

SENATE
STATE OF MINNESOTA
NINETY-FOURTH SESSION

S.F. No. 862

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DATE	D-PG	OFFICIAL STATUS
02/03/2025	247	Introduction and first reading Referred to Capital Investment See First Special Session, HF18

1.1A bill for an act

1.2relating to capital investment; making changes to the water infrastructure funding

1.3program; making changes to the point source implementation grant program;

1.4establishing an emerging contaminants grant program; appropriating money for

1.5clean water; authorizing the sale and issuance of state bonds; amending Minnesota

1.6Statutes 2024, sections 446A.072, subdivision 5a; 446A.073, subdivision 1;

1.7proposing coding for new law in Minnesota Statutes, chapter 446A.

1.8BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.9Section 1. Minnesota Statutes 2024, section 446A.072, subdivision 5a, is amended to read:

1.10Subd. 5a. **Type and amount of assistance.** (a) For a governmental unit receiving grant

1.11funding from the USDA/RECD, the authority may provide assistance in the form of a grant

1.12of up to 65 percent of the eligible grant need determined by USDA/RECD. A governmental

1.13unit may not receive a grant under this paragraph for more than ~~\$5,000,000~~ \$10,000,000

1.14per project or \$20,000 per existing connection, whichever is less, unless specifically approved

1.15by law.

1.16(b) For a governmental unit receiving a loan from the clean water revolving fund under

1.17section 446A.07, the authority may provide assistance under this section in the form of a

1.18grant if the average annual residential wastewater system cost after completion of the project

1.19would otherwise exceed 1.4 percent of the median household income of the project service

1.20area. In determining whether the average annual residential wastewater system cost would

1.21exceed 1.4 percent, the authority must consider the total costs associated with building,

1.22operating, and maintaining the wastewater system, including existing wastewater debt

1.23service, debt service on the eligible project cost, and operation and maintenance costs. Debt

1.24service costs for the proposed project are calculated based on the maximum loan term

permitted for the clean water revolving fund loan under section 446A.07, subdivision 7.

The amount of the grant is equal to 80 percent of the amount needed to reduce the average annual residential wastewater system cost to 1.4 percent of median household income in the project service area, to a maximum of ~~\$5,000,000~~ \$10,000,000 per project or \$20,000 per existing connection, whichever is less, unless specifically approved by law. The eligible project cost is determined by multiplying the total project costs minus any other grants by the essential project component percentage calculated under subdivision 3, paragraph (c), clause (1). In no case may the amount of the grant exceed 80 percent of the eligible project cost.

(c) For a governmental unit receiving a loan from the drinking water revolving fund under section 446A.081, the authority may provide assistance under this section in the form of a grant if the average annual residential drinking water system cost after completion of the project would otherwise exceed 1.2 percent of the median household income of the project service area. In determining whether the average annual residential drinking water system cost would exceed 1.2 percent, the authority must consider the total costs associated with building, operating, and maintaining the drinking water system, including existing drinking water debt service, debt service on the eligible project cost, and operation and maintenance costs. Debt service costs for the proposed project are calculated based on the maximum loan term permitted for the drinking water revolving fund loan under section 446A.081, subdivision 8, paragraph (c). The amount of the grant is equal to 80 percent of the amount needed to reduce the average annual residential drinking water system cost to 1.2 percent of median household income in the project service area, to a maximum of ~~\$5,000,000~~ \$10,000,000 per project or \$20,000 per existing connection, whichever is less, unless specifically approved by law. The eligible project cost is determined by multiplying the total project costs minus any other grants by the essential project component percentage calculated under subdivision 3, paragraph (c), clause (1). In no case may the amount of the grant exceed 80 percent of the eligible project cost.

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

Sec. 2. Minnesota Statutes 2024, section 446A.073, subdivision 1, is amended to read:

Subdivision 1. **Program established.** When money is appropriated for grants under this program, the authority shall award grants up to a maximum of ~~\$7,000,000~~ \$12,000,000 to governmental units to cover 80 percent of the cost of water infrastructure projects made necessary by:

(1) a wasteload reduction prescribed under a total maximum daily load plan required by section 303(d) of the federal Clean Water Act, United States Code, title 33, section 1313(d);

(2) a phosphorus concentration or mass limit which requires discharging one milligram per liter or less at permitted design flow which is incorporated into a permit issued by the Pollution Control Agency;

(3) any other water quality-based effluent limit established under section 115.03, subdivision 1, paragraph (e), clause (8), and incorporated into a permit issued by the Pollution Control Agency that exceeds secondary treatment limits; or

(4) a total nitrogen concentration or mass limit that requires discharging ten milligrams per liter or less at permitted design flow.

Sec. 3. **[446A.082] EMERGING CONTAMINANTS GRANTS.**

Subdivision 1. **Definition.** For the purposes of this section, "supplemental demographic index" means an index in the Environmental Justice Screening and Mapping Tool developed by the United States Environmental Protection Agency that is based on socioeconomic indicators, including low income, unemployment, less than high school education, limited English speaking, and low life expectancy.

Subd. 2. **Program established.** When money is appropriated under this program, the authority shall award grants to a governmental unit for up to 80 percent of the cost of drinking water infrastructure projects to address a confirmed exceedance of a health advisory level for a drinking water emerging contaminant as defined by the Environmental Protection Agency.

Subd. 3. **Eligibility.** An eligible project for this program must:

(1) be listed on the Drinking Water Revolving Fund Project Priority List per Minnesota Rules, part 4720.9015;

(2) receive priority points under Minnesota Rules, part 4720.9020, subpart 4a; and

(3) be certified by the commissioner of health per Minnesota Rules, part 4720.9060.

4.1 Subd. 4. **Application and reservation of funds.** (a) Grant applications to the authority
4.2 may be made at any time on forms prescribed by the authority, including a project schedule
4.3 and cost estimate for the work necessary to comply with the purpose described in subdivision
4.4 2.

4.5 (b) The commissioner of health shall review and certify to the authority those projects
4.6 that have plans and specifications approved under Minnesota Rules, part 4720.9060. The
4.7 commissioner of health must also indicate in the certification the supplemental demographic
4.8 index scores of the projects.

4.9 (c) When a project is certified by the commissioner of health, the authority shall first
4.10 reserve grant funds for projects located in a census block group with a supplemental
4.11 demographic index score in the 70th percentile or higher within the state of Minnesota. Any
4.12 remaining funds shall be reserved for projects in the order listed on the commissioner of
4.13 health's project priority list and in an amount based on the cost estimate in the commissioner
4.14 of health certification or the as-bid costs, whichever is less.

4.15 Subd. 5. **Grant amount.** The grant amount for an eligible project under this program
4.16 shall be for an amount up to 80 percent of the eligible as-bid project cost up to \$12,000,000,
4.17 minus the amount of federal emerging contaminant funds the project receives under section
4.18 446A.081, subdivision 9, paragraph (a), clause (12), or other federal emerging contaminant
4.19 funds.

4.20 Subd. 6. **Grant approval.** The authority shall award a grant for an eligible project only
4.21 after:

4.22 (1) the applicant has submitted the as-bid project cost;

4.23 (2) the commissioner of health has certified the grant eligible portion of the project; and

4.24 (3) the authority has determined that the additional financing necessary to complete the
4.25 project has been committed from other sources.

4.26 Subd. 7. **Grant disbursement.** Grant funds shall be disbursed by the authority as eligible
4.27 project costs are incurred by the governmental unit and in accordance with a project financing
4.28 agreement and applicable state laws and rules governing the disbursements.

4.29 Subd. 8. **Recovering expenses.** Money granted to a grantee under this program may be
4.30 recovered in a civil action brought by the attorney general against any person who may be
4.31 liable under section 115B.04 or any other law. To be eligible for recovery, the expenses
4.32 must be reasonable and necessary expenses, including all response costs, and administrative
4.33 and legal expenses. The authority, Department of Health, and Pollution Control Agency's

certification of expenses shall be prima facie evidence that the expenses are reasonable and necessary. Any money recovered in a civil action for a project financed with bonds under this section shall be transferred to the commissioner of management and budget for deposit in the state bond proceeds fund and applied toward principal interest on outstanding bonds.

Sec. 4. **CLEAN WATER APPROPRIATIONS; GENERAL OBLIGATION BONDS.**

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

Subd. 2. **Emerging contaminants grants.** \$18,000,000 of this appropriation is for the emerging contaminants grant program under Minnesota Statutes, section 446A.082.

Subd. 3. **State match for revolving loan funds.** \$39,000,000 of this appropriation is to match federal capitalization grants for the clean water revolving fund under Minnesota Statutes, section 446A.07, and the drinking water revolving fund under Minnesota Statutes, section 446A.081. This appropriation must be used for qualified capital projects.

Subd. 4. **Water infrastructure funding program.** \$121,000,000 of this appropriation is for grants to eligible municipalities under the water infrastructure funding program under Minnesota Statutes, section 446A.072.

Subd. 5. **Point source implementation grants program.** \$121,000,000 of this appropriation is for grants to eligible municipalities under the point source implementation grants program under Minnesota Statutes, section 446A.073. This appropriation must be used for qualified capital projects.

Subd. 6. **Bond sale.** To provide the money appropriated in this section from the bond proceeds fund, the commissioner of management and budget shall sell and issue bonds of the state in an amount up to \$299,000,000 in the manner, upon the terms, and with the effect prescribed by Minnesota Statutes, sections 16A.631 to 16A.675, and by the Minnesota Constitution, article XI, sections 4 to 7.

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