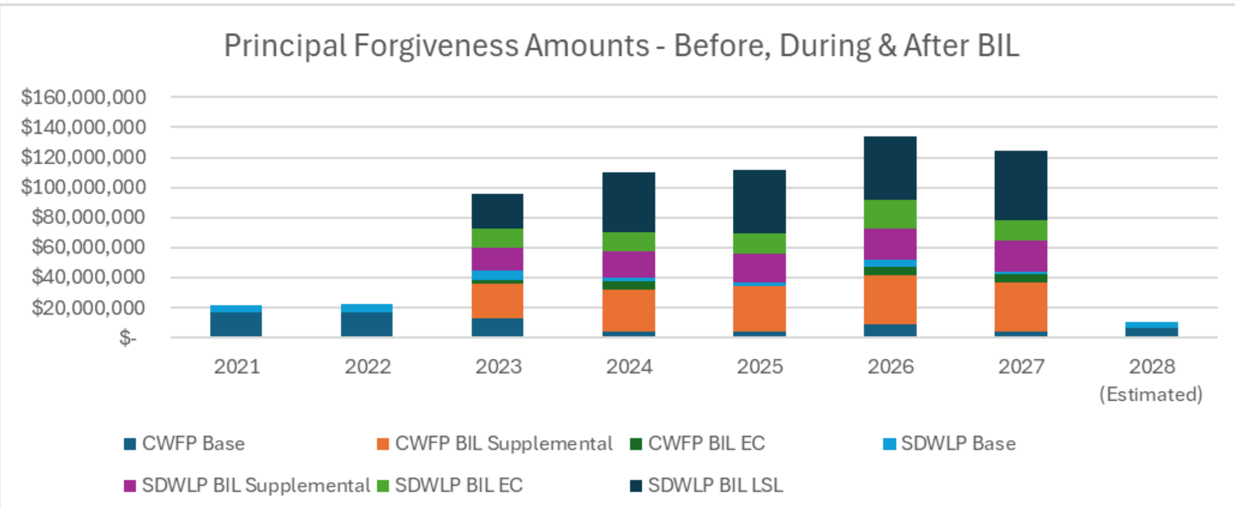
State Fiscal Year 2028 Principal Forgiveness Policy - DRAFT

WI DNR Environmental Loans
July 2026

Introduction

Starting in State Fiscal Year (SFY) 2028, Principal Forgiveness (PF) dollars will be significantly lower due to the end of the Bipartisan Infrastructure Law (BIL) (also known as the Infrastructure Investment and Jobs Act [IIJA]) funding. This document outlines the changes to the Clean Water Fund Program (CWFP) and Safe Drinking Water Loan Program (SDWLP) PF policies. These policies will also be included in the SFY 2028 CWFP and SDWLP Intended Use Plans (IUPs); however, the DNR Environmental Loans program wanted to publicize and provide a feedback opportunity in advance of posting the next cycle of IUPs.

Reviewing the past federal base capitalization grants, we estimate about $3,200,000 to $10,000,000 of CWFP PF and $1,300,000 to $6,000,000 of SDWLP PF will be available, plus some rollover PF from the previous funding cycle. The graph below compares the PF available from recent years through what is estimated for SFY 2028.



Given the significant change in the amount of PF that we expect to be available starting in SFY 2028, it is vital that we revise the PF policy with the goal of directing the limited amount of PF to municipalities where it makes the most difference, primarily smaller and more disadvantaged municipalities. The changes described below are intended to reflect that goal while focusing on CWFP and SDWLP projects in those communities that improve water quality and protect public health.

Policy

- **Removing Green Tier Eligibility (CWFP and SDWLP)** – Projects in municipalities that are Green Tier Legacy Communities and qualify for PF will no longer be eligible to receive an additional 10% PF on top of the percentage determined by the Disadvantaged Community/Affordability Criteria (Table 7 in the IUPs).

- **Removing Disinfection Eligibility (SDWLP) –** Projects in municipalities that are providing disinfection where it was not provided previously will no longer be eligible to receive an additional 10% PF on top of the percentage determined by the Disadvantaged Community Criteria (Table 7 in the IUPs).

- **CWFP Priority PF –** For reference, current criteria and caps are on the CWFP Priority Principal Forgiveness webpage.
  - **Eliminating Energy Efficiency PF –** Projects will no longer be eligible to receive energy efficiency PF as a match of a Focus on Energy incentive.
  - **Sunsetting Phosphorus Reduction PF** – Phosphorus Reduction PF will be available for one more year (SFY 2028) and then eliminated. The PF caps will also be lowered: $250,000 is the new cap if the project is to meet an interim limit and $500,000 is the new cap if the project is to meet a final limit. Note that the number of points needed to meet the affordability criteria has increased from 60 points to 125 points. Municipalities must continue to meet the affordability criteria to be eligible for the Phosphorus Reduction PF. Projects will only be allocated the Phosphorus Reduction PF if they fall within the General PF range on the funding list; there will not be a separate pot of Phosphorus Reduction PF. No Phosphorus Reduction PF will roll down past the last project identified in the fundable range for General PF. Note that a project can receive both General PF and Phosphorus Reduction PF.
  - **Regionalization PF** – Regionalization PF will continue but at a lower cap. 70% of regionalization costs, up to a cap of $500,000 for each WWTP discharge eliminated, will be available as regionalization PF. Only municipalities that meet the affordability criteria will be eligible for Regionalization PF (they must receive at least 125 points in Table 7). If more than one municipality is involved with the regionalization project, the Regionalization PF will be allocated proportionally based on the costs of regionalization attributed to each municipality. Projects will only be allocated Regionalization PF if they fall within the General PF range on the funding list; there will not be a separate pot of Regionalization PF. No Regionalization PF will roll down past the last project identified in the fundable range for General PF. Note that a project can receive both General PF and Regionalization PF.

- **General PF Caps**
  - **SDWLP PF Cap: $500,000**
  - **CWFP PF Cap: $1,000,000**
  - **Implementing a population cap threshold: 25,000** – A municipality that qualifies for PF under the disadvantaged/affordability criteria will not receive PF if the municipality has a population of 25,000 or more.

- **Disadvantaged/Affordability Criteria Updates**
  - **Disadvantaged Community/Affordability Criteria, Table 7 (in the IUPs) – Qualified PF Percentage Points** has been updated. A municipality must receive a minimum of 125 points to be eligible for PF, which begins with a 20% PF tier. The maximum PF percentage is now 50%. The amount of General PF any

municipality can receive in one SFY is based upon the eligible PF percentage and the PF cap mentioned above.

Table 7 – Qualified PF Percentage Points

Points Received in Tables 1–6	Old SFY 2027 Qualified PF Percentage	New SFY 2028 Qualified PF Percentage
0–59	No PF	No PF
60–69	10%	No PF
70–79	15%	No PF
80–94	20%	No PF
95–109	25%	No PF
110–124	30%	No PF
125–139	35%	20%
140–154	40%	25%
155–169	45%	30%
170–184	50%	35%
185–199	55%	40%
200–249	60%	45%
250–~~360~~ 370	65%	50%

- **Disadvantaged Community/Affordability Criteria, Table 1 (in the IUPs) – Population Points** has been updated. Points were increased for municipalities with a population of 4,999 or less.

Table 1 – Population Points

Points	Population
0	≥10,000
10	8,500–9,999
20	5,000–8,499
~~30~~ 35	3,000–4,999
~~40~~ 45	2,000–2,999
~~50~~ 60	1,500–1,999
~~60~~ 75	1,000–1,499
~~70~~ 90	500–999
~~80~~ 100	250–499
~~100~~ 120	0-249

- **Disadvantaged Community/Affordability Criteria, Table 5 (in the IUPs) – County Unemployment Points** has been decreased for each category.

Table 5 – County Unemployment Rate

Points	County Unemployment Rate
~~10~~ 5	County unemployment rate is greater than the state's rate by less than one percentage point
~~20~~ 10	County unemployment rate is greater than the state's rate by one to less than two percentage points
~~25~~ 15	County unemployment rate is greater than the state's rate by two percentage points or greater

Public Participation Process

This draft policy paper is being posted for public comment beginning on July 16, 2026. The draft policy paper is available on the Environmental Loans Principal Forgiveness webpage. Written comments on the draft policy paper will be taken through August 14, 2026. Send comments to Suzan Hasheider at Suzan.Hasheider@wisconsin.gov. The final version of this policy, including any revision made as a result of feedback received, will be posted on the Principal Forgiveness webpage and included in the SFY 2028 Intended Use Plans. The IUPs are posted to the DNR's Project Lists and Intended Use Plans webpage.

The DNR is hosting an informational webinar on Thursday, August 6, 2026, at 3:00 p.m. to discuss these changes. Further information about the webinar is available on the Principal Forgiveness webpage.