

SF30 - 7A - Lead Service Line Replacement Grant Program

Chief Author: **Jennifer McEwen**
 Committee: **Jobs And Economic Development**
 Date Completed: **3/28/2023 9:28:42 AM**
 Lead Agency: **Public Facilities Authority**
 Other Agencies:
 Health Dept

State Fiscal Impact	Yes	No
Expenditures	X	
Fee/Departmental Earnings		X
Tax Revenue		X
Information Technology		X
Local Fiscal Impact	X	

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions shown in the parentheses.

State Cost (Savings)	Biennium			Biennium		
	Dollars in Thousands	FY2023	FY2024	FY2025	FY2026	FY2027
Health Dept						
General Fund	-	846	846	846	846	846
Public Facilities Authority						
General Fund	-	90,000	90,000	80,000	80,000	80,000
State Total						
General Fund	-	90,846	90,846	80,846	80,846	80,846
	Total	-	90,846	90,846	80,846	80,846
	Biennial Total		181,692		161,692	

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2023	FY2024	FY2025	FY2026	FY2027
Health Dept					
General Fund	-	10.96	10.96	5	5
Public Facilities Authority					
General Fund	-	-	-	-	-
	Total	-	10.96	10.96	5

Lead LBO Analyst's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

LBO Signature: Karl Palm **Date:** 3/28/2023 9:28:42 AM
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State Cost (Savings) Calculation Details

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

*Transfers In/Out and Absorbed Costs are only displayed when reported.

State Cost (Savings) = 1-2		Biennium			Biennium	
Dollars in Thousands		FY2023	FY2024	FY2025	FY2026	FY2027
Health Dept						
General Fund	-	846	846	846	846	846
Public Facilities Authority						
General Fund	-	90,000	90,000	80,000	80,000	80,000
Total	-	90,846	90,846	80,846	80,846	80,846
	Biennial Total		181,692		161,692	
1 - Expenditures, Absorbed Costs*, Transfers Out*						
Health Dept						
General Fund	-	9,846	9,846	846	846	846
Public Facilities Authority						
General Fund						
Expenditures	-	81,000	81,000	80,000	80,000	80,000
Transfers Out	-	9,000	9,000	-	-	-
Total	-	99,846	99,846	80,846	80,846	80,846
	Biennial Total		199,692		161,692	
2 - Revenues, Transfers In*						
Health Dept						
General Fund	-	9,000	9,000	-	-	-
Public Facilities Authority						
General Fund						
	-	-	-	-	-	-
Total	-	9,000	9,000	-	-	-
	Biennial Total		18,000		-	-

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 Agency: **Public Facilities Authority**

State Fiscal Impact	Yes	No
Expenditures	X	
Fee/Departmental Earnings		X
Tax Revenue		X
Information Technology		X
Local Fiscal Impact	X	

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions shown in the parentheses.

State Cost (Savings)	Biennium			Biennium		
	Dollars in Thousands	FY2023	FY2024	FY2025	FY2026	FY2027
General Fund	-	90,000	90,000	80,000	80,000	
Total	-	90,000	90,000	80,000	80,000	
Biennial Total			180,000		160,000	

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2023	FY2024	FY2025	FY2026	FY2027
General Fund	-	-	-	-	-
Total	-	-	-	-	-

LBO Analyst's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

LBO Signature: Karl Palm **Date:** 3/28/2023 9:28:13 AM
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State Cost (Savings) Calculation Details

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

*Transfers In/Out and Absorbed Costs are only displayed when reported.

State Cost (Savings) = 1-2		Biennium			Biennium	
Dollars in Thousands		FY2023	FY2024	FY2025	FY2026	FY2027
General Fund	-	90,000	90,000	80,000	80,000	
Total	-	90,000	90,000	80,000	80,000	
	Biennial Total		180,000		160,000	
1 - Expenditures, Absorbed Costs*, Transfers Out*						
General Fund						
Expenditures	-	81,000	81,000	80,000	80,000	
Transfers Out	-	9,000	9,000	-	-	
Total	-	90,000	90,000	80,000	80,000	
	Biennial Total		180,000		160,000	
2 - Revenues, Transfers In*						
General Fund						
	-	-	-	-	-	
Total	-	-	-	-	-	
	Biennial Total		-		-	

Bill Description

This bill would establish two grant programs with appropriations: 1) to the Public Facilities Authority to make grants for replacing lead drinking water service lines, and 2) to the Department of Health to make grants to municipalities for mapping lead service lines.

The appropriations are made to the Public Facilities Authority, with provisions for up to 10% to be transferred to the Department of Health via interagency agreements.

The appropriations for this bill expire at the end of FY33.

The bill requires that all lead waterlines be replaced by 2033.

Assumptions

These state appropriations would supplement federal funds from the Infrastructure Investment and Jobs Act (IIJA) dedicated to replacing lead service lines. Forty-nine percent of the federal money must be used for grants to local government, up to sixteen percent is available for set-aside activities, the remainder must be used for loans to local government.

The Public Facilities Authority's costs for administration of lead service line replacement activities will come from federal IIJA money. Up to four percent of the federal grants may be used for admin (this is part of the up to sixteen percent available for set-asides).

Up to 10% of the first two appropriations would be transferred to the Department of Health for the mapping grants.

Expenditure and/or Revenue Formula

Long-Term Fiscal Considerations

Local Fiscal Impact

Local units of government will receive grants from the state appropriations to the Public Facilities Authority.

References/Sources

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SF30 - 7A - Lead Service Line Replacement Grant Program

Chief Author: **Jennifer McEwen**
 Committee: **Jobs And Economic Development**
 Date Completed: **3/28/2023 9:28:42 AM**
 Agency: **Health Dept**

State Fiscal Impact	Yes	No
Expenditures	X	
Fee/Departmental Earnings		X
Tax Revenue		X
Information Technology		X
Local Fiscal Impact	X	

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions shown in the parentheses.

State Cost (Savings)	Biennium			Biennium		
	Dollars in Thousands	FY2023	FY2024	FY2025	FY2026	FY2027
General Fund	-	846	846	846	846	846
Total	-	846	846	846	846	846
Biennial Total			1,692			1,692

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2023	FY2024	FY2025	FY2026	FY2027
General Fund	-	10.96	10.96	5	5
Total	-	10.96	10.96	5	5

LBO Analyst's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

LBO Signature: Kate Schiller **Date:** 3/28/2023 9:02:00 AM
Phone: 651-296-6052 **Email:** kate.schiller@lbo.mn.gov

State Cost (Savings) Calculation Details

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

*Transfers In/Out and Absorbed Costs are only displayed when reported.

State Cost (Savings) = 1-2		Biennium			Biennium	
Dollars in Thousands	FY2023	FY2024	FY2025	FY2026	FY2027	
General Fund	-	846	846	846	846	846
Total	-	846	846	846	846	846
Biennial Total			1,692			1,692
1 - Expenditures, Absorbed Costs*, Transfers Out*						
General Fund	-	9,846	9,846	846	846	846
Total	-	9,846	9,846	846	846	846
Biennial Total			19,692			1,692
2 - Revenues, Transfers In*						
General Fund	-	9,000	9,000	-	-	-
Total	-	9,000	9,000	-	-	-
Biennial Total			18,000			-

Bill Description

The bill establishes a grant program at the Public Facilities Authority (PFA) for lead service line (LSL) replacement. Up to ten percent of this appropriation may be used for costs related to LSL mapping and inventory activities. Finally, the PFA may transfer money to the department to provide technical assistance to municipalities for producing an inventory of publicly and privately owned lead service lines and associated replacement plans within their jurisdiction.

The bill is effective July 1, 2023.

Assumptions

Lead Service Line Replacement Grant Program

The Public Facilities Authority (PFA) and the department already jointly administer a program to fund LSL replacement through the Drinking Water Revolving Fund and the department provides significant assistance to the PFA to administer this program. Minnesota Rules, chapters 4720.9000 to 4720.9065, establishes the roles and responsibilities of the department for aiding the PFA in this joint program. Based on our experience administering this federal LSL program with PFA, the department assumes we will require staff to provide technical assistance with grant management, communication, project management of the engineering projects including application review and scoring, plan review, environmental review, and historic/archaeological review as well as assist with coordination of other utility work being completed in the project area.

Lead Service Line Inventory Technical Assistance to Municipalities

The department assumes it will provide technical assistance to municipalities for lead service line inventories in fiscal years 2024 through 2028. This is because the United States Environmental Protection Agency has set a deadline for LSL inventories to be completed by October 16, 2024. Due to this approaching deadline, many service lines will be classified as “unknown or undetermined” and will require follow up to determine the specific material. As a result, inventory development will continue past the deadline.

The department has experience providing technical assistance to municipalities for similar types of activities including source water protection planning and wellhead zone protection planning. The department assumes it would contract with up to 10 engineering firms to assist municipalities with completion of their LSL inventories. Staff would be needed to establish and manage these contracts; act as the project coordinators by answering technical questions from the contractors and water systems; ensure uniformity of the inventory activities; aid in marketing the program to the eligible applicants; and verify that the work has been completed according to guidance at 5.96 FTEs annually.

Expenditure and/or Revenue Formula

Inventory

Expenditure (Actual Dollars)	Amount	FY 2024	FY 2025	FY 2026	FY 2027
Salary & Fringe:		FTE	FTE	FTE	FTE
<i>Inventory:</i>					
Engineer Senior	138,021	2.00	2.00		
Planner Principal State	129,602	3.96	3.96		
	FTE	5.96	5.96		
	Subtotal	789,266	789,266	0	0
Information Technology:					
	Subtotal	0	0	0	0
Other Operating Costs:					
Contracts with engineering firms (10@ 800,000k each in FY24-25)		8,000,000	8,000,000		
	Subtotal	8,000,000	8,000,000	0	0
Grants, Aids & Subsidies:					
	Subtotal	0	0	0	0
Indirect (20.3% Eligible Costs)	Subtotal	210,971	210,971	0	0
Expenditure	Total	9,000,237	9,000,237	0	0
Fiscal Tracking (Dollars in Thousands)		FY 2024	FY 2025	FY 2026	FY 2027
Health Protection BACT 03		9,000	9,000	0	0
Administration		9,000	9,000	0	0
Grants		0	0	0	0

Replacement

Expenditure (Actual Dollars)	Amount	FY 2024	FY 2025	FY 2026	FY 2027
Salary & Fringe:		FTE	FTE	FTE	FTE
<i>Replacement:</i>					
Engineer Principal	150,864	1.00	1.00	1.00	1.00
Engineer Senior	138,021	4.00	4.00	4.00	4.00
	FTE	5.00	5.00	5.00	5.00
	Subtotal	702,948	702,948	702,948	702,948

Indirect (20.3% Eligible Costs)	Subtotal	142,698	142,698	142,698	142,698
Expenditure	Total	845,646	845,646	845,646	845,646
Fiscal Tracking (Dollars in Thousands)		FY 2024	FY 2025	FY 2026	FY 2027
Health Protection	BACT 03	846	846	846	846
Administration		846	846	846	846
Grants		0	0	0	0

Long-Term Fiscal Considerations

Local Fiscal Impact

Though the grants will cover substantial expenses for community water systems, conducting inventories and asset management plan development and lead service line replacement will require significant staff time on the part of the community water system.

References/Sources

Agency Contact:

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