the most cost-effective way to comply with the phosphorus standards without inhibiting their ability to apply for Clean Water Fund grants. It is good for the communities in this state and good for the environment.



Wisconsin Land and Water Conservation Association, Inc.

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WLWCA Testimony to the Senate Committee on Government Operations, Public Works, and Telecommunications in Support of Senate Bill 10 – February 13, 2013

I am Jim VandenBrook, Executive Director for the Wisconsin Land and Water Conservation Association and I represent County Land Conservation Committees and Departments whose mission is to protect, conserve, and enhance Wisconsin's natural resources. The association supports Senate Bill 10.

By state law, each county board is required to have a land conservation committee that oversees the work of the county land conservation department.

Our association and its members have a 60-year history working directly with farmers and other landowners to conserve soil and water resources and to reduce non-point source pollution, and our members are prepared to implement this new law should you pass it. The provisions in Senate Bill 10 allowing the Clean Water Fund to support Nonpoint Source Pollution reduction projects is an unprecedented opportunity to efficiently clean up Wisconsin's waters, both surface water and groundwater.

Municipal Waste Treatment facilities and other permittees will be able to work together with farmers and others to jointly reduce phosphorus runoff, often at far less cost than adding new technology to reduce phosphorus discharges from the facility. And, by working together with farmers, the cleanup of entire watersheds is possible. In many cases, facility upgrades alone cannot accomplish that. The combined effort of all the members of a community are often needed to clean up a watershed.

According to DNR, the Clean Water Fund has been used in other states to implement Non-point Source pollution reduction projects, but not in Wisconsin. This bill would allow DNR and permittees in Wisconsin to fund NPS projects in watersheds where it makes the most sense economically and environmentally.

County Land Conservation Departments are ready to coordinate that combined effort in project design, implementation, and evaluation. Land Conservation staff and their county board supervisors have already committed to pilot projects in Dane and Columbia counties to implement the concept of a joint municipal and agricultural partnership to reduce phosphorus to waters. Access to Clean Water Funds to accelerate these efforts could mean much cleaner water in many areas of the state.

The Wisconsin Land and Water Conservation Association is committed to working with DNR, municipalities, and other permit holders to make the clean up of watersheds a reasonable, efficient, and cost-effective option for the use of Clean Water Funds. Mr. Chairman and Committee members thank you for your time today and I would be happy to take any questions.