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State of Minnesota

HOUSE OF REPRESENTATIVES

NINETY-THIRD SESSION

H. F. No. 334

01/11/2023

Authored by Quam

The bill was read for the first time and referred to the Committee on Economic Development Finance and Policy

1.1 A bill for an act
1.2 relating to environment; creating loan program to renovate rural municipal water
1.3 treatment facilities; appropriating money; proposing coding for new law in
1.4 Minnesota Statutes, chapter 446A.

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

1.6 Section 1. [446A.077] RURAL MUNICIPALITY WATER TREATMENT FACILITY
1.7 RENOVATION FUNDING.

1.8 Subdivision 1. Definitions. For purposes of this section, the following terms have the
1.9 meanings given:

1.10 (1) "rural municipality" means a statutory or home rule charter city, town, county, or
1.11 sanitary district; an organization formed for the joint exercise of powers under section
1.12 471.59; and any other special purpose district or authority that operates a wastewater
1.13 treatment facility or water main and that is located outside of the metropolitan area as defined
1.14 in section 473.121, subdivision 2; and

1.15 (2) "wastewater treatment facility" has the meaning given under section 115.71,
1.16 subdivision 6.

1.17 Subd. 2. Account established. A water treatment facility renovation account is created
1.18 in the special revenue fund. The authority must make low or no interest loans from the
1.19 account to rural municipalities as provided in this section. Money in the account is annually
1.20 appropriated to the authority and does not lapse. The authority must manage and administer
1.21 the account and, for these purposes, may exercise all powers provided in this chapter. The
1.22 account is credited with:

2.1 (1) all loan repayments and interest collected under this section; and

2.2 (2) money appropriated from the clean water fund according to section 114D.50,
2.3 subdivision 3, paragraph (a), clause (3).

2.4 Subd. 3. **Renovation loans; eligibility.** (a) The authority may award loans as provided
2.5 in this section to rural municipalities to renovate, rehabilitate, or update wastewater treatment
2.6 facilities that pose a risk to groundwater quality or the water quality in lakes, rivers, or
2.7 streams or to replace water mains that pose a risk to drinking water sources. A rural
2.8 municipality receiving a loan from the account is responsible, either directly or through a
2.9 contract with a private vendor, for all inspections and repairs necessary to ensure proper
2.10 operation of the wastewater treatment facility or water main.

2.11 (b) Loans may be awarded for up to 100 percent of eligible project costs minus any
2.12 funding available from other sources.

2.13 (c) The authority must award loans as provided in this section to rural municipalities
2.14 with approved applications based on their ranking on the project priority lists under
2.15 subdivision 4.

2.16 Subd. 4. **Project priority lists.** (a) A rural municipality seeking a loan to renovate a
2.17 wastewater treatment facility must first submit a project proposal to the commissioner of
2.18 the Pollution Control Agency on a form prescribed by the commissioner. The commissioner
2.19 must rank project proposals on the agency's project priority list used for the clean water
2.20 revolving fund under section 446A.07.

2.21 (b) A rural municipality seeking a loan to replace a water main must first submit a project
2.22 proposal to the commissioner of health on a form prescribed by the commissioner. The
2.23 commissioner must rank project proposals on the Department of Health's project priority
2.24 list used for the drinking water revolving fund under section 446A.081.

2.25 Subd. 5. **Applications.** Rural municipalities with projects on a project priority list must
2.26 submit applications for loans under this section to the authority on forms prescribed by the
2.27 authority. An application must include:

2.28 (1) a description of the wastewater treatment facility or water main renovations to be
2.29 made;

2.30 (2) a project schedule and cost estimate for each year of the project; and

2.31 (3) a financing plan for repaying the loan.

3.1 Subd. 6. **Loan terms and conditions.** Loans from the water treatment facility renovation
3.2 account must comply with the following terms and conditions:

3.3 (1) principal and interest payments must begin no later than two years after the loan is
3.4 awarded;

3.5 (2) loans must be fully amortized within 20 years but not to exceed the expected design
3.6 life of the facility or water main; and

3.7 (3) a rural municipality receiving a loan must establish a dedicated source or sources of
3.8 revenue for repaying the loan and must issue a general obligation note to the authority for
3.9 the full amount of the loan.

3.10 Subd. 7. **Disbursements.** The authority must make loan disbursements under this section
3.11 for eligible project costs as incurred by the recipients and in accordance with the project
3.12 loan agreement and applicable state law.

3.13 Subd. 8. **Audits.** For the term of the loan, a rural municipality receiving a loan under
3.14 this section must annually provide to the authority a copy of the municipality's annual
3.15 independent audit or, if the municipality is not required to prepare an independent audit, a
3.16 copy of the annual reporting form the municipality provides to the state auditor.