



DEDICATED TO A STRONG GREATER MINNESOTA

April 5, 2022

Senator Tom Bakk  
328 State Capitol  
75 Rev Dr. Martin Luther King Jr. Blvd.  
St. Paul, MN 55155

Dear Senator Bakk and members of the Senate Capital Investment Committee,

On behalf of the member cities of the Coalition of Greater Minnesota Cities (CGMC), we thank you for the extensive work done to date as you prepare a 2022 bonding bill. As you listen to the presentation on the governor's bonding bill, we want to offer our support for aspects of the package and urge support from your committee for certain needs of Greater Minnesota that were not addressed in the proposal.

### **Water Infrastructure**

With cities across the state facing billions of dollars in costs to upgrade water infrastructure to replace aging equipment and comply with new regulations, the bonding bill must invest in programs that address the expenses being piled on communities for the repair of aging water infrastructure and the mapping and replacement of lead pipes.

#### *Wastewater and drinking water infrastructure*

As you have undoubtedly heard, there is a crushing need for funding assistance to build and upgrade our cities' aging water infrastructure. According to the Minnesota Pollution Control Agency's most recent estimates, the 20-year funding need for wastewater infrastructure rose by 22% to 5.3 billion dollars. The Minnesota Department of Health estimates the 20-year drinking water need at 7.5 billion dollars. Minnesota cities, in both Greater Minnesota and the Metropolitan area, are proud stewards of our water, but they cannot bear this burden alone.

We thank the governor for recognizing the importance of funding these projects by including \$200 million for the Public Facilities Authority (PFA) grant and loan programs and by increasing the cap on the Water Infrastructure Fund grants to \$8 million, but we believe more funding is necessary to address the significant need we see throughout the state.

The CGMC worked with Senator Lang and others to introduce SF3545 that provides the PFA grant and loan programs \$299 million with \$150 million for the Point Source Implementation Grant (PSIG) program and \$100 million for the Water Infrastructure Fund (WIF). The bill also removes the \$7 million cap from PSIG program.

An unprecedented number of individual bonding requests for drinking water and wastewater projects have been introduced this year. We believe if the cap on the PSIG program is removed and increased funding is put into both WIF and PSIG, many of these requests could be funded through PFA

programs. We also recognize that for some extraordinary projects existing PFA programs are insufficient, and for those projects, we urge the committee to consider separate grants.

#### *Find and replace lead service lines*

We also call your attention to the pressing need to find and replace lead service lines throughout the state. Lead in drinking water puts the health of our children at risk, and lead lines can be found throughout Minnesota.

The federal Environmental Protection Agency (EPA) requires all local water systems to inventory their lead pipes and to develop a plan for removing those pipes by October 16, 2024. Although the federal infrastructure bill provides some funding for this purpose, it requires more than half of the funding be providing as a loan and does not adequately fund the level needed to complete this important work.

Our organization worked with Senator Senjem and Senator Pappas along with other legislators and stakeholders to introduce SF4121. This bill provides additional funding so the cost of lead line removal can be funded as grants where needed. It also provides grants to cities and other public water suppliers to perform the inventory required by the EPA.

#### **Economic Growth and Job Creation**

One of the best things the bonding bill can do is invest in public infrastructure that helps grow permanent jobs. The earnings and wages associated with permanent job creation have an exponential impact on local economies as new wages cycle through countless local businesses. New jobs also benefit the health of the state's general fund budget, which allows for additional and targeted state investment.

While the governor's bonding proposal provides funding for several projects that will have long-term benefits, it falls short in three critical areas, including the Business Development Public Infrastructure (BDPI) grant program, the Greater Minnesota Child Care Facilities Grant program, and the newly proposed Greater Minnesota Housing Public Infrastructure Grant program.

#### *Business Development Public Infrastructure (BDPI) grant program*

BDPI is one of the most successful economic development programs we have in the state. Unfortunately, due to the program's popularity and the fact that no bonding bill passed during the 2021 session to replenish it, the program's funds are exhausted. Until the grant pool is refilled, local governments will not have this as an economic development tool at their disposal. While we appreciate the governor including funding for this program in his recommendation, the \$7 million included is woefully insufficient. This is especially clear when considering his own agency's recommendation of \$13 million and that the program has had close to or more than \$10 million in requests per year. We support the inclusion of Senator Jasinski's proposal, SF291, that adds \$20 million into the BDPI grant account. We believe this is the minimum needed to allow the program to have sufficient funding until the 2024 bonding session.

#### *Child care*

Greater Minnesota is short more than 40,000 child care slots, and one the biggest driver of the shortage is the lack of access to capital to build new child care facilities. In 2020, this committee

created the Greater Minnesota Child Care Facilities Grant program. While it was created in the 2020 bonding bill, it was not funded. It is also not included in the governor's bonding proposal. The time has come to finally fund this program. We support Senator Weber's bills, SF1168 and SF1169, that give \$10 million in bonds and \$10 million from the general fund to provide access to capital for local communities as they address their child care shortage.

### *Housing*

Housing, or the lack there of, is a significant barrier in our businesses growing in Greater Minnesota. If an employer needs to hire a new employee from outside the community, how can they hire that person if the community has no available housing and the market does not support the construction of new housing? This is the reality faced by too many Greater Minnesota communities.

In working with Senator Westrom, we have developed a SF1903, which creates a grant program at DEED for communities to utilize for new housing infrastructure. These grants help reduce the final price of new housing development, thereby bringing the construction cost in line with the market-based appraisal price.

As the Legislature continues to draft a bonding bill, we will continue to call on legislators to address these important needs affecting our cities.

Thank you for your continued support for Greater Minnesota. We look forward to continuing to partner with you on behalf of our communities.

Sincerely,



Pat Baustian, Mayor of Luverne  
President, Coalition of Greater Minnesota Cities

cc: Commissioner Jim Schowalter, Minnesota Management and Budget  
Senate Majority Leader Jeremy Miller  
Senate Minority Leader Melissa Franzen  
Nathan Jesson, Office of Governor Tim Walz