

A bill for an act

relating to the Public Facilities Authority; providing for federal use of funds allocated to the state by the American Recovery and Reinvestment Act; providing for clean water and drinking water loans and grants; appropriating money; amending Minnesota Statutes 2008, sections 446A.07, subdivision 7; 446A.081, subdivision 8.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

Section 1. Minnesota Statutes 2008, section 446A.07, subdivision 7, is amended to read:

Subd. 7. **Loan conditions.** (a) When making loans from the clean water revolving fund, the authority shall comply with the conditions of the Federal Water Pollution Control Act, including: the criteria in this subdivision.

~~(a)~~ (b) Loans must be made at or below market interest rates, including interest-free loans, ~~at~~ for terms not to exceed 20 years that allowed under the federal Water Pollution Control Act.

~~(b)~~ (c) The annual principal and interest payments must begin no later than one year after completion of ~~a~~ the project. Loans must be fully amortized no later than 20 years after project completion, unless the borrower's average annual residential wastewater system cost after completion of the project would exceed 1.4 percent of median household income, in which case the loan must be fully amortized no later than 30 years after project completion.

~~(c)~~ (d) An eligible recipient shall establish a dedicated source of revenue for repayment of the loan.

~~(d)~~ (e) The fund must be credited with all payments of principal and interest on all loans.

~~(e)~~ (f) A loan may not be used to pay operating expenses or current obligations, unless specifically allowed by the Federal Water Pollution Control Act.

~~(f)~~ (g) A loan made by the authority must be secured by notes or bonds of the eligible recipient of the loan.

Sec. 2. Minnesota Statutes 2008, section 446A.081, subdivision 8, is amended to read:

Subd. 8. **Loan conditions.** (a) When making loans from the drinking water revolving fund, the authority shall comply with the conditions of the federal Safe Drinking Water Act, including the criteria in ~~paragraphs (b) to (e)~~ this subdivision.

(b) Loans must be made at or below market interest rates, including zero interest loans, for terms not to exceed ~~20 years~~ that allowed under the federal Safe Drinking Water Act.

(c) The annual principal and interest payments must begin no later than one year after completion of the project. Loans must be amortized no later than 20 years after project completion, unless the borrower's average annual residential wastewater system cost after completion of the project would exceed 1.4 percent of median household income, in which case the loan must be fully amortized no later than 30 years after project completion.

(d) A loan recipient must identify and establish a dedicated source of revenue for repayment of the loan, and provide for a source of revenue to properly operate, maintain, and repair the water system.

(e) The fund must be credited with all payments of principal and interest on all loans, except the costs as permitted under section 446A.04, subdivision 5, paragraph (a).

(f) A loan may not be used to pay operating expenses or current obligations, unless specifically allowed by the federal Safe Drinking Water Act.

(g) A loan made by the authority must be secured by notes or bonds of the governmental unit and collateral to be determined by the authority for private borrowers.

Sec. 3. **FEDERAL STIMULUS FUNDS FOR CLEAN WATER AND DRINKING WATER.**

Subdivision 1. **Clean water revolving fund loans and grants.** (a) Pursuant to Public Law 111-5, the American Recovery and Reinvestment Act of 2009, referred to in this section as "the Act," the federal money allocated under the Act for capitalization grants for clean water state revolving funds is appropriated to the Public Facilities Authority for deposit into the clean water revolving fund under Minnesota Statutes, section 446A.07, for the purpose of making loans and grants to eligible projects as provided in this subdivision, Minnesota Statutes, section 446A.07, and the Act. Authorization to make loans and grants

under this subdivision expires when all funds appropriated under the Act for the clean water state revolving fund are expended. For the purpose of this subdivision, the term "grant" includes principal forgiveness that is granted at the time a loan is made.

(b) Fifty percent of the total funds received under the Act for the clean water state revolving fund must be used to provide grants to eligible projects as provided in paragraph (d), or to provide grants to eligible projects for up to 65 percent of the eligible grant need identified by the United States Department of Agriculture Rural Economic and Community Development Program.

(c) To the extent that there are sufficient eligible project applications, 20 percent of the total funds appropriated must be used for grants and loans for projects to address green infrastructure, water or energy efficiency improvements, or other environmentally innovative activities. Grants made under this paragraph count toward the 50 percent requirement in paragraph (b).

(d) Grants under this subdivision must be based on as-bid costs and awarded to eligible projects in the order that projects are certified by the Pollution Control Agency and as-bid costs are submitted to the Public Facilities Authority as provided in the following clauses:

(1) Except for projects that receive a grant under clause (3), a base grant must be provided for 20 percent of the funds approved from the clean water revolving fund, up to a maximum of \$2,000,000 per project.

(2) Except for projects that receive a grant under clause (3), a supplemental grant must be provided if the average annual residential wastewater system cost after completion of the project would otherwise exceed 1.4 percent of the median household income of the borrower. In determining whether the average annual residential wastewater system cost would exceed 1.4 percent, the authority must consider the total costs associated with building, operating, and maintaining the wastewater system, including debt service and operation and maintenance costs. The amount of the supplemental grant is equal to 80 percent of the amount needed to reduce the average annual residential wastewater system cost to 1.4 percent of median household income, to a maximum of \$4,000,000 or \$15,000 per connection, whichever is less. The amount of the supplemental grant must not exceed 80 percent of the total amount approved from the clean water revolving fund.

(3) For eligible projects to address green infrastructure, water or energy efficiency improvements, or other environmentally innovative activities, a grant must be provided for 25 percent of the funds approved from the clean water revolving fund, to a maximum of \$2,000,000 per project.

4.1 Subd. 2. **Drinking water revolving fund loans and grants.** (a) Pursuant to
4.2 Public Law 111-5, the American Recovery and Reinvestment Act of 2009, federal money
4.3 allocated under the Act for capitalization grants for drinking water state revolving funds is
4.4 appropriated to the Public Facilities Authority for deposit into the drinking water revolving
4.5 fund under Minnesota Statutes, section 446A.081, for the purpose of making loans and
4.6 grants to eligible projects as provided in this subdivision, Minnesota Statutes, section
4.7 446A.081, and the Act. Authorization to make loans and grants under this subdivision
4.8 expires when all funds appropriated under the Act for the drinking water state revolving
4.9 fund are expended. For the purpose of this subdivision, the term "grant" includes principal
4.10 forgiveness that is granted at the time a loan is made.

4.11 (b) Fifty percent of the total funds received under the Act for the drinking water
4.12 state revolving fund must be used to provide grants to eligible projects as provided in
4.13 paragraph (d), or to provide grants to eligible projects for up to 65 percent of the eligible
4.14 grant need identified by the United States Department of Agriculture Rural Economic
4.15 and Community Development Program.

4.16 (c) To the extent that there are sufficient eligible project applications, 20 percent
4.17 of the total funds appropriated must be used for grants and loans for projects to address
4.18 green infrastructure, water or energy efficiency improvements, or other environmentally
4.19 innovative activities. Grants made under this paragraph count toward the 50 percent
4.20 requirement in paragraph (b).

4.21 (d) Grants under this subdivision must be based on as-bid costs and awarded to
4.22 eligible projects in the order that projects are certified by the Department of Health and
4.23 as-bid costs are submitted to the Public Facilities Authority as provided in the following
4.24 clauses:

4.25 (1) Except for projects that receive a grant under clause (3) or (4), a base grant must
4.26 be provided for 20 percent of the funds approved from the drinking water revolving fund,
4.27 up to a maximum of \$2,000,000 per project.

4.28 (2) Except for projects that receive a grant under clause (3) or (4), a supplemental
4.29 grant must be provided if the average annual residential drinking water system cost after
4.30 completion of the project would otherwise exceed 1.4 percent of the median household
4.31 income of the borrower. In determining whether the average annual residential drinking
4.32 water system cost would exceed 1.4 percent, the authority must consider the total costs
4.33 associated with building, operating and maintaining the drinking water system, including
4.34 debt service and operation and maintenance costs. The amount of the supplemental grant
4.35 is equal to 80 percent of the amount needed to reduce the average annual residential
4.36 drinking water system cost to 1.4 percent of median household income, to a maximum of

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5.1 \$4,000,000 or \$15,000 per connection. The amount of the supplemental grant must not
5.2 exceed 80 percent of the total amount approved from the drinking water revolving fund.

5.3 (3) For eligible projects to address green infrastructure, water or energy efficiency
5.4 improvements, or other environmentally innovative activities, a grant must be provided for
5.5 25 percent of the funds approved from the drinking water revolving fund, to a maximum
5.6 of \$2,000,000 per project.

5.7 (4) For projects needed to comply with national primary drinking water standards for
5.8 an existing community public water system or for an existing noncommunity public water
5.9 system, a grant must be provided for 50 percent of the project cost, up to a maximum of
5.10 \$10,000. Total grants approved under this clause must not exceed \$250,000.