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State of Minnesota

HOUSE OF REPRESENTATIVES

NINETY-SECOND SESSION

H. F. No. 3858

02/28/2022 Authored by Boldon, Ecklund and Hamilton
03/14/2022 The bill was read for the first time and referred to the Committee on Industrial Education and Economic Development Finance and Policy
Adoption of Report: Re-referred to the Committee on Capital Investment

1.1 A bill for an act
1.2 relating to capital investment; making changes to the water infrastructure funding
1.3 program; making changes to the point source implementation grant program;
1.4 establishing an innovative wastewater technical planning program; appropriating
1.5 money for clean water; authorizing the sale and issuance of state bonds; amending
1.6 Minnesota Statutes 2020, sections 446A.072, subdivision 5a; 446A.073, subdivision
1.7 1; 446A.075, by adding a subdivision.

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

1.9 Section 1. Minnesota Statutes 2020, section 446A.072, subdivision 5a, is amended to read:

1.10 Subd. 5a. Type and amount of assistance. (a) For a governmental unit receiving grant
1.11 funding from the USDA/RECD, the authority may provide assistance in the form of a grant
1.12 of up to 65 percent of the eligible grant need determined by USDA/RECD. A governmental
1.13 unit may not receive a grant under this paragraph for more than \$5,000,000 \$7,000,000 per
1.14 project or \$20,000 \$25,000 per existing connection, whichever is less, unless specifically
1.15 approved by law.

1.16 (b) For a governmental unit receiving a loan from the clean water revolving fund under
1.17 section 446A.07, the authority may provide assistance under this section in the form of a
1.18 grant if the average annual residential wastewater system cost after completion of the project
1.19 would otherwise exceed 1.4 percent of the median household income of the project service
1.20 area. In determining whether the average annual residential wastewater system cost would
1.21 exceed 1.4 percent, the authority must consider the total costs associated with building,
1.22 operating, and maintaining the wastewater system, including existing wastewater debt
1.23 service, debt service on the eligible project cost, and operation and maintenance costs. Debt
1.24 service costs for the proposed project are calculated based on the maximum loan term

2.1 permitted for the clean water revolving fund loan under section 446A.07, subdivision 7.
2.2 The amount of the grant is equal to 80 percent of the amount needed to reduce the average
2.3 annual residential wastewater system cost to 1.4 percent of median household income in
2.4 the project service area, to a maximum of \$5,000,000 per project or \$20,000 per existing
2.5 connection, whichever is less, unless specifically approved by law. The eligible project cost
2.6 is determined by multiplying the total project costs minus any other grants by the essential
2.7 project component percentage calculated under subdivision 3, paragraph (c), clause (1). In
2.8 no case may the amount of the grant exceed 80 percent of the eligible project cost.

2.9 (c) For a governmental unit receiving a loan from the drinking water revolving fund
2.10 under section 446A.081, the authority may provide assistance under this section in the form
2.11 of a grant if the average annual residential drinking water system cost after completion of
2.12 the project would otherwise exceed 1.2 percent of the median household income of the
2.13 project service area. In determining whether the average annual residential drinking water
2.14 system cost would exceed 1.2 percent, the authority must consider the total costs associated
2.15 with building, operating, and maintaining the drinking water system, including existing
2.16 drinking water debt service, debt service on the eligible project cost, and operation and
2.17 maintenance costs. Debt service costs for the proposed project are calculated based on the
2.18 maximum loan term permitted for the drinking water revolving fund loan under section
2.19 446A.081, subdivision 8, paragraph (c). The amount of the grant is equal to 80 percent of
2.20 the amount needed to reduce the average annual residential drinking water system cost to
2.21 1.2 percent of median household income in the project service area, to a maximum of
2.22 \$5,000,000 per project or \$20,000 per existing connection, whichever is less, unless
2.23 specifically approved by law. The eligible project cost is determined by multiplying the
2.24 total project costs minus any other grants by the essential project component percentage
2.25 calculated under subdivision 3, paragraph (c), clause (1). In no case may the amount of the
2.26 grant exceed 80 percent of the eligible project cost.

2.27 (d) Notwithstanding the limits in paragraphs (a), (b), and (c), for a governmental unit
2.28 receiving supplemental assistance under this section after January 1, 2002, if the authority
2.29 determines that the governmental unit's construction and installation costs are significantly
2.30 increased due to geological conditions of crystalline bedrock or karst areas and discharge
2.31 limits that are more stringent than secondary treatment, the maximum award under this
2.32 section shall not be more than \$25,000 per existing connection.

3.1 Sec. 2. Minnesota Statutes 2020, section 446A.073, subdivision 1, is amended to read:

3.2 Subdivision 1. **Program established.** When money is appropriated for grants under this
3.3 program, the authority shall award grants ~~up to a maximum of \$7,000,000~~ to governmental
3.4 units to cover 80 percent of the cost of water infrastructure projects made necessary by:

3.5 (1) a wasteload reduction prescribed under a total maximum daily load plan required by
3.6 section 303(d) of the federal Clean Water Act, United States Code, title 33, section 1313(d);

3.7 (2) a phosphorus concentration or mass limit which requires discharging one milligram
3.8 per liter or less at permitted design flow which is incorporated into a permit issued by the
3.9 Pollution Control Agency;

3.10 (3) any other water quality-based effluent limit established under section 115.03,
3.11 subdivision 1, paragraph (e), clause (8), and incorporated into a permit issued by the Pollution
3.12 Control Agency that exceeds secondary treatment limits; or

3.13 (4) a total nitrogen concentration or mass limit that requires discharging ten milligrams
3.14 per liter or less at permitted design flow.

3.15 Sec. 3. Minnesota Statutes 2020, section 446A.075, is amended by adding a subdivision
3.16 to read:

3.17 Subd. 1b. **Technical planning grants.** (a) The authority may provide technical planning
3.18 grants to local governments to develop long-term plans for their wastewater facilities and
3.19 related sewer systems and for their drinking water treatment systems that will allow local
3.20 governments to: (1) address current needs and future challenges; (2) to think creatively
3.21 about cost-effective solutions such as regionalization or optimization; and (3) to access the
3.22 state and federal funds needed to implement those plans.

3.23 (b) A grant under this subdivision must not exceed \$100,000. Local government units
3.24 with populations over 10,000 will be required to pay a cost share of 50 percent or more.
3.25 Technical planning grants may be used by recipients to contract with an engineer who
3.26 specializes in wastewater or drinking water, the University of Minnesota, a regional
3.27 development commission, or a qualified nonprofit organization to develop long-term
3.28 integrated plans for wastewater systems and to facilitate grant and proposal writing for
3.29 accessing federal and state funds to implement such plans or other innovative wastewater
3.30 and water treatment solutions.

3.31 (c) The authority will confer with the Pollution Control Agency and the Department of
3.32 Health regarding the design of the grant program and evaluation of the grant proposals.

4.1 Sec. 4. **CLEAN WATER APPROPRIATIONS; GENERAL OBLIGATION BONDS.**

4.2 **Subdivision 1. Total appropriation.** \$299,000,000 is appropriated from the bond
4.3 proceeds fund to the Public Facilities Authority for the purposes of this section.

4.4 **Subd. 2. State match for revolving loan funds.** \$49,000,000 of this appropriation is to
4.5 match federal capitalization grants for the clean water revolving fund under Minnesota
4.6 Statutes, section 446A.07, and the drinking water revolving fund under Minnesota Statutes,
4.7 section 446A.081. This appropriation must be used for qualified capital projects.

4.8 **Subd. 3. Water infrastructure funding program.** \$100,000,000 of this appropriation
4.9 is for grants to eligible municipalities under the water infrastructure funding program under
4.10 Minnesota Statutes, section 446A.072.

4.11 **Subd. 4. Point source implementation grants program.** \$150,000,000 of this
4.12 appropriation is for grants to eligible municipalities under the point source implementation
4.13 grants program under Minnesota Statutes, section 446A.073. This appropriation must be
4.14 used for qualified capital projects.

4.15 **Subd. 5. Bond sale.** To provide the money appropriated in this section from the bond
4.16 proceeds fund, the commissioner of management and budget shall sell and issue bonds of
4.17 the state in an amount up to \$299,000,000 in the manner, upon the terms, and with the effect
4.18 prescribed by Minnesota Statutes, sections 16A.631 to 16A.675, and by the Minnesota
4.19 Constitution, article XI, sections 4 to 7.

4.20 **EFFECTIVE DATE.** This section is effective the day following final enactment.

4.21 Sec. 5. **CLEAN WATER APPROPRIATIONS; GENERAL FUND.**

4.22 **Subdivision 1. Point Source implementation grants program.** \$999,000 in fiscal year
4.23 2023 is appropriated from the general fund to the Public Facilities Authority for the point
4.24 source implementation grants program, under Minnesota Statutes, section 446A.073. The
4.25 base for this appropriation is \$37,500,000 in fiscal year 2024 and beyond.

4.26 **Subd. 2. Innovative Technical Planning Grants.** \$5,000,000 in fiscal year 2023 is
4.27 appropriated from the general fund to the Public Facilities Authority for innovative
4.28 wastewater technical planning grants, under Minnesota Statutes, section 446A.073. The
4.29 base for this appropriation is \$2,500,000 in fiscal year 2024 and beyond.

4.30 **EFFECTIVE DATE.** This section is effective the day following final enactment.