

SFY 2025 Clean Water Fund Program Responses to Public Comments

The public comment period for the SFY 2025 Clean Water Fund Program (CWFP) Intended Use Plan (IUP) opened on July 23, 2024, and closed on August 19, 2024. The comments and the corresponding responses are listed below. In many cases, the comments have been shorted to highlight their recommendations. We appreciate the engagement we received, and the patience commenters have shown while awaiting responses.

Comment letter 1

Submitted by Shany Viars, American Rivers

- 1. Comment:** Prioritize green infrastructure in the Draft SFY 2025 IUP project scoring.
 - a. WNR reserves at least 50% of the [green project reserve] set-aside for green infrastructure and water quality improvement projects or increase the dedicated allocation from 10% to the 30% maximum would increase the likelihood of GSI funding in a large pool of allowable project types.
 - b. Increase the amount of principal forgiveness for nature-based infrastructure projects to strengthen long-term resiliency across the state, similar to the Energy PF
 - c. Clarify project eligibility in the Pilot Project Program and support additional pathways to leverage funding through private-public partnerships and incentive-based programs that encourage nature-based implementations on private property that achieve certified measurable water quality improvements.
 - d. Prioritize green infrastructure projects in the Sewer Overflow and Stormwater Reuse Municipal Grants Program
 - e. Add a short-term goal dedicating resources to exploring alternative mechanisms for providing permanent funding for green and nature-based infrastructure projects, like the US EPA Sponsorship Lending which pairs traditional POTW and nontraditional non-point source (NPS) projects, applying a reduced interest rate that makes the NPS project economically feasible and close to budget neutral.
 - f. Commit to support existing grant programs for nature-based infrastructure using revolving fund interest payments. The capacity of the SRF program can utilize SRF net cashflow to develop for new funding opportunities such as a localized revolving that finance SRF eligible projects as described by the EPA's Environmental Finance Advisory Board (EFAB)

Response: Although 10% of the capitalization grants funds GPR costs on projects, we have a history of greatly exceeding the 10% requirement. The table below shows historical data from the CWFP Annual Report regarding GPR funding.

FFY	SFY	Amount of GPR Funding Required	Amount of GPR Funding Provided
2020	2021	\$4,296,100	\$20,016,377
2021	2022	\$4,295,500	\$24,898,404
2022	2023	\$7,939,700	\$19,861,125
Total		\$16,531,300	\$64,775,906

Green infrastructure projects are eligible for general principal forgiveness, up to a cap of \$2,100,000. We are evaluating potential revisions to the priority ranking points for green infrastructure projects, and preliminary indications suggest that it will not be easy to create a system that fits the myriad of formats that green infrastructure projects take.

For green infrastructure projects on public or private property, Section VII of the IUP notes that those are eligible. We recognize the value of GI projects. Short term goals 5 and 6 currently include green infrastructure and environmentally innovative projects, and innovative projects that enhance water quality.

Per the OSG Program guidelines, at least 20% of a state’s grant must go towards projects that use green infrastructure, water and energy efficiency improvements, or other environmentally innovative activities. Wisconsin has prioritized green infrastructure in the two OSG workplans submitted to EPA thus far. The FFY 2023 workplan included three projects, all of which were for green infrastructure projects (100% of the funding for subawards), and the FFY 2025 workplan included six projects, four of which were for green infrastructure projects (77% of the funding for subawards). (The state also has to meet a requirement for allocating a portion of the OSG funds to rural communities and not all of the green infrastructure projects were in rural communities.)

Using loan repayments for other uses would hurt the overall health of the fund and given the loan capacity issues the program is currently facing, there simply isn’t enough funding to go around. Using repayments for loan funding supports the CWF’s bond rating and its ability to offer a low interest rate to customers.

2. Comment: Prioritizing affordability and environmental justice.

- a. Modifying existing principal forgiveness scoring to include existing climate burdens identified by the (CJEST) or (EPA) EJ Screen or WEET and prioritize funding to “disadvantaged” communities with existing legacy pollution, social vulnerabilities and climate burdens.
- b. Increase transparency measures on reporting funding allocations that include subsidy amount and type for project categories and nature-based infrastructure projects.
- c. Prioritize and set-aside technical assistance funds to provide utility training and education, community education and engagement, and project prioritization for financially disadvantaged and climate-vulnerable communities.
- d. Remove the bias towards projects serving small populations when defining disadvantaged communities. While small populations are less likely to receive state revolving funds, this restriction is not inclusive of all disadvantaged communities. Small communities should be prioritized through targeted outreach and additional funds for technical assistance.

Response: The CJEST and EPA EJ Screen were both studied when developing the current PF scoring methodology. We believe that the criteria currently in use provide a well-rounded representation of a community's disadvantaged status as it relates to water infrastructure projects.

In the [SFY 2023 Annual Report](#), Table 1 lists the *Need Category*. Based on the need category, which are defined in Appendix 1, the commenter should be able to determine roughly how much loan money and principal forgiveness has been allocated to the needs categories of interest. We will plan on including a more clear breakout, to the extent possible, of funding that was allocated to each Need Category in the SFY 2024 Annual Report.

The technical assistance set aside authority comes from Section 603(k) of the Clean Water Act, which says, "...entities to provide technical assistance to rural, small, and tribal publicly owned treatment works..." The DNR must provide the Technical Assistance to rural, small, and tribal publicly owned treatment works.

Larger utilities can achieve economies of scale not feasible for smaller utilities. Given that financial benefit, smaller municipalities receive higher points under the population criterion. Similarly, the amounts of PF currently available through the program is less likely to influence water rates in larger utilities because it is spread across a larger rate base.

Comment letter 2

Submitted by Pete Hill, Environmental Policy Innovation Center

1. Comment: Apply a census-track approach for assessing affordability criteria for projects with place-based benefits

It appears that WDNR has not made progress in applying a census tract-based approach to evaluating whether a community meets the CWFPA affordability criteria. We encourage WDNR to move forward with this and identify ways to refine the geographic scale for evaluating eligibility for general principal forgiveness based on affordability criteria. Clearly there can be wide disparities across areas that are served by the same wastewater utility. There should be ways to hone the assessment of affordability to favor communities which could benefit from green stormwater infrastructure (GSI) projects, not only in terms of the resultant water quality benefits widely shared through the watershed, but also more localized co-benefits, to be prioritized for principal forgiveness. Such an approach would target green infrastructure solutions for communities that might most benefit from the investments, including directing funds towards communities that are disadvantaged but exist in a broader service area that would not otherwise qualify for principal forgiveness.

Response: The DNR is considering applying a census tract-based approach to certain project types with place-based benefits when occurring in more disadvantaged areas, such as the green infrastructure projects. Most of the data used in the affordability criteria is not available for a smaller geographic area than the census tract level.

2. **Comment:** Green Stormwater Infrastructure projects should receive the same consideration for principal forgiveness as Water Treatment Plants (WWTP).

In light of these benefits, we suggest that WDNR solicit these types of projects and ask for a quantification (to the best extent possible) of these benefits. Should these benefits be significant, we would argue that these projects should receive the same level of PF as WWTPs. Given the variability of applications and the benefits that GSI projects provide, it is not necessary for WDNR to define in advance a certain threshold of co-benefits. WDNR can request that applicants provide this analysis and can use its judgment in assessing these broader benefits. For these reasons, we urge WDR to amend its policies to provide GSI projects the same opportunities for principal forgiveness as those offered to WWTP projects.

Response: Green infrastructure projects are eligible for general principal forgiveness, up to a cap of \$2,100,000. We are evaluating potential revisions to the priority ranking points for green infrastructure projects, and preliminary indications suggest that it will not be easy to create a system that fits the myriad of formats that green infrastructure projects take.

3. **Comment:** Funding for Stormwater Projects through the Urban Nonpoint Source & Storm Water Management (UNPS & SWM) Construction Grant Program should be prioritized for green stormwater projects that provide wider co-benefits in addition to water quality improvements.

We note that this is an opportunity to expand the use of green stormwater infrastructure (GSI) projects. Although bioretention and permeable pavers are included as two types of projects that meet the technical standards accepted in the UNPS & SW Construction Grant program, we are concerned that not many GSI projects will be submitted under the current scoring system. Given that the co-benefits of GSI are often difficult to quantify (i.e., reduction in heat island effect, aesthetic benefits, reduction in localized flooding, etc.) we encourage WDNR to clarify that it (1) values these co-benefits, (2) welcomes applications that make efforts to quantify and maximize these co-benefits, and (3) will prioritize projects that deliver co-benefits over projects that solely deliver water quality benefits. Additionally, we encourage WDNR to identify funding sources from additional state programs that might address community health challenges (related to the co-benefits listed above or others) to see if funding could be pooled to support projects that meet multiple objectives. Under the current review system, projects that meet multiple objectives would not have any advantage in the prioritization scoring system. This seems to be missing the bigger picture where projects that provide multiple benefits should be encouraged and prioritized.

The counterexample is a stormwater pond that, while providing cost-effective sediment removal, does little for providing shade or habitat, and likely creates negative impacts on stream temperature. The current ranking system, which looks solely at cost-benefit for water quality benefits, encourages a world of stormwater ponds that have limited value and do little to solve the multiple challenges that we face with the impacts of climate change. It is important for WDNR to proactively solicit projects that can provide multiple benefits and look for ways to prioritize projects that do so.

Response: The Department will take these comments into consideration when evaluating the future scoring criteria for the Urban Nonpoint Source & Storm Water Management (UNPS) Grant Program. Under the current structure and administrative code requirements for the program, it is true that the focus is on improving water quality and helping municipalities meet the requirements of their NR 216/WPDES storm water permits. As was mentioned, certain green

infrastructure storm water practices are eligible for program funding. The Department has prioritized the OSG Program funding to green infrastructure projects also funded with state funding in the UNPS Grant Program.

Comment letter 3

Submitted by:

- Chuck Anderas, Michael Fields Agricultural Institute
- Sara Walling, Clean Wisconsin
- Angie Doucette, American Farmland Trust
- Charles Carlin, Gathering Waters

- 1. Comment:** As in 2024, it appears that none of the projects listed on the 2025 Project Priority List came from Tribal Governments. Conversations with Indigenous leaders from multiple Tribal Nations around the state revealed that, while the CWFPP provides a unique and exciting opportunity to invest in their communities, program rules like financial-disclosure requirements infringe on Tribal sovereignty. Key structural issues related to Tribal sovereignty will continue to exclude Tribal participation until they are addressed. The DNR should work proactively with Tribal leaders to solve this urgent issue in a way that respects Tribal sovereignty.

Response: Department staff have been meeting regularly this year with staff from EPA Region 5, Indian Health Services' Wisconsin office, and the Wisconsin Rural Water Association to better understand Tribal water wastewater and drinking water utilities' needs, federal funding opportunities under the Bipartisan Infrastructure Law, what is being met through federal funding channels, and what kinds of projects might fit within the Clean Water Fund Program and Safe Drinking Water Loan Program. This information helps us to understand how Department staff can provide outreach and technical assistance to Tribal water utilities within the state and potentially connect Tribes with our financing programs. The Community Financial Assistance Bureau will share these comments with the DNR Tribal Liaison to help inform his proactive work with Tribal governments across the state.

- 2. Comment:** We appreciate the department's dedication to fully staffing the Clean Water Fund Program and the creative use of Bipartisan Infrastructure Law (BIL) funding to provide short-term support for positions that have proven instrumental in implementing and effectively utilizing the dollars from the CWFPP. We encourage DNR leadership to continue to prioritize funding these key positions through use of current available staffing dollars or via a request for additional funds through the 2025-2027 state budget process.

Response: Thank you for your input.

- 3. Comment:** Outreach by our groups has found that some wastewater managers would rather spend millions of dollars on facility upgrades to ensure that their permit requirements will be met long-term rather than spend a fraction of the money on a water-quality trade that may seem less certain to achieve their pollutant-reductions targets. DNR should take a leadership role in identifying which municipalities would benefit most from Water Quality Trading as a

compliance alternative, help them determine how many credits they need, and work with them to register as credit buyers on the Water Quality Trading Clearinghouse.

DNR could also play a leadership role in defining the types of projects that municipalities could undertake through water quality trades and make case studies available to them. For example, DNR could calculate ranges of phosphorus credits generated by typical practices like stream bank stabilization or edge of field buffers and outline more creative eligible projects like using funding to purchase and protect farmland through agricultural conservation easements that stipulate water-quality-management-practice implementation. Due to the complexity of the many intersecting programs in the Water Quality Trading and Pilot Projects Program world, DNR's work to outline possibilities for municipalities would help municipalities see what's possible.

The draft IUP notes that other community partners, including nonprofits, can help with outreach for Water Quality Trading to assist rural, small, and tribal publicly owned treatment works. If DNR finds it cost-effective to recruit nonprofits for public outreach, we request that DNR define the roles that outside groups could play to ensure effective Clean Water Fund Program implementation and help DNR staff to meet its goals.

Response: The DNR recognizes that water quality trading can be an impactful tool to help municipal POTWs meet compliance objectives, encourage resource stewardship throughout the agricultural community, and help achieve water quality goals.

DNR Wastewater Program staff are trained in water quality trading, and regularly help wastewater managers consider water quality trading when appropriate. This discussion is often started under a compliance schedule for phosphorus limits afforded under NR 217.17, Wis. Adm. Code. WPDES permits containing low-level phosphorus limits specifically identify the need to evaluate water quality trading as a compliance option, with permittees reporting on the evaluation in years 3 and 4 of the 5-year permit. The DNR's guidance document, Implementing Water Quality Trading in WPDES Permits, specifically mentions that DNR staff are available to assist permittees in evaluating water quality, as well as answer technical questions related to trading. DNR staff help permittees determine credit need when asked for this type of assistance. DNR has a designated team who can meet with permittees regarding water quality trading. See <https://dnr.wisconsin.gov/sites/default/files/topic/Wastewater/coordinatorlist.pdf>

The DNR has also hired staff that provide technical assistance to small, rural, and tribal publicly owned treatment works, including reaching out specifically to disadvantaged communities that may benefit from assistance with Water Quality Trading for phosphorus compliance. This helps ensure that wastewater managers with the most need receive communication about available funding and assistance opportunities. See the Technical Assistance section of the SFY2025 IUP for more information.

The DNR's water quality trading guidance, Appendix H, provides a table of Water Quality Trading-eligible practices and associated quantification methods (note that not all practices may be eligible for funding through the CWFPP). The list is not exhaustive, but covers the most well-researched practices that have NRCS technical standards to define implementation parameters. The map of WQT/AM projects throughout the state with attached WQT plans shows what

trades have been done, which can serve as case studies. See:
<https://dnr.wisconsin.gov/topic/Wastewater/AmWqtMap.html>.

4. **Comment:** We specifically ask the DNR to communicate the possibilities of using the Pilot Projects Program to fund agricultural conservation easement projects. Historically, some Wisconsin municipalities have used the fund to purchase land in order to generate phosphorus credits by taking the land out of agricultural production and planting it to perennial cover. With DNR's leadership, funding the purchase of farmland, with the intent of transferring to a new or beginning farmer with an agricultural conservation easement (ACE), can achieve significant phosphorus reductions in perpetuity without the additional burden of the municipality needing to manage the land. The municipality can also recoup over half the cost of the loan when the land is sold to a beginning or emerging farmer. The easement can stipulate targeted water quality interventions—like riparian buffer zones, protecting wetland areas, or keeping feedlots away from streams—and include adaptable management plans that are updated by the producer periodically. The stewardship of the easement is managed by a land trust partner, and the administration of the farm loan can be handled in partnership with local lenders. The current difficulty with implementing a Pilot Project using this model is mainly attributable to the complexity of the project, the limited capacity of municipalities, and the amount of one-to-one outreach it takes to find facilities that know how many credits they would need. DNR should sanction this model as a preferred intervention for municipalities because it is cost-effective, the water quality benefits outlast the trade contract period, and nearly all of the details of the project would be managed by external partners within solid legal agreements.

Response: In order to be eligible, pilot projects must include construction or a capital cost. The concept seems to be based on planned water quality improvements - either preventing future degradations that could occur if the land is developed, or by implementing BMPs with modeled benefits. In this example, the Pilot Projects Program would effectively be offsetting the decreased value of the land, not be funding the BMPs.

5. **Comment:** To simplify the process, especially for the smallest municipalities, DNR should consider creating a simple pre-approval process so municipalities know the amount of money available to support their permit-compliance efforts and can then be in a solid position to consider alternative compliance mechanisms including credit trading and nontraditional project implementation options. Pre-approval, coupled with a list of example project types would allow understaffed municipalities to participate more easily. When working with multiple partners, including farmers, nonprofits, and other local government units like county conservation offices, knowing the amount of money available to the municipality will make the process of approaching partners to participate in trades much smoother. Providing examples of eligible projects would remove another barrier to partners in understanding what is possible to do with the fund. Once a municipality is pre-approved, they could register as credit buyers through the WQT Clearinghouse, further simplifying the process of connecting with potential credit providers.

Response: We provide PF estimates and interest rates subsidy estimates upon request. Data can change from year-to-year, so these are just estimates, but they can help with planning purposes. Our data sources webpage also contains the data for every municipality in the state. Even though a municipality may be eligible for PF, there are a number of factors that determine

whether a project will receive PF on the funding list – the amount of the EPA capitalization grant, the number of applications submitted, and where the project ranks on the funding list based on their priority score. We cannot guarantee PF until the funding list is published. In a typical year, we can guarantee loan money; however, the unprecedented demand in SFY24 triggered loan capacity issues. Due to the loan capacity limitations, the DNR has reserved \$12.3M in loan money for pilot projects that apply by the deadline.

- 6. Comment:** We also encourage DNR to work with municipalities facing the traditional Clean Water Fund Program loan process to include agricultural nonpoint source loans as part of their loan package, perhaps through priority scoring on principal forgiveness, or when applicable, a reduction of interest rates.

Again, we encourage the DNR to integrate the Water Quality Trading pilot projects into the regular Clean Water Fund Program and allow them to compete for principal forgiveness. DNR should also consider how the Clean Water Fund Program nonpoint source loans could work in tandem with other DNR programs like Targeted Runoff Management, for example, in order to strengthen both projects. The Clean Water Fund Program is unique in the agricultural nonpoint source funding landscape because it is specifically for capital expenditures. Streamlining the process by which municipalities and counties can work together by combining different sources of funds from different DNR programs could increase the effectiveness of each program.

Response: The DNR will evaluate making a change so that SFY 2027 WQT projects are eligible for PF. Depending on how the project ranks against the other projects, it is possible that this change may not be helpful to WQT projects, especially in years in which PF is highly competitive. The following statement can be found in Section XIV of the draft IUP, “The DNR is considering integrating WQT pilot projects into the regular CWFP. This would include scoring and ranking the projects. The projects would then receive normal subsidized interest rates and be eligible to compete for PF.”

Comment letter 4

Submitted by Joe Fitzgerald, Milwaukee Water Commons

- 1. Comment:** Over the last few years we have seen Wisconsin’s DNR invest in adding staff capacity and additional technical assistance that would aid communities in need of additional support to pursue SRF or other state funding, and we encourage DNR leadership to request support from Wisconsin’s Legislature in the 2025-2027 state budget to ensure that those BIL funded positions continue to be funded beyond the scope of this federal funding. In addition to this supporting role, we believe that the WDNR should expand on its role to leverage the remaining few years of BIL funding to bolster Wisconsin’s SRF program.

Response: Thank you for your input.

2. **Comment:** Establish a centralized location for stakeholders to learn more about state and federal resources that can help finance and support the implementation of clean water projects including both stormwater and wastewater.

Recognizing that there are a number of state and federal programs committed to helping communities address their water infrastructure challenges, we encourage the WDNR to create a landing page that can help stakeholders navigate and understand those programs and how they might be leveraged to address local clean water priorities.

Response: The Environmental Loans Program within the Bureau of Community Financial Assistance maintains a full complement of web pages covering the State Revolving Fund programs. One page links readers to information on a variety of funding opportunities for water infrastructure beyond our programs: <https://dnr.wisconsin.gov/aid/Sources.html>. Department staff in the Environmental Loans Program and a number of additional support staff are available to help Wisconsin water utilities with funding-related questions. The U.S. EPA provides a portal for connecting with water technical assistance opportunities, which can be found here: <https://www.epa.gov/water-infrastructure/water-technical-assistance-waterta>, and a clearinghouse for water infrastructure financing opportunities, found here: <https://ordspub.epa.gov/ords/wfc/f?p=WFC:12>

3. **Comment:** The WDNR should play a critical convener function to workshop opportunities to improve administration of the SRF program or emerging solutions to challenges being faced by communities around Wisconsin.

With only a few years of BIL funding remaining, it is critical that WDNR leverages this moment to evaluate the current SRF program and pursue any policy or programmatic changes that could eliminate barriers for communities in need of SRF funding. When new concerns arise through public comment, or in connections with stakeholders, the WDNR must actively pursue opportunities to bridge connections with community leaders, local governments, and municipal/utility leaders to understand emerging challenges and lend capacity to adaptive policy changes that could make the SRF program more effective.

Response: The DNR strives to be attentive and responsive to public comments and community leaders, whether it be through the IUP or separate policy development. Input from outside partners makes policy development stronger. The DNR is committed to meaningfully seeking input during policy development. While BIL funding will no longer be available in a few years, the SRFs have been around 30+ years and will continue past the end of BIL. The DNR strives to make improvements to the CWFP based on a combination of experience and customer input.

4. **Comment:** The WDNR should initiate conversations with Tribal Governments to seek out opportunities to eliminate barriers that would prevent Tribal Nations from utilizing Wisconsin's CWFP.

It is essential that the department has more than an open-door policy, and instead actively engages stakeholders to identify opportunities to improve access to the SRF program. Both state and federal institutions should put additional capacity towards communicating with and working with Tribal Nations to ensure that there are clear and accessible pathways for funding from State Revolving Fund Programs to assist with felt water infrastructure challenges.

Response: Department staff have been meeting regularly this year with staff from EPA Region 5, Indian Health Services' Wisconsin office, and the Wisconsin Rural Water Association to better

understand Tribal water wastewater and drinking water utilities' needs, federal funding opportunities under the Bipartisan Infrastructure Law, what is being met through federal funding channels, and what kinds of projects might fit within the Clean Water Fund Program and Safe Drinking Water Loan Program. This information helps us to understand how Department staff can provide outreach and technical assistance to Tribal water utilities within the state and potentially connect Tribes with our financing programs. The Community Financial Assistance Bureau will share these comments with the DNR Tribal Liaison to help inform his proactive work with Tribal governments across the state.

5. **Comment:** WDNR should more actively assert its support for projects with intersectional co-benefits, and revisit opportunities to build intersectional benefits into project application scoring.

The impacts of water infrastructure projects are intersectional, and so our assessment of those project's impacts must also value benefits beyond water quality improvements. The impacts of any one project could stretch from water quality improvements, to public health benefits, air quality improvements or heat reduction, employment and business development opportunities, and eliminating flooding challenges. Recognizing that the federal equivalency cost effectiveness requirements restrict project applicant's ability to incorporate project components that fall outside the focus of the CWFP into their project scope. We encourage the WDNR to consider opportunities to incentivize applicants to prioritize projects designs with intersectional benefits, and encourage applicants to creatively finance community benefits that go beyond the scope of the CWFP. By asserting support for intersectional co-benefits, and incentivizing innovative project designs that deliver on those co-benefits, WDNR can encourage applicants to take on projects with uniquely catered co-benefits without restricting the project design that might be the best fit for other communities around the state.

Response: The priority scoring system considers human health impacts for both wastewater and stormwater projects. It may be hard to quantify some of the suggestions (economic development, air quality, etc.) at the time of the ITA/PERF submittal and the SRF is primarily intended to improve water quality. Incentivizing portions of projects with non-water quality related benefits would reduce our focus on water quality benefits. The CWFP can be utilized to fund aspects of an otherwise eligible projects that have benefits similar to what is being suggested in the comment. Given the rising costs of water infrastructure projects, we prefer to leave design decisions at the local level.

6. **Comment:** WDNR should utilize tools like principal forgiveness to incentivize the use of Nature Based Solutions and Green Infrastructure.

Though nature based green infrastructure is increasingly being recognized for its intersectional impacts on water quality, stormwater management, and public health, it is rare to find green infrastructure projects financed through Wisconsin's SRF program. As administrators of Wisconsin's SRF program, the WDNR should use its role to encourage a greater uptake of these projects around the state, asserting its support for projects with intersectional co-benefits and incentivizing investments in green infrastructure.

Response: Green infrastructure projects are eligible for general principal forgiveness, up to a cap of \$2,100,000. We are evaluating potential revisions to the priority ranking points for green infrastructure projects, and preliminary indications suggest that it will not be easy to create a system that fits the myriad of formats that green infrastructure projects take.