



Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873
Email: fiscal.bureau@legis.wisconsin.gov • Website: <http://legis.wisconsin.gov/lfb>

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Joint Committee on Finance

Paper #282

Clean Water Fund Eligibility for Connection Laterals (Environmental Improvement Fund)

[LFB 2015-17 Budget Summary: Page 152, #4]

CURRENT LAW

The clean water fund program within the environmental improvement fund provides low-interest loans to municipalities for planning, designing, constructing, or replacing a wastewater treatment facility, or for nonpoint source pollution abatement or urban stormwater runoff control projects.

GOVERNOR

Expand eligibility for financial assistance under the clean water fund program to include connection laterals or sewer lines if water other than wastewater is entering the connection laterals or sewer lines from the ground or from above-ground sources and is being transported from a nonindustrial structure in a way that may interfere with compliance with a publicly owned treatment work's compliance with a Wisconsin Pollutant Discharge Elimination System (WPDES) permit.

DISCUSSION POINTS

1. Laterals are the portion of the sanitary sewer system that conveys sewage from an individual residence or establishment to a public sewage collection system. Laterals are generally privately owned and maintained.
2. Examples of the type of connection lateral that would become eligible under the provision include: (a) areas of infiltration and inflow of water other than wastewater into leaking

laterals, such as exist in many older residential developments; and (b) portions of the Milwaukee area and some other municipalities where stormwater drains are connected to laterals that subsequently transport wastewater and stormwater from homes or other buildings to sewer lines in the street, sometimes known as combined sewers.

3. Some municipalities with older established neighborhoods have major issues with stormwater leaking into joints and cracks in the older pipes in laterals of some neighborhoods. This is an issue throughout the state. The infiltration and inflow of "clean" or "clear" stormwater into laterals is carried into the sanitary sewer system, where it is mixed with sewage and transported to the wastewater treatment facility. When it reaches the wastewater treatment facility, it is treated even though it is stormwater rather than sewage. Some municipalities have had to expand the capacity of the wastewater treatment facility to treat the additional stormwater from the leaky laterals. Many of the municipalities with leaking laterals are looking for ways to reduce infiltration and inflow, and thus, to reduce the need for facility expansions.

4. DNR currently allows clean water fund eligibility for costs of lining of laterals to prevent or reduce infiltration and inflow if it is done in a way where the municipality does not need to enter or take ownership of private property. For example, a technology exists where a sock-like tube of a fiberglass-type substance can be jettisoned from the street where the connection exists between the sewer main and the lateral, towards the house. When the substance comes into contact with water, it hardens and forms a seal that prevents liquids from leaking into or out of the lateral. This technology works with some types of laterals, but not with some types of older pipes. DNR does not track how much of this type of technology has been included in sewer rehabilitation projects, or which municipalities have used it to reduce infiltration and inflow. Some types of repairs of laterals would require entering the private property.

5. DNR indicates that repairs of laterals are usually a minor component of larger sewer rehabilitation projects. Inspections and repairs of laterals can cost \$8,000 to \$12,000 per house, depending on the type and amount of work needed, and on the length of the lateral connection between the street and the house.

6. Under the bill, the newly eligible connection laterals or sewer lines would be eligible for a loan interest rate of 75% of the market rate if the project is: (a) part of a compliance maintenance project to prevent a significant violation of an effluent limitation by a municipal sewage treatment facility; or (b) needed to achieve compliance with a new or changed effluent limitation established after May 17, 1988, if the project is for a municipality that is not a violator of the specific limit that is changing. The newly eligible connection laterals or sewer lines would be eligible for an interest rate of 100% of the market rate if it is a project to plan, design, construct or replace treatment works that violate effluent limitations contained in an existing permit.

7. Federal Clean Water Act requirements do not allow clean water fund loans to private property owners for the private property. The clean water fund has not provided loans for projects that serve individual homeowners because of a concern about using proceeds of general or revenue obligation bonding authority for projects that benefit private property owners. However, use of loan repayments offers the program more flexibility for funding work on private laterals.

8. Approval of the expanded eligibility for laterals would provide a new financial resource for some municipalities to use to repair laterals. DNR officials do not know how much demand for financial assistance there may be from municipalities under the provision. They anticipate demand would be small because the provision would still require a municipality to take ownership of the lateral, and the municipality might not want to take on that responsibility. However, the Department anticipates some municipalities might choose to take ownership of laterals by passing an ordinance to give them a 20-year easement to laterals located on private property. In this way, an improvement (repair or replacement) to a lateral could be implemented because of water quality needs rather than as a private property improvement. However, some municipalities may find it easier to use other sources of financing for work on private property.

9. DNR and DOA are reviewing options for implementing a way to authorize municipalities to borrow money to make improvements to laterals on privately-owned property. The bill could be amended to specifically authorize municipalities to use clean water fund loans to fund connection laterals on privately-owned property without having to take ownership of the lateral [Alternative 2a].

10. If clean water fund eligibility would be expanded to lend to municipalities for work on connection laterals on private property, demand for clean water funds would increase by an unknown amount. In addition, workload in DNR and DOA to process additional loans could increase.

11. If the provision is not approved, DNR could continue its current practice of including connection lateral work in municipal projects if the work is done in such a way that the municipality does not have to enter or take ownership of a privately-owned property [Alternative 3].

ALTERNATIVES

1. Approve the Governor's recommendation to expand clean water fund program eligibility to include connection laterals.

2. In addition to approving Alternative 1, authorize the program to provide loans to municipalities to fund connection laterals located on private property.

3. Delete provision.

Prepared by: Kendra Bonderud