

**SENATE
STATE OF MINNESOTA
NINETY-THIRD SESSION**

S.F. No. 959

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DATE
01/30/2023

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Introduction and first reading
Referred to Capital Investment

OFFICIAL STATUS

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 appropriating money for clean water; authorizing the sale and issuance of state
1.5 bonds; amending Minnesota Statutes 2022, sections 446A.072, subdivision 5a;
1.6 446A.073, subdivision 1.

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

1.8 Section 1. Minnesota Statutes 2022, section 446A.072, subdivision 5a, is amended to read:

1.9 Subd. 5a. **Type and amount of assistance.** (a) For a governmental unit receiving grant
1.10 funding from the USDA/RECD, the authority may provide assistance in the form of a grant
1.11 of up to 65 percent of the eligible grant need determined by USDA/RECD. A governmental
1.12 unit may not receive a grant under this paragraph for more than ~~\$5,000,000~~ \$8,000,000 per
1.13 project or ~~\$20,000~~ \$25,000 per existing connection, whichever is less, unless specifically
1.14 approved by law.

1.15 (b) For a governmental unit receiving a loan from the clean water revolving fund under
1.16 section 446A.07, the authority may provide assistance under this section in the form of a
1.17 grant if the average annual residential wastewater system cost after completion of the project
1.18 would otherwise exceed 1.4 percent of the median household income of the project service
1.19 area. In determining whether the average annual residential wastewater system cost would
1.20 exceed 1.4 percent, the authority must consider the total costs associated with building,
1.21 operating, and maintaining the wastewater system, including existing wastewater debt
1.22 service, debt service on the eligible project cost, and operation and maintenance costs. Debt
1.23 service costs for the proposed project are calculated based on the maximum loan term
1.24 permitted for the clean water revolving fund loan under section 446A.07, subdivision 7.

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

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

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

3.1 Sec. 2. Minnesota Statutes 2022, 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. **CLEAN WATER APPROPRIATIONS; GENERAL OBLIGATION BONDS.**

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

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

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

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

3.29 Subd. 5. **Bond sale.** To provide the money appropriated in this section from the bond
3.30 proceeds fund, the commissioner of management and budget shall sell and issue bonds of
3.31 the state in an amount up to \$299,000,000 in the manner, upon the terms, and with the effect

4.1 prescribed by Minnesota Statutes, sections 16A.631 to 16A.675, and by the Minnesota
4.2 Constitution, article XI, sections 4 to 7.

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

4.4 Sec. 4. **CLEAN WATER APPROPRIATIONS; GENERAL FUND.**

4.5 \$999,000 in fiscal year 2024 is appropriated from the general fund to the Public Facilities
4.6 Authority for the point source implementation grants program under Minnesota Statutes,
4.7 section 446A.073. The base for this appropriation is \$37,500,000 in fiscal year 2025 and
4.8 beyond.

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