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1 Minnesota Pollution Control Agency

3 Adopted Permanent Rules Relating to the Clean Water Partnership4 Program

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6 Rules as Adopted

7 CLEAN WATER PARTNERSHIP FINANCIAL ASSISTANCE

8 7076.0100 PURPOSE.

9 This chapter provides for the administration of the state clean water partnership financial assistance program and the 10 11 federal nonpoint source management program as provided by United States Code, title 33, section 1329. Parts 7076.0100 to 12 13 7076.0290 implement these programs by establishing the substantive criteria and procedural conditions under which the 14 agency may award state matching grants and provide technical 15 16 assistance for the development and implementation of nonpoint 17 source projects, and also award low-interest loans from the 18 state Water Pollution Control Revolving Fund for the 19 implementation of nonpoint source projects.

20 7076.0110 DEFINITIONS.

Subpart 1. Scope. The terms used in parts 7076.0100 to 7076.0290 have the meanings given them in Minnesota Statutes, chapter 116, and rules adopted under that chapter and the meanings given them in this part. If terms defined in this part conflict with the definitions in Minnesota Statutes, chapter 116, and the rules adopted under that chapter, the definitions in this part govern.

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#### [For text of subps 2 to 4, see M.R.]

Subp. 4a. Financial assistance. "Financial assistance" means a resource investigation or project implementation grant, or a project implementation loan.

32 Subp. 5a. Loan sponsor. "Loan sponsor" means a local unit 33 of government that enters into a loan contract and-operating 34 agreement with the agency and-secures-the-loan-as-a-general 35 obligation7-pledging-its-full-faith-and-credit-to-repayment-of

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the-loan. There may be more than one loan sponsor for a project. 1 2 Subp. 6. Local share. "Local share" means the contributions of a local unit of government to the eligible cost 3 4 of a project, including the value of cash expenditures; project implementation loans used on eligible project implementation 5 6 activities; and in kind contributions of labor, equipment, 7 material, and real property used for and expended on eligible project activities. 8

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[For text of subps 7 to 13, see M.R.] Subp. 14. [See repealer.]

Subp. 15. Project coordination team. "Project
 coordination team" means the public interagency group
 established in Minnesota Statutes, section 103F.761.

Subp. 18. Project implementation. "Project implementation" means the implementation of an approved diagnostic study and implementation plan, or their equivalent, that identify best management practices to be implemented.

18 Subp. 18a. Project implementation continuation. "Project 19 implementation continuation" or "project continuation" means an 20 award of additional project implementation financial assistance 21 to continue implementation activities identified in the 22 implementation plan or work plan that were not funded or were 23 partially funded by the initial project implementation financial 24 assistance.

Subp. 19. Project implementation grant. "Project implementation grant" means a grant from the agency to the project sponsor for the implementation of a diagnostic study and implementation plan, or their equivalent, that identify best management practices to be implemented.

30 Subp. 19a. Project implementation loan. "Project 31 implementation loan" means a loan from the agency to the loan 32 sponsor for the implementation of a diagnostic study and 33 implementation plan, or their equivalent, that identify best 34 management practices to be implemented.

35 Subp. 19b. Project implementation loan set rate. "Project 36 implementation loan set rate" means the interest rate designated

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by the Merrill Lynch 500 Municipal Bond Index, as published
 every Friday in the Wall Street Journal.

3 Subp. 19c. Project implementation period. "Project 4 implementation period" means a three-year segment of project 5 implementation, which may be extended an additional year upon 6 written approval by the commissioner.

7 Subp. 20. Project sponsor. "Project sponsor" means the local unit of government that is responsible for development and 8 9 implementation of the project and applies for financial 10 assistance. For resource investigation, the project sponsor 11 enters into the grant contract. For project implementation, the 12 project sponsor may-enter-into-a-grant-contract-and/or-act-as-a 13 10an-sponsor-and-enter-into-a-loan-contract,-or-it-may-manage 14 the-project-with-the-financial-support-of-the-loan 15 sponsors shall be a party to all grant and loan contracts

16 <u>entered into by the agency to provide financial assistance</u>.

17 [For text of subps 20a and 20b, see M.R.] 18 Subp. 20c. Second-tier borrower. "Second-tier borrower" 19 means a person who receives a second-tier loan from a loan 20 sponsor.

Subp. 20d. Second-tier loan. "Second-tier loan" means a loan made by the loan sponsor, using project implementation loan funds, for implementation of project activities by a person other than the loan sponsor.

25 Subp. 20e. State revolving fund. "State revolving fund" 26 means the state Water Pollution Control Revolving Fund created 27 by Minnesota Statutes, section 446A.07.

[For text of subps 21 and 22, see M.R.] Subp. 23. Water of concern. "Water of concern" means the specific surface water or groundwater of the state which the project is focused on improving or protecting.

[For text of subp 24, see M.R.]

33 7076.0120 AVAILABLE ASSISTANCE.

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34 Subpart 1. Grants. There are two types of grants 35 available for nonpoint source projects: (1) resource

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investigation grants, and (2) project implementation grants.
 The grants are for a maximum of 50 percent of the eligible cost
 of the project.

Subp. 1a. Loans. Loans are available for project implementation. Loans may cover up to 100 percent of the eligible costs of the project or may be used to finance the local share of a project implementation grant. Loans and grants will be awarded, within the limits of available appropriations, to those applicants having the highest priority as determined by the project ranking.

11 Subp. 2. Technical assistance. The agency may provide 12 technical assistance to local units of government in order to 13 ensure efficient and effective development and implementation of 14 projects. Technical assistance must be given to local units of 15 government that receive financial assistance, within the limits 16 of available resources.

17 7076.0130 ELIGIBILITY CRITERIA.

Subpart 1. Grant-eligible applicants. Only local units of government are eligible to apply for grants and receive technical assistance. A local unit of government is eligible to apply for grants and request technical assistance if it has the following:

[For text of items A and B, see M.R.]
C. the authority to adopt and enforce official
controls; and

26 D. an approved local water plan that addresses the27 water of concern.

Subp. 1a. Loan-eligible applicants. Only local units of government that meet the requirements of subpart 1 are eligible to apply for loans and receive technical assistance. A local unit of government is eligible to receive a loan if it has the following:

A. the ability to pledge its full faith and credit to ensure repayment of a project implementation loan; B. the authority to generate cash revenues for the

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1 repayment of a loan; and

2 C. the authority to enter into a loan agreement with 3 the agency.

If the local unit of government submitting the application does not meet the criteria in items A to C, it must submit a resolution from at least one local unit of government that does meet the criteria stating that the loan-eligible local unit of government resolves to participate in the project as a loan sponsor.

10 Subp. 2. Eligible costs. Project costs are eligible for financial assistance if they are reasonable, necessary, and 11 allocable to the project. Costs associated with resource 12 13 investigation are eligible for grant funds only. Both grants and loans may be awarded for the costs of project 14 15 implementation. The dredging of harbors, lakes, ditches, constructed wetlands, and existing sedimentation basins; sewage 16 17 treatment system upgrades when part of an approved project implementation; and the use of ferric chloride, aluminum 18 19 sulfate, or other chemicals to precipitate phosphorus are 20 eligible for loan funds but are not eligible for grant funds. In addition, costs related to any of the following activities 21 are eligible for financial assistance: 22

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[For text of items A and B, see M.R.]

C. selection, design, layout, and installation of
best management practices consistent with section 319 or 320 of
the federal Clean Water Act, as amended;

D. development, review, and inspection of procedures
for the installation, operation, and maintenance of best
management practices;

E. the costs of implementation of best management practices for animal feedlot operations if the best management practice installation is not related to a criminal enforcement action or a civil enforcement action involving financial penalties;

F. development and implementation of public educationmaterials and activities;

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G. development and implementation of official
 controls;

H. acquisition of easements and property; and

I. other activities determined by the agency or
5 established by federal regulation to be necessary to carry out
6 the project.

7 Subp. 3. Ineligible costs. Ineligible costs include any 8 costs that are not related to the activities in subpart 2. Costs identified under subpart 2 are ineligible if the related 9 project activities are started before the grant or loan contract 10 has been signed by the commissioner of finance. Costs 11 identified under subpart 2 that are related to a resource 12 investigation project are ineligible for loan funds. In 13 addition, the following costs are ineligible for financial 14 15 assistance whether or not they relate to the activities in 16 subpart 2:

A. installation of best management practices beforethe financial assistance award;

B. operation and maintenance of best managementpractices;

C. activities regulated by the-State-Disposal-System 21 22 permit-program; the Petroleum Tank Release Cleanup Act, Minnesota Statutes, chapter 115C; the Environmental Compensation 23 24 and Liability Act, Minnesota Statutes, chapter 115B; the Chemical Liability Act, Minnesota Statutes, chapter 18D; the 25 Comprehensive Environmental Response, Compensation, and 26 Liability Act, United States Code, title 42, sections 9601 to 27 28 9675; and the Resource Conservation and Recovery Act, United 29 States Code, title 42, sections 6901 to 6991;

30 D. activities regulated by the National Pollutant 31 Discharge Elimination System permit program, parts 7001.1000 to 32 7001.1100, except that the following are eligible costs:

(1) the costs of outreach, technical assistance,
and education activities concerning animal waste management, and
the costs of best management practices for animal feedlot
operations are eligible if the implementation activities are

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part of an eligible watershed or groundwater project and if the 1 best management practice installation is not related to a 2 criminal enforcement action or a civil enforcement action 3 involving financial penalties; and 4 5 (2) the costs of outreach, technical assistance, implementation of source control and runoff control best 6 management practices, and education activities related to 7 stormwater control. 8 9 F. activities regulated by a condition of a solid waste or hazardous waste permit or the agency solid waste rules, 10 11 chapter 7035; or the agency hazardous waste rules, chapter 7045; activities funded by state or federal grants or 12 F. loans for publicly owned treatment works; 13 regulated practices to control spills of 14 G. 15 pesticides, fertilizer, petroleum, and related materials from 16 bulk storage facilities; 17 H. regulated practices to manage toxic or hazardous 18 materials; 19 I. commercial operations and industrial processes and 20 land use and land management activities directly related to commercial operations and industrial processes including plant 21 yards, access roads, drainage ponds, refuse piles, storage 22 piles, and material product loading areas, excluding farming 23 24 operations occurring on the farm itself; 25 J. active and inactive mining activities; 26 building and utility construction; Κ. 27 L. highway and road construction; activities intended primarily for flood control; 28 Μ. 29 and activities that violate local, state, and federal 30 N. 31 statutes, rules, and regulations. 32 Subp. 4. Eligible local share for grant-funded projects. 33 Any grant- or loan-eligible project costs as described in subparts 2 and 3 that are not funded through a resource 34 investigation or project implementation grant are eligible as 35 local share. At least 30 percent of the project costs must be 36

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1 derived from nonstate and nonfederal sources. Project
2 implementation loans are considered nonstate and nonfederal
3 sources for the purposes of this subpart. Costs incurred by a
4 land occupier for the installation of best management practices
5 may be considered a part of the local share paid by the local
6 unit of government provided the following conditions are met:

A. the primary purpose of the best management
8 practices is for improvement and protection of water quality;

9 B. any structural best management practices must be 10 designed for a minimum effective life of ten years;

11 C. any equipment purchased for operational best 12 management practices must have a minimum effective life of ten 13 years and be maintained or replaced by the land occupier during 14 this period of time, or there must be a plan approved by the 15 commissioner scheduling the phase-out of the operational best 16 management practices;

D. the best management practices are a part of anapproved implementation plan; and

E. there must be an operation and maintenance plan
for the minimum effective life of the best management practices.

21 7076.0140 NOTICE OF FINANCIAL ASSISTANCE AVAILABILITY.

Subpart 1. Notice. The commissioner will publish in the State Register a notice that applications for resource investigation grants and project implementation grants and loans will be accepted whenever the commissioner determines that funds are available to award the financial assistance. The notice will contain a deadline for application submittal, which must be no less than 60 days from the date of publication.

Subp. 2. Notification list. The commissioner shall maintain a list of those local governmental bodies that wish to be notified of application periods. Any local governmental body that wishes to be placed on the list shall notify the commissioner by writing to the director of the water quality division. Whenever the commissioner publishes notice in the State Register, the commissioner shall mail notice of the

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1 application period to those local governmental bodies on the
2 list.

3 Subp. 3. Financial assistance application periods. The 4 commissioner may establish a financial assistance application 5 period from time to time but there must be at least one 6 application period each calendar year if funds are available.

## 7 7076.0150 FINANCIAL ASSISTANCE APPLICATION.

8 Subpart 1. General requirements. The financial assistance 9 application must be submitted by the local unit of government 10 that will be the project sponsor. The financial assistance 11 application must be submitted in a timely fashion to be 12 considered. The application must be submitted on a form 13 provided by the agency and must contain the information required 14 in the form and by this part.

Subp. 2. Resource investigation grant. An application for a resource investigation grant must contain the following information:

[For text of item A, see M.R.] 18 19 в. written documentation that the project sponsor has consulted with the local water planning authority, soil and 20 water conservation districts, and watershed districts in the 21 project area in preparing the grant application; 22 [For text of item C, see M.R.] 23 D. letters of support from each participating local 24 unit of government, agency, and organization which identify 25 their technical role in resource investigation and their 26 estimated contribution to the local share of resource 27 investigation costs; 28 the amount of grant.funding requested, based on 29 Ε. estimated project costs; 30 a list identifying the amount, type, and source of 31 F. the local share; 32 33 G. a project proposal that contains the following: 34 (1) preliminary goals and objectives; 35 (2) a list of existing reports and data

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10/18/95 [REVISOR ] CMR/MP AR2565 concerning the quality of the water of concern and land use in 1 2 the project area; 3 (3) a statement of existing water quality conditions and problems and the existing and desired uses of the 4 5 water of concern; (4) an identification and summary of activities 6 7 that the grant would make possible; 8 (5) a preliminary schedule of project activities; 9 and 10 (6) an estimated project budget; and documents required by state or federal statutes, 11 Η. rules, and regulations. 12 13 Subp. 3. Project implementation financial assistance. An application for project implementation financial assistance must 14 contain the following information: 15 A. a resolution by the local unit of government that 16 will be the project sponsor, authorizing the filing of the 17 application and designating an official authorized to execute 18 19 the application; 20 Β. written documentation that the project sponsor has consulted with the local water planning authority, soil and 21 22 water conservation districts, and watershed districts in the project area in preparing the application; 23 24 с. a diagnostic study and implementation plan approved under part 7076.0260, or an equivalent study and plan 25 that addresses the requirements of a diagnostic study and 26 implementation plan and that has been approved under part 27 7076.0260; 28 29 D. letters of support from each participating local unit of government, agency, and organization that identify their 30 technical role in project implementation and their contribution, 31 if any, to the local share of project implementation costs; 32 Ε. a detailed preliminary work plan and schedule for 33 project implementation during the project implementation period; 34 a detailed budget for the project implementation 35 F. 36 period including the identification of the amount and type of

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financial assistance requested; 1 G. a list identifying the amount, type, and source of 2 3 the local share, if any; documents required by state or federal statutes, H. 4 5 rules, and regulations; I. for applicants requesting a loan: 6 (1) identification of the dedicated sources of 7 8 revenue to be used for repayment of the project implementation loan from the agency; and 9 (2) a resolution from each local unit of 10 government that will be a loan sponsor authorizing the filing of 11 the application, stating the total project implementation loan 12 amount requested, and stating the amount of the total loan that 13 the loan sponsor is requesting which, when added to all other 14 loan sponsor requests, must equal the total project 15 implementation loan request; and 16 J. an opinion and supporting documentation from the 17 project sponsor's attorney stating that the project sponsor and 18 participating local units of government have the legal authority 19 to conduct the project. 20 7076.0160 REJECTION OF FINANCIAL ASSISTANCE APPLICATION. 21 Subpart 1. Grounds. An application for financial 22 assistance shall be rejected by the commissioner for the ,23 following reasons: 24 [For text of items A to D, see M.R.] 25 Subp. 2. Procedure. The commissioner shall review each 26 financial assistance application within 30 days after the 27 deadline for application submittal. The commissioner shall 28 notify each rejected applicant of the rejection of its 29 application and the reasons for the rejection. 30 Subp. 3. Effect of rejection. An applicant whose 31 application is rejected must reapply in a subsequent application 32 period to be considered for financial assistance. 33 7076.0170 PROJECT RANKING. 34

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Subpart 1. Process of ranking. Upon completion of the

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commissioner's review of the applications for acceptability, the 1 agency shall rank the acceptable applications in order of 2 priority. Each project for which an acceptable application has 3 been submitted must be awarded the number of priority points the 4 project is entitled to under subparts 2 and 3. The project with 5 the highest number of priority points will be given the highest 6 priority. All projects will be given a ranking depending on the 7 8 number of points awarded. The resource investigation grant applications must be ranked separately from the project 9 implementation applications. 10

Subp. 2. Priority points for resource investigation grant 11 applications. The agency and the project coordination team must 12 use the following criteria to determine the number of priority 13 points to be awarded in the evaluation of each resource 14 investigation grant application. Each project shall receive a 15 whole number from zero to ten under each of the following 16 criteria, depending on how well the project satisfies the 17 criteria. The number of points awarded under each of the five 18 criteria assigned by the agency and the project coordination 19 team must be added together to determine the project's total 20 point value. This total number must be used to determine the 21 project's overall ranking and priority. 22

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A. The criteria for the agency are as follows: (1) the extent to which the proposed project demonstrates a high potential for project success based on the project organization and management structure and a broad coalition of community support and involvement within the

28 project area;

(2) the extent to which the project proposal
identifies preliminary goals and objectives, the existing and
desired uses of the water of concern, and the perceived water
quality problem or threat;

(3) the extent to which the water of concern is
identified as a priority water in the local water plan;
(4) the extent to which the water of concern in
the proposed project is of state and regional significance and

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1 priority; and

2 (5) the likelihood of water quality protection or
3 improvement of the water of concern identified in the proposed
4 project.

5 B. The criteria for the project coordination team are 6 as follows:

7 (1) the extent to which the proposed project
8 demonstrates a high potential for project success based on
9 broad-based community support and involvement within the project
10 area;

11 [For text of subitems (2) to (5), see M.R.] 12 Subp. 3. Priority points for project implementation 13 financial assistance applications. The agency and the project 14 coordination team must use the following criteria to determine the number of priority points to be awarded in the evaluation of 15 16 each project implementation application. Each project shall receive a whole number from zero to ten under each of the 17 following criteria, depending on how well the project satisfies 18 the criteria. The number of points under each of the five 19 20 criteria assigned by the agency and the project coordination team must be added together to determine the project's total 21 point value. This total number must be used to determine the 22 project's overall ranking and priority. 23

24 Α. The agency criteria are as follows: 25 [For text of subitem (1), see M.R.] 26 (2) the extent to which the water of concern in 27 the proposed project is of state and regional significance and priority; 28 29 (3) the extent to which the proposed project implementation activities are technically feasible and will 30 result in water quality protection or improvement; 31 32 [For text of subitem (4), see M.R.] 33 (5) the extent to which the proposed project 34 demonstrates a high potential for project success based on

35 broad-based community support and involvement within the project

36 area and the project sponsor's and cooperator's local

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capability, organization, and authority to carry out the
 identified activities.

3 B. The project coordination team criteria are as4 follows:

(1) the extent to which the proposed project
employs technically feasible best management practices to meet
the proposed water quality goals and objectives, and the
likelihood of adoption of the best management practices by the
community in the project area;

10 [For text of subitems (2) to (5), see M.R.] Subp. 4. Project coordination team. The project 11 coordination team has 60 days from the close of the application 12 period to assign points to each project seeking financial 13 assistance. In the event that the project coordination team 14 15 fails to assign points to all projects with accepted applications, the projects must be ranked without considering 16 17 any points under the category for the project coordination team.

18 7076.0180 ALLOCATION OF FUNDING.

19 Subpart 1. Continuation of project implementation. Each 20 year, the agency shall determine how much of the available funding will be set aside to meet that year's anticipated 21 22 requests for project implementation continuations. If the agency subsequently determines that the amount set aside for 23 project continuations is more than is required for that year, 24 the agency may reallocate this money to other resource 25 investigation and project implementation projects or carry over 26 the money to another application period. 27

Subp. 2. Grant fund allocation. Within 90 days following 28 29 the close of an application period, the agency shall determine how much of the remaining funds, after setting aside funds for 30 31 project implementation continuations, will be made available for resource investigation and project implementation grant awards. 32 In deciding how much money to make available for new grant 33 awards, the agency shall consider the necessity to have money 34 available for subsequent grant periods, the necessity to have 35

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1 money available for anticipated project continuations in the 2 next year, and other factors relating to the agency's ability to 3 ensure that money will be available for upcoming projects. If 4 the agency is appropriated grant funding for special purposes, 5 that funding can be set aside for a designated use.

Subp. 3. Resource investigation; project implementation 6 split of available grant funds. Within 90 days following the 7 close of an application period, the agency shall determine how 8 much of the funding available for new grants in that application 9 period will be available for resource investigation and project 10 implementation grants. In determining the allocation of funds 11 between resource investigation and project implementation 12 grants, the agency shall consider: 13

14 A. the availability and conditions for use of federal15 funds;

B. the phasing in and continuity of projects in theprogram; and

18 C. the availability of loan funds for project19 implementation.

If the money intended for resource investigation or project implementation grants, or both, is not awarded during a grant period, the agency may reallocate the funds to the other kind of grant or to a subsequent grant period.

Subp. 4. Loan fund allocation. Within 90 days following 24 the close of an application period, the agency shall determine 25 how much of the remaining loan funding, after setting aside 26 funds for project implementation continuations, will be made 27 available for project implementation loan awards. In deciding 28 how much money to make available for new loan awards, the agency 29 shall consider the necessity to have money available for 30 subsequent loan periods and other factors relating to the 31 agency's ability to ensure that money will be available for 32 33 upcoming projects.

34 7076.0190 SELECTION OF PROJECTS FOR AWARD.

35 Subpart 1. Ranking. The agency shall complete its ranking

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of all projects for which an acceptable application has been
 submitted within 90 days of the close of the application
 period. The agency shall rank resource investigation separately
 from implementation projects.

5 Subp. 2. Projects funded. The agency shall offer 6 financial assistance to the highest priority resource 7 investigation and project implementation applications within the 8 limits of available funds established under part 7076.0180. A 9 project that receives less than 50 percent of the available 10 points will not be considered for award of funds.

11 Subp. 3. Agency decision. All decisions of the agency in 12 ranking projects and awarding financial assistance must be made 13 at a regular or special board meeting.

14 Subp. 4. Timing. The agency shall make its decision on 15 fund allocation, project ranking, and projects to which 16 financial assistance will be awarded within 90 days following 17 the close of the application period. After the decision is 18 made, an applicant may request a written justification of the 19 priority points awarded the application by the agency.

20 Subp. 5. Reapplication. An applicant whose application is 21 not awarded financial assistance must reapply in a subsequent 22 application period to be considered for financial assistance.

23 7076.0200 CONTINUATION OF PROJECT IMPLEMENTATION.

Subpart 1. Eligibility. A project sponsor who has been 24 awarded project implementation financial assistance is eligible 25 for a project implementation continuation to continue the 26 project after the expiration of the initial financial assistance 27 award. Project continuation financial assistance is only 28 available for the continuation of implementation activities 29 outlined in the project implementation work plan developed 30 according to part 7076.0230, as amended and approved by the 31 commissioner, or the implementation plan developed according to 32 part 7076.0250, as amended and approved by the commissioner. 33 The project continuation may be for up to three years, with a 34 possible one-year extension upon written approval by the 35

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commissioner. A project sponsor is eligible for one project
 continuation on a particular implementation project. If the
 project sponsor wishes to receive additional financial
 assistance beyond the one project continuation, a new
 application must be submitted during the application period and
 the project must be ranked.

Subp. 2. Request. The commissioner shall solicit requests 7 for project continuations in May of each year that funds are 8 available for project implementation continuations. A project 9 sponsor who seeks a project implementation continuation shall 10 submit a request for the continuation in the June prior to the 11 date that the activities funded through the initial project 12 implementation financial assistance award will be completed and 13 additional funds will be required to continue project 14 implementation. The request must be submitted on a form 15 provided by the commissioner. A project sponsor who fails to 16 submit a request for a project continuation in the June prior to 17 the date that the funds are required forfeits the right to a 18 continuation. That project sponsor may apply in a subsequent 19 application period to continue the project and compete with 20 other applicants for project implementation financial assistance. 21

Subp. 3. Approval. Subject to the availability of funds, the agency shall approve all or part of the project sponsor's request for a project implementation continuation if it meets the following conditions:

A. the project sponsor has satisfied the terms andconditions of the grant or loan to date;

B. the project sponsor has identified the source of
the local share of funds necessary for the project continuation,
if applicable; and

31 C. the request specifies the activities to be funded 32 through the project continuation, and these activities are 33 outlined in the implementation plan or project implementation 34 work plan, as amended and approved by the commissioner.

35 7076.0210 GRANT CONDITIONS.

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1 Subpart 1. Amount. A grant may be made for a maximum of 2 50 percent of the eligible cost of resource investigation or 3 project implementation. When awarding grants, the agency may 4 award the project all or part of the grant request identified in 5 the application.

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Subp. 2. [See repealer.]

Subp. 3. Grant contract. The project sponsor must enter 7 into a grant contract with the agency to receive grant funds. 8 The grant contract may be amended upon agreement of the agency 9 and the project sponsor and execution by all the parties that 10 signed the original contract, or their successors in office. 11 Grant increase amendments shall be subject to the availability 12 of funds. The grant contract period for a resource 13 investigation grant shall be for up to three years, with a 14 possible one-year extension upon approval by the commissioner. 15 The grant contract period for a project implementation grant 16 shall be equal to the project implementation period and may be 17 extended upon agency approval of a project continuation request 18 19 according to part 7076.0200. The grant contract must:

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A. establish the terms and conditions of the grant;B. provide that the project sponsor may enter into

22 subcontracts, under terms and conditions specified by the 23 agency, to complete the work specified in the contract;

24 C. provide that cost overruns are the sole25 responsibility of the project sponsor;

D. require that the project sponsor submit periodic progress reports and a final report to the commissioner in a format and schedule prescribed by the commissioner; and

E. incorporate terms and conditions required by
federal or state statutes, rules, and regulations.

31 [For text of subp 4, see M.R.] 32 Subp. 5. Audit. The project sponsor must agree that the 33 books, records, documents, and accounting procedures and 34 practices of the project sponsor relevant to this program may be 35 examined at any reasonable time and location by the commissioner 36 or the commissioner's designee, legislative auditor, or state

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1	auditor.
2	Subp. 6. [See repealer.]
3	Subp. 7. [See repealer.]
4	Subp. 8. [See repealer.]
5	Subp. 9. [See repealer.]
6	Subp. 10. Eligible costs. No grant funds shall be
7	provided to the project sponsor for grant eligible project
8	activities started before the grant contract period or
9	continuing after the end of the contract period.
10	7076.0215 LOAN CONDITIONS.
11	Subpart 1. Amount. A loan may be made for up to 100
12	percent of the eligible cost of project implementation, or for
13	all or part of the local share of a project implementation
14	grant. When awarding loans, the agency may award the project
15	all or part of the loan request identified in the application.
16	Subp. 2. Interest rate. The interest rate of the project
17	implementation loan must be at or below the project
18	implementation loan set rate. The commissioner shall determine
19	the project implementation loan interest rate for each
20	application cycle based on current market conditions, the
21	project implementation loan set rate, and the need to maintain
22	the fiscal integrity of the state revolving fund.
23	Subp. 3. Second-tier loans. A loan sponsor awarded a loan
24	by the agency may use the funds it receives to provide loans to
25	second-tier borrowers. The loan sponsor must provide the
26	information and assurances required in the loan contract as
27	described in subpart 6 5.
28	Subp. 4. Repayment. Repayment of loan funds received must
29	begin not more than one year after the end of the project
30	implementation period, and the loan must be fully amortized not
31	later than 20 years after the end of the project implementation
32	period. Loan repayments must be remitted to the agency at least
33	annually, according to a schedule set forth in the loan contract.
34	Subp5Operating-agreementExcept-in-the-case-where
35	the-project-sponsor-is-the-only-loan-sponsor-and-the-project

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# [REVISOR ] CMR/MP AR2565

1	sponsor-is-receiving-both-a-project-implementation-grant-and
2	loan,-the-project-sponsor-and-any-loan-sponsors-must-enter-into
3	an-operating-agreement-with-the-agency-to-administer-the-project:
4	The-operating-agreement-must:
5	Aestablish-the-roles-and-responsibilities-of-the
6	project-sponsor-and-any-loan-sponsors-in-regard-to-the
7	coordination-and-management-of-the-project;
8	Bprovide-that-any-subcontracts-entered-into-by-the
9	project-sponsor-or-loan-sponsors-to-complete-the-work-specified
10	in-the-loan-contracts-must-include-the-terms-and-conditions
11	<pre>specified-by-the-agency;</pre>
12	Crequire-that-the-project-sponsor-submit-periodic
13	progress-reports-and-a-final-report-to-the-commissioner-in-a
14	format-and-schedule-prescribed-by-the-commissioner;
15	Destablish-the-guidelines-for-and-management-of-a
16	second-tier-loan-program,-if-any;
17	Eincorporate-by-reference-loan-contracts-entered
18	into-by-the-project-sponsor-or-loan-sponsors-in-accordance-with
19	subpart-6;
20	Fprovide-that-the-agency-may-withhold-disbursement
21	of-project-implementation-loan-funds-if-the-conditions-of-the
22	operating-agreement-are-not-met;-and
23	6incorporate-terms-and-conditions-required-by
24	federal-or-state-statutes,-rules,-and-regulations.
25	Subp. 6 5. Loan contract. To receive loan funds, the
26	project sponsor and one or more loan sponsors must enter into a
27	loan contract with the agency. A loan contract may be amended
28	upon agreement of the agency, the project sponsor, and the loan
29	sponsor and executed by all parties that signed the original
30	contract, or their successors in office. Loan increase
31	amendments are subject to the availability of funds. All loan
32	contracts must:
33	A. establish the terms and conditions of the loan;
34	B. require the loan sponsor to undertake an
35	irrevocable obligation and secure the project implementation
36	loan with its full faith and credit, and include an opinion from

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1	a bond council <u>counsel</u> attorney stating that the project <u>loan</u>						
2	sponsor has the authority to pledge its full faith and credit;						
3	C. establish default provisions;						
4	D. provide-that-the-project-sponsor-is-responsible						
5	for-technical-and-administrative-oversight-of-the-project,-and						
6	specify-the-roles-of-the-loan-sponsors;						
7	Eaddress,-in-the-case-where-the-project-involves						
8	providing-second-tier-loans,-the-following-elements:						
9	(1)-the-administrative-procedures-for-the						
10	second-tier-loan-program-and-the-types,-terms,-and-conditions-of						
11	the-second-tier-loans;						
12	(2)-an-obligation-stating-that-all-principal;						
13	interest,-and-fees-received-by-the-loan-sponsor-from-the						
14	second-tier-borrower-and-any-interest-earned-on-this-money-must						
15	be-used-by-the-loan-sponsor-in-the-following-manner:						
16	(a)-for-the-repayment-of-any-interest						
17	charged-by-the-agency-on-the-project-implementation-loan;						
18	(b)-for-the-repayment-of-the-project						
19	implementation-loan-principal-to-the-agency;-and						
20	(c)-for-eligible-costs-of-the-implementation						
21	project7						
22	(3)-a-statement-identifying-the-mechanisms-by						
23	which-the-loan-sponsor-will-collect-repayment-for-a-second-tier						
24	loan-in-the-event-that-the-second-tier-borrower-does-not-make						
25	repayment-on-the-loan;-and						
26	(4)-a-provision-that-states-that-defaults-by						
27	second-tier-borrowers-do-not-affect-the-responsibility-of-the						
28	loan-sponsor-to-repay-in-full-the-project-implementation-loan;						
29	establish the roles and responsibilities of the project sponsor						
30	and any loan sponsors in regards to the coordination and						
31	management of the project;						
32	E. provide that any subcontracts entered into by the						
33	project sponsor or loan sponsors to complete the work specified						
34	in the loan contract must include the terms and conditions						
35	specified by the agency;						
36	F. require that the project sponsor submit periodic						

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1	progress reports and a final report to the commissioner in a
2	format and schedule prescribed by the commissioner;
3	G. establish the guidelines for and management of a
4	<pre>second-tier loan program, if any;</pre>
5	F $\underline{H}$ . provide that the agency is not responsible for
6	cost overruns; and
7	6 1. incorporate terms and conditions required by
8	federal or state statutes, rules, and regulations.
9	Subp. 7 6. Records. The project sponsor and any loan
10	sponsors must maintain all records relating to the receipt and
11	expenditure of loan funds for at least three years from the date
12	of termination of the loan contract and-operating-agreement,
13	according to the responsibilities identified in the operating
14	agreement loan contract. Records relating to the installation,
15	operation, and maintenance of best management practices must be
16	maintained for three years beyond the loan contract, or the
17	design or useful life, whichever is longer.
18	Subp. $\theta$ <u>7</u> . Audit. The project sponsor and any loan
19	sponsors must obtain audits in accordance with the Single Audit
20	Act of 1984, United States Code, title 31, section 7501-7, and
21	federal Environmental Protection Agency regulations, including
22	Code of Federal Regulations, title 40, section 31.26, as
23	applicable. All books, records, documents, and accounting
24	procedures and practices of the project sponsor and any loan
25	sponsors relevant to this program may be examined at any
26	reasonable time and location by the commissioner or
27	commissioner's designee, the legislative auditor, the state
28	auditor, or the Environmental Protection Agency.

Subp. 9 8. Eligible costs. No loan funds shall be provided to the loan sponsor for loan-eligible project activities started before the project implementation period established in the loan contract, or continuing after the end of the project implementation period established in the loan contract.

35 7076.0225 PROJECT REPORTING REQUIREMENTS.

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Subpart 1. Annual progress report. The project sponsor
must submit an annual progress report to the commissioner by
February 1 of each year of the resource investigation or project
implementation period. The report must include the following
information:
A. a discussion of work progress relative to the

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G.

schedule, and difficulties encountered meeting the schedule 7 during the year; 8

a discussion of the project findings appropriate 9 в. to the work conducted during the year; 10

a report of expenditures in the year and those 11 C. 12 anticipated during the upcoming year;

D. a discussion and summary analysis of monitoring 13 data and a discussion of the changes in water quality that 14 appear to have resulted from the protective and restorative 15 activities implemented during the year; 16

E. water quality monitoring data collected during the 17 year in the format required by the agency; 18

an assessment of the monitoring and modeling plan 19 F. component of the work plan and any necessary revisions; and 20

for project implementation, a listing of the specific best management practices implemented and their 22 23 locations.

Semiannual update. During each year of the Subp. 2. 24 resource investigation grant or project implementation period, 25 the project sponsor must prepare for semiannual submittal or 26 presentation to the commissioner an update of project activities 27 and project expenditures. 28

The project sponsor, in cooperation Subp. 3. Work plan. 29 with agency staff, must prepare a work plan according to part 30 7076.0230 and submit it to the commissioner. 31

Subp. 4. Diagnostic study and implementation plan. 32 The project sponsor for a resource investigation grant shall submit 33 to the commissioner before the final grant payment is made a 34 diagnostic study and implementation plan that meets the 35 requirements of parts 7076.0240 and 7076.0250. 36

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1	Subp. 5. Project implementation final report. Upon
2	completion of project implementation, the project sponsor must
3	submit to the commissioner a final report that contains the
4	following:
5	A. a summary of the activities completed during the
6	project implementation period, and difficulties encountered
7	during project implementation;
8	B. a summary of any implementation activities listed
9	in the work plan that were not completed during project
10	implementation, and an explanation of why they were not
11	completed;
12	C. an evaluation of the monitoring data collected
13	during project implementation, including a discussion of
14	pollutant load reductions and changes in the water quality of
15	the water of concern;
16	D. an electronic summary of all data collected during
17	the implementation monitoring phase for storage in the
18	Environmental Protection Agency STORET data bank;
19	E. a discussion of land use changes in the watershed
20	that have resulted from project implementation;
21	F. an evaluation of the effectiveness of the public
22	participation and education plans for the project;
23	G. recommendations for future implementation
24	activities in the project area; and
25	H. a final financial report containing a detailed
26	summary of project expenditures that are correlated to the
27	elements and tasks of the work plan developed according to part
28	7076.0230.
29	7076.0230 WORK PLAN.
30	Subpart 1. Requirements. The work plan required to be
31	submitted to the commissioner, in a format specified by the
32	commissioner, as a condition of the financial assistance must
33	include the requirements in item A for resource investigation
34	grants and the requirements in item B for project implementation

35 financial assistance.

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For resource investigation grants, the work plan 1 Α. must be developed in cooperation with agency staff after the 2 grant is awarded, and must include the following: 3 (1) a description of the water of concern, the 4 project area, the existing and desired resource uses, and the 5 economic significance of the water of concern; 6 (2) a summary and evaluation of existing water 7 8 quality and land use information; (3) a description of existing and suspected or 9 potential water quality problems; 10 (4) a description of specified goals for project 11 results, for water quality characterization and quantitative 12 analysis research and assessment, and for citizen education; 13 (5) an outline that identifies specific tasks to 14 be completed during the project, including the tasks needed to 15 fulfill the requirements under parts 7076.0240 and 7076.0250, 16 the individuals responsible for the tasks, and the dates for 17 task initiation and completion; 18 (6) a public participation plan for the project; 19 20 (7) a monitoring and modeling plan as described in subpart la; 21 (8) detailed source and expenditure budgets; 22 (9) a list identifying the technical assistance 23 24 the project sponsor needs from agency staff; and (10) a resolution from each participating local 25 unit of government, agency, and organization that specifically 26 identifies their technical role in the project and their 27 contribution to the local share of the project costs. 28 29 Β. For project implementation financial assistance, the sponsor shall prepare and submit a detailed work plan that 30 includes any necessary revisions to the approved implementation 31 plan and the following: 32 [For text of subitems (1) to (4), see M.R.] 33 (5) a monitoring and modeling plan as required in 34 subpart la that has been revised to evaluate the effectiveness 35 36 of best management practices and the improvement of water

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1 quality; (6) a public participation plan for the project; 2 (7) permits and authorities for implementation 3 activities; 4 (8) a list identifying the technical assistance 5 the project sponsor needs from agency staff; and 6 (9) a resolution from each participating local 7 unit of government, agency, and organization that specifically 8 identifies their technical role in the project and their 9 contribution, if any, to the local share of the project costs. 10 Subp. la. Monitoring and modeling plan. A monitoring and 11 modeling plan is a component of the work plan. For both 12 resource investigation and project implementation, a monitoring 13 and modeling plan must be developed in cooperation with agency 14 The monitoring and modeling plan must: 15 staff. develop monitoring objectives based on project 16 Α. 17 goals; define the information needs for water quality and 18 Β. the methods that will be used to evaluate this information; 19 20 с. set the data requirements that are to be met for meaningful modeling and statistical analysis to be completed; 21 contain a list of predictive and diagnostic 22 D. computer or statistically based models that are to be used for 23 the project and a description and statistical definition of 24 predictive and diagnostic uncertainties; 25 E. delineate and provide rationale for the selection 26 of monitoring sites, frequency, parameters, and sampling 27 protocols and explain the quality assurance and quality control 28 29 procedures for data gathering; identify laboratories, which must be certified by 30 F. the Minnesota Department of Health, that will be doing analyses 31 for the project, and include the following information: 32 (1) the specific analytical methods that the 33 laboratories will use for the project; 34 (2) an explanation of the laboratories' quality 35 36 assurance and quality control procedures; and

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1 (3) the certification number assigned by the 2 Department of Health to prove the laboratories are fulfilling 3 the requirements under chapter 4740; integrate the watershed or aquifer recharge area 4 G. assessment and water quality monitoring efforts; and 5 outline a plan to analyze monitoring and project 6 Η. 7 area land use data and to use the data to assess the project 8 area, water and pollutant loading, and alternative best management practices. 9 10 [For text of subp 2, see M.R.] 7076.0240 DIAGNOSTIC STUDY. 11 12 Subpart 1. General requirements. The diagnostic study required to be submitted by a project sponsor under part 13 7076.0225, subpart 4, must include: 14 a compilation of existing information and the 15 Α. results of water quality monitoring and modeling activities into 16 a detailed description of the water of concern; 17 a detailed description of the project area 18 в. developed from the information collected; 19 [For text of items C and D, see M.R.] 20 21 Subp. la. [See repealer.] Subp. 2. Water of concern. The diagnostic study must 22 contain a detailed description of the water of concern that 23 24 includes: a summary of historical uses and changes resulting 25 Α. from water quality degradation; 26 27 a discussion of previous studies and other Β. historic physical, chemical, and biological data; 28 29 с. biological, physical, and chemical monitoring data that provides a thorough characterization of the current water 30 quality of the water of concern; 31 32 D. water quality data that describes the sources and 33 magnitude of pollutants impacting the water of concern; and 34 E. other data as defined in the work plan that provides an understanding of the dynamics and interactions of 35

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[REVISOR ] CMR/MP AR2565 10/18/95 the physical, chemical, and biological processes of the project 1 area and the water of concern. 2 Subp. 3. Project area. The diagnostic study must contain 3 a detailed description of the project area that includes: 4 a physical description of the project area 5 Α. including: 6 (1) project area maps, including soils maps where 7 8 available; (2) a map of the project area divided into 9 subunits on a hydrologic basis including boundaries and flow 10 directions for each subunit; 11 12 (3) a description of known geologic characteristics that may pose concerns relating to water 13 quality; and 14 (4) a description of waters of the state and 15 public drainage ditches, including dams and control structures, 16 that are located within the project area; 17 B. a description of existing and predicted future 18 land uses, land cover, sources of pollution that may impact the 19 water of concern, and resource uses including public, private, 20 21 recreational, and other water uses; C. hydrologic monitoring data that provides a 22 thorough characterization of the surface and groundwater 23 conditions in the project area that affect the quality of the 24 water of concern; and 25 D. other data as defined in the work plan that 26 provides an understanding of the dynamics and interactions 27 28 between the project area and the quality of the water of concern. Subp. 4. Analysis and assessment. The diagnostic study 29 must contain an analysis and assessment of the data and 30 information collected as a requirement of subparts 2 and 3 31 including the following: 32 33 A. the identification of existing and potential water quality problems as they relate to the water of concern; 34 B. a watershed or aquifer recharge area assessment 35 that includes: 36

(1) an identification of the project area and its 1 subunits defined on a hydrologic basis; 2 (2) an analysis of the current and predicted 3 future land uses and management practices in the project area 4 and their impact on the quality of the water of concern; 5 (3) an estimate of the pollutants coming from the 6 subunits of the project area defined on a hydrologic basis and 7 the identification of the target levels of pollutant reduction 8 necessary to meet the project objectives and water quality 9 goals; and 10 (4) the prioritization of the subunit subunits of 11 the project area defined on a hydrologic basis into priority 12 management areas on which to focus implementation of best 13 management practices; 14 the identification of specific water quality goals с. 15 for the water of concern that includes, for lakes, an in-lake 16 phosphorus goal defined relative to the ecoregion phosphorus 17 18 criteria; D. the identification of project objectives in terms 19 of: 20 21 (1) specific water chemical, biological, and 22 physical measurements; (2) economic, recreational, and health factors; 23 24 and (3) project area characteristics and priority 25 management areas. 26 7076.0250 IMPLEMENTATION PLAN. 27 The implementation plan required to be submitted by a 28 project sponsor under part 7076.0225, subpart 4, must include: 29 A. a discussion of how the implementation plan will 30 advance the water quality goals and objectives identified in the 31 diagnostic study; 32 an analysis of the need for best management 33 Β. practices or categories of best management practices that will 34 aid in the achievement of target levels of pollutant reduction 35

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1	in the areas identified as priority management areas, that
2	considers:
3	(1) identification of best management practices
4	or categories of practices;
5	(2) an estimate of costs for best management
6	practice implementation;
7	(3) a schedule for implementation;
8	(4) an estimate of engineering and other
9	assistance needs, including best management practice design, and
10	inspection of best management practice installation, operation,
11	and maintenance;
12	(5) an estimate of pollutant reduction; and
13	(6) identification of the standards and criteria
14	for best management practice design;
15	C. a water quality monitoring and evaluation plan
16	identifying procedures and schedules for determining project
17	progress and accomplishments, that considers:
18	(1) a monitoring and modeling plan that includes
19	the chemical, physical, and biological parameters that will be
20	measured to enable comparisons with goals and objectives
21	established in the diagnostic study;
22	(2) a procedure to document and evaluate the
23	implementation of best management practices; and
24	(3) a procedure to identify the effectiveness of
25	implemented best management practices on water quality, and
26	their impact on water resources in the project area;
27	D. a plan and schedule to implement an information
28	and education program in the project area;
29	E. an identification of roles and responsibilities of
30	the project sponsor, its representatives, and cooperating
31	agencies in implementing the project;
32	F. a proposed schedule for project implementation or
33	other planned project activities, segmented into three-year
34	<pre>periods;</pre>
35	G. an estimated budget for project implementation or
36	other planned project activities, segmented into three-year

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1	periods;
2	H. a plan to maintain project goals and
3	accomplishments and prevent further nonpoint source pollution;
4	and
5	I. a list of any federal, state, or local permits and
6	approvals required to complete the project.
7	7076.0260 DIAGNOSTIC STUDY AND IMPLEMENTATION PLAN APPROVAL.
8	[For text of subps 1 and 2, see M.R.]
9	Subp. 3. Resubmittal. A disapproved diagnostic study and
10	implementation plan must be revised by the project sponsor and
11	resubmitted to the commissioner. Upon receipt of the revised
12	diagnostic study and implementation plan, the commissioner shall
13	review the revised diagnostic study and implementation plan in
14	accordance with this part.
15	7076.0270 BEST MANAGEMENT PRACTICE EVALUATION.
16	In selecting best management practices for inclusion in an
17	implementation plan, the project sponsor shall consider the
18	following factors in evaluating the best management practices:
19	[For text of items A to C, see M.R.]
20	D. whether a less costly best management practice
21	could achieve a similar result;
22	E. whether the best management practice is reasonably
<b>2</b> 3	suited for the individual site or priority management area; and
24	F. the likelihood of adoption of the best management
25	practice.
26	7076.0280 GRANT PAYMENTS.
27	[For text of subpart 1, see M.R.]
28	Subp. 2. Second payment. Upon written approval by the
29	commissioner of the work plan required under part 7076.0225,
30	subpart 3, the agency shall provide to the project sponsor 35
31	percent of the grant award provided in the grant contract. The
32	cumulative assistance paid to the project sponsor shall equal 60
33	percent of the grant award.
34	[For text of subps 3 to 6, see M.R.]

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#### Subp. 7. [See repealer.]

2 7076.0285 LOAN PAYMENTS.

3 Subpart 1. Payments. Loan funds cannot be used for any project costs incurred before the loan contract is signed by the 4 commissioner of finance. The project sponsor or loan sponsor 5 must submit to the agency a certification of incurred costs in a 6 format and schedule acceptable to the agency, which certifies 7 that eligible costs have been incurred, but not necessarily 8 paid, by the project sponsor or loan sponsor for work on the 9 project. Upon receiving the certification, the agency must pay 10 the project sponsor or loan sponsor if the sponsor is in 11 compliance with the conditions of the loan contract and the 12 requirements of parts 7076.0100 to 7076.0290. 13

Subp. 2. Mid-project review and budget adjustment. 14 Upon expenditure of 50 percent of total eligible project costs, the 15 16 project sponsor must submit to the commissioner for review and approval a detailed summary of project expenditures and 17 completed work activities. The commissioner shall review the 18 summary to verify cost eligibility and acceptable completion of 19 work plan activities, to compare actual expenditures with the 20 approved project work plan budget, and to verify that the terms 21 of the loan contract are being met. 22

23 Subp. 3. Final project review. Upon completion of the project, the project sponsor must submit to the commissioner for 24 review and approval a detailed summary of project expenditures 25 and completed work activities. The commissioner shall review 26 the summary to verify cost eligibility and acceptable completion 27 of work plan activities, to compare actual expenditures with the 28 approved project work plan budget, and to verify that the terms 29 of the loan contract are being met. If the commissioner finds 30 that loan funds were used for ineligible projects costs, those 31 32 funds must be returned to the agency, along with any interest or 33 fees, as outlined in the loan contract.

34 7076.0290 RESCISSION OF FINANCIAL ASSISTANCE.

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The agency may rescind and seek repayment of a financial

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assistance award if the project is not being completed in
 accordance with the terms and conditions of the grant or loan
 contract, including time schedules.

- 4 REPEALER. Minnesota Rules, parts 7076.0110, subpart 14;
- 5 7076.0210, subparts 2, 6, 7, 8, and 9; 7076.0220; 7076.0240,
- 6 subpart 1a; and 7076.0280, subpart 7, are repealed.