



## Legislative Fiscal Bureau

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April 7, 2021

TO: Members  
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Senate Bill 271: Relating to the Allocation of Federal Funds for Water-Related Programs

Senate Bill (SB) 271 was introduced on April 5, 2021, and referred to the Joint Committee on Finance. (The companion bill to SB 271 is Assembly Bill 243.)

### SUMMARY OF BILL

Senate Bill 271 would require the Governor to allocate \$61 million of the funds accepted under the American Rescue Plan Act of 2021 (ARPA) to several water-related programs under current law, as well as a well testing program created by the bill. A summary of allocations is shown in the table and programs are described in the following paragraphs.

#### Water Program Funding Allocations -- Senate Bill 271

<u>Program</u>	<u>Amount</u>
Lead Service Line Replacement	\$40,000,000
Urban Nonpoint Source Grants	12,000,000
Rural Nonpoint Source Grants	6,500,000
Well Compensation Grants	2,000,000
Well Testing and Education Grants	<u>500,000</u>
Total	\$61,000,000

*Lead Service Line Replacement.* The bill would require the Governor to allocate \$40,000,000 to the safe drinking water loan program for principal forgiveness loans (grants) to municipalities for: (a) up to 50% of the cost of replacing lead service lines on private property; or (b) grants to private

users of public water systems for up to 50% of the cost of lead service line replacement on private property.

Assembly Bill 68/Senate Bill 111, the biennial budget bill, would provide one-time funding of \$40,000,000 GPR in 2021-22 for projects involving forgivable loans to cover up to 50% of the cost of replacing private lead service lines connected to public water systems. In 2016-17 and 2017-18, the safe drinking water loan program awarded principal forgiveness loans totaling \$26,857,900 for 42 municipalities to replace private lead service lines. Further, the Water Infrastructure Financing Transfer Act 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. Both initiatives were funded by federal grants to the state.

*Urban Nonpoint Source Water Pollution Grants.* The bill would require the Governor to allocate \$12,000,000 to the urban nonpoint source water pollution abatement and storm water management grant program under the Department of Natural Resources (DNR). The urban nonpoint source and storm water management (UNPS) program provides urban municipalities with financial assistance for planning or construction of urban runoff prevention practices that meet state requirements, achieve water quality standards, protect groundwater, and help municipalities meet conditions of municipal storm water permits.

AB 68/SB 111 would provide \$12 million in general obligation bonding authority for the UNPS program and municipal flood control and riparian restoration (MFC) grant program. The budget bill would require \$8 million of this allocation be directed to MFC, and would allow DNR flexibility to allocate the remaining \$4 million among the two programs. MFC grants provide up to 50% funding to cities, villages, towns, or metropolitan sewerage districts for projects to minimize flooding and prevent flood-related damage through flood proofing, restoration activities, and acquisition of at-risk property.

*Rural Nonpoint Source Water Pollution Grants.* The bill would require the Governor to allocate \$6,500,000 for rural nonpoint source pollution abatement grants. Rural nonpoint grants are provided mostly under the DNR targeted runoff management program for projects addressing water quality concerns or impairments, primarily in rural and agricultural settings. Grants also may fund cost-sharing grants for grants to improve animal waste management at smaller animal feeding operations. AB 68/SB 111 would similarly provide \$6,500,000 in general obligation bonding authority for rural nonpoint source grants.

*Well Compensation Grants.* The bill would require the Governor to allocate \$2,000,000 for the well compensation program in DNR. Under current law, the well compensation grant program provides grants for replacing, reconstructing, or treating contaminated wells that serve certain private residences or are used for watering livestock. Grants can also pay costs of well abandonment. DNR must determine that the well meets certain eligibility criteria related to contamination from substances such as chemicals, heavy metals, volatile organic compounds, industrial solvents, gasoline, fuel oil, paint, and pesticides. Under certain circumstances, eligibility includes contamination from arsenic or livestock fecal bacteria. Grant recipients must have family income that does not exceed \$65,000. The maximum grant is 75% of eligible costs, with eligible costs not to exceed \$16,000.

Under current law, \$200,000 is appropriated each year from the environmental management account of the segregated environmental fund for well compensation grants. The bill would not affect these amounts. AB 68/SB 111 would expand certain eligibility criteria for well compensation grants, and also provide \$1,000,000 GPR beginning in 2021-22 for additional ongoing funding for well compensation grants.

*Well Testing Grants and Public Education.* The bill would create a program to provide grants to counties for testing of privately owned wells and providing education to the public, and it would require the Governor to allocate \$500,000 to the program. Grants to counties could be for one of two purposes. First, one grant type would provide up to \$10,000 per county for countywide testing and mapping of privately owned wells to assess groundwater quality and determine the extent and type of any contamination. Grants could also fund the study and mapping of geologic characteristics and well construction practices in the county, including depth to bedrock and well age, to determine any correlation between water quality, geology, and well construction. The second type of grant would provide up to \$2,500 per county for counties that have completed the type of study described above, to notify the public of the results of the completed study and to notify private well owners whose wells may be contaminated based on the results of the completed study. A county could receive either type of grant but not both. More than one county would be allowed to apply for a joint grant if the counties are applying for the same grant category.

A county that receives a grant under the program would be required to: (a) provide matching funds equal to the amount of the proposed grant; and (b) submit the results of its testing to the UW Center for Watershed Science and Education. A county that submits information about the result of its testing to the UW Center would not be allowed to include any personally identifiable information. DNR would be required to seek to make a grant to every county that applies. DNR would be authorized (but not required) to promulgate administrative rules to implement the program, but would not be allowed to impose substantive requirements on applicants other than those provided under the bill.

The bill contains provisions identical to those under 2019 Assembly Bill 800/Senate Bill 722, which would have provided \$250,000 GPR beginning in 2020-21 for the well testing grant program described. AB 68/SB 111 does not contain a similar provision.

## **FEDERAL STATE FISCAL RECOVERY FUND (SFRF)**

Wisconsin is expected to receive up to \$3.2 billion of the \$219.8 billion provided under ARPA to the state fiscal recovery fund (SFRF). Although final federal guidance on the allowable use of these funds has not been issued, the Act provides that funding may be used "to make necessary investments in water, sewer, or broadband infrastructure." It is assumed broad water-related uses would be allowed pursuant to the ARPA language.

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