

**State of Wisconsin
Department of Natural Resources**

**Response to Public Comments
State Fiscal Year 2028 Principal Forgiveness Policy
October 2026**

A public comment period for the SFY 2028 Principal Forgiveness Policy opened on July 16, 2026, and closed on August 14, 2026. We received comments from the City of Sheboygan and Milwaukee Water Commons. The DNR has not made any changes or clarifications to the proposed SFY 2028 Principal Forgiveness Policy. The policy will be integrated into the SFY 2028 Intended Use Plans next spring/summer.

The comments and the corresponding responses are listed below. The comments may have been shortened to highlight their recommendations. We appreciate the engagement we received, and the patience commenters have shown while awaiting responses.

Comment letter 1

Submitted by Jordan Skiff, City of Sheboygan

1. Comment: The City of Sheboygan is reviewing its funding options—including CWFP—for a UV disinfection project. With the proposed principal forgiveness changes, Sheboygan would be ineligible for PF because it exceeds the 25,000 population threshold. Additionally, the Sheboygan project would be designated as a federal equivalency project because its population exceeds 20,000. Using the CWFP, there would be significant additional project costs associated with BABA requirements which are tied to the federal equivalency projects. BABA waivers—including the cost waiver and non-availability waiver—do not appear to be applicable. The BABA de minimis waiver is also anticipated to be used for minor cost items only and would not result in a significant reduction to overall project costs. Therefore, it doesn't appear that pursuing the CWFP for this project would be beneficial.

We request WDNR consider updating the approach for federal equivalency projects given that the federal capitalization amount is anticipated to be reduced significantly, so fewer projects and loan dollars will be needed for the CWFP to meet those federal equivalency requirements. This would be helpful to reduce project cost increases associated with using the CWFP for this type of project and community size.

Response: The Department is required to designate projects as federal equivalency in an amount equivalent to the amount of federal capitalization grant funding the Department receives. The ending of the Infrastructure Investment and Jobs Act (IIJA) funding also means less federal capitalization grants for the state. Our goal is to designate only as many federal equivalency projects as necessary, and with BIL funding ending, the equivalency obligation will be reduced in SFY 2028. The proposed changes will be communicated through the Environmental Loans newsletter, and the policy will go out for public comment in the SFY 2028 Intended Use Plans.

Comment letter 2

Submitted by Joe Fitzgerald, Milwaukee Water Commons

- 1. Comment: The state should eliminate its proposed population cap to avoid limiting access to Principal Forgiveness for Wisconsin Disadvantaged Communities.** Water infrastructure needs, and water affordability challenges are not restricted to small communities in our state. Due to a history of disinvestment in urban centers, in many instances, the most extreme and expensive water challenges exist in Wisconsin Cities such as Milwaukee alongside some of the most extreme disparities in household income. Milwaukee maintains Wisconsin's oldest public water system with almost 50% of the states lead service lines, and nearly 22.8% of the population in our city lives below the federal poverty rate. Communities dealing with water infrastructure challenges in large cities should be considered alongside communities dealing with water infrastructure challenges in any other sized community, utilizing policies that prioritize funding projects in our states most vulnerable communities. Wisconsin's policies for distributing principal forgiveness already consider population size by awarding points based on population in addition to other affordability criteria. A population cap fully dismisses the urgency of providing principal forgiveness to support water infrastructure projects in Wisconsin cities, despite seeing how critical that funding has been to ensuring action on the implementation of water infrastructure projects across those communities.

Response: When revising the principal forgiveness (PF) policy, we wanted to direct the limited amount of PF funding to municipalities where it makes the most difference. We evaluated how PF would provide savings to the rate payers in different sized municipalities. For example, with a SDWLP PF cap of \$500,000, for a large municipality like Milwaukee, we'd expect to see about 11 cents saved per year on a utility bill. Whereas for a smaller community, \$5 to \$30+ could be saved per year on a utility bill from PF provided. We believe the limited PF available is more impactful for smaller and more disadvantaged communities.

- 2. Comment: The Wisconsin Department of Natural Resources should maintain their criteria for weighting county unemployment data when considering eligibility for Principal Forgiveness funding.** Awarding points to incentivize projects based on affordability should place greater relative weight on financial factors than on population size. Communities that are both small and financially distressed will still benefit from a system that weights both. County unemployment is one such criteria that helps to identify the affordability of financing infrastructure projects across water rate payers, moving the states criteria for assessing the generalized affordability of water projects beyond factors like population size or median household income.

Response: The proposed policy changes in the disadvantaged/affordability criteria tables will continue to put more weight on the financial metrics than population metrics. The financial tables (tables 2-median household income, 3-family poverty percentage, 5-county unemployment, and 6-lowest quintile income) carry a weight of 63 percent and the population tables (tables 1-population, and 4-population trends) carry a weight of 37 percent of the total PF score.

- 3. Comment: The State of Wisconsin must look at opportunities to leverage state authorized funding to increase the amount of principal forgiveness made available through the Safe Drinking Water Loan Program and the Clean Water Fund Program.** Over the last few years of supplemental funding Wisconsin has seen drastically increased demand for project requests through the CWFP and

SDWLP, in large part driven by the availability of increased access to principal forgiveness helping to alleviate the localized cost of water infrastructure projects. Recognizing that there is a fiscal responsibility to ensure the sustainability of these programs through revolving loans, we encourage the WDNR to consider opportunities to increase the states contributions to the availability of principal forgiveness in Wisconsin to help meet the demand for water infrastructure projects around our state.

Response: The Environmental Loans programs don't receive any funding via the state budget that could be used as principal forgiveness. Federal funding, via the capitalization grants, provides the principal forgiveness dollars, and congress authorizes principal forgiveness through its annual appropriations and the Safe Drinking Water Act. The larger the capitalization grant, the more PF that can be provided. However, any dollar that is provided as PF does not revolve back into the fund which impacts future loan capacity. We are seeing project costs continue to increase, so the need for our annual capacity to grow is also greater. Additionally, as base cap grant amounts are trending lower, using more of the available funding as PF would further reduce the rate at which annual capacity is able to grow. We have to keep in mind the decisions we make today affect the program 20-30 years down the road. We have a commitment to manage the revolving loan fund in such a way as to protect its long-term integrity and enable it to revolve in perpetuity. Most municipalities can still expect savings by using the low interest loans as compared to financing a project on the open market.