

| Project Title | Agency Priority | Funding Source | Agency Request | | | Governor's Rec | Governor's Planning Estimates | |
|----------------------------|-----------------|----------------|----------------|-------|-------|----------------|-------------------------------|----------|
| | | | 2006 | 2008 | 2010 | 2006 | 2008 | 2010 |
| Closed Landfill Bonding | 1 | GO | \$33,500 | \$0 | \$0 | \$7,150 | \$10,000 | \$10,000 |
| Capital Assistance Program | 2 | GO | 42,200 | 4,000 | 9,000 | 4,000 | 4,000 | 4,000 |

| | | | | | | |
|---------------------------------|----------|---------|---------|----------|----------|----------|
| Project Total | \$75,700 | \$4,000 | \$9,000 | \$11,150 | \$14,000 | \$14,000 |
| General Obligation Bonding (GO) | \$75,700 | \$4,000 | \$9,000 | \$11,150 | \$14,000 | \$14,000 |

| | | | |
|-------------------------|-------------------------------|----------------------------------|-----------------------------|
| Funding Sources: | GF = General Fund | THF = Trunk Highway Fund | OTH = Other Funding Sources |
| | GO = General Obligation Bonds | THB = Trunk Highway Fund Bonding | UF = User Financed Bonding |

Agency Profile At A Glance

- ◆ The new MPCA leverages partnerships and resources to address environmental issues and achieve positive results. By “blending” technology and technical and financial assistance, prevention, management (regulation) and cleanup solutions, complex environmental issues, such as the restoration of impaired waters, can be addressed effectively and efficiently.
- ◆ MPCA’s product stewardship program provides a new innovative approach to conserving resources, reducing waste, and increasing recycling. The program is currently working on initiatives for carpet, electronics, paint, and mercury-containing products.
- ◆ MPCA performs monitoring at more than 500 sites across the state to determine environmental conditions of air, surface waters, and groundwater.
- ◆ MPCA continues to provide resources to counties to support local recycling programs. In 2003, the MOEA awarded \$12.5 million in Select Committee on Recycling and the Environment (SCORE) grants.
- ◆ MPCA performs permitting, inspection, compliance determination, and enforcement activities for nearly 7,400 facilities that impact air, water, and land.
- ◆ MPCA oversees state financed clean-up at 265 contaminated sites and oversight of an additional 3,000 sites.

Agency Purpose

The mission of the Minnesota Pollution Control Agency (MPCA) is to work with Minnesotans to protect, improve and conserve our air, land, and water resources.

The vision for the MPCA is:

- ◆ Clean and sustainable ground and surface water systems,;
- ◆ clean and clear air;
- ◆ environmental protection and consideration of economic and social consequences of our actions;
- ◆ land supports desired uses; and

- ◆ excellence in operations.

The results of MPCA’s and Minnesota Office of Environmental Assistance’s (MOEA’s) efforts are demonstrable: waste has been reduced, recycling levels have increased, and the air, land, and water are cleaner now than they were 30 years ago.

Guiding Principles

MPCA’s mission is implemented through the following guiding principles:

- ⇒ Focus on priorities and manage for environmental results.
- ⇒ Actively partner to leverage knowledge, ideas, and resources.
- ⇒ Rely on data for decision-making.
- ⇒ Include economic and societal concerns and benefits as critical elements when establishing effective policy.
- ⇒ Strive for excellence and innovation in product and service delivery.

Operations

The MPCA Citizens’ Board sets agency policy and takes action on significant or controversial issues. The commissioner directs the work of the agency’s staff.

The MPCA has 801 FTE (includes 21 FTE student workers and interns) who work at eight regional offices throughout Minnesota. Programs and services are managed and delivered through these regional offices: Duluth, Brainerd, Rochester, Mankato, Detroit Lakes, Willmar, Marshall, and Saint Paul.

The Environmental Analysis and Outcomes Division monitors and evaluates the physical, chemical, and biological conditions of Minnesota’s environment. With this information, they identify potential impacts to human health and the environment, help set environmental goals, establish environmental standards, help develop permit limits, and report results to staff, stakeholders, and citizens.

The Technology, Education and Assistance Division provides information and economic, technical, and educational assistance that results in the implementation and increased use of environmentally and economically

beneficial behaviors, technologies, and products. The Customer Assistance Center responds to requests for information and assistance from citizens. Small business assistance and pollution prevention are also based in this division.

The Remediation Division provides emergency response and remediation (clean-up) services for contaminated sites, redevelopment proposals, and closed landfills. Superfund and leaking storage tank cleanup are also based in this division.

The Regional Division provides for environmental problem solving at the local level. Focus is on building local capacity to restore and improve the environment. Water quality and air quality local planning and implementation programs are based in this division as well as the clean water partnership, feedlots, total maximum daily load (TMDL) implementation, and basin planning.

The Industrial Division provides regulatory services to current and historical industrial sources of air, water, and land pollution. Permitting, compliance, and enforcement for water quality, air quality, industrial solid waste, hazardous waste, and industrial stormwater are based in this division as well as associated rule making tanks (regulatory).

The Municipal Division provides regulatory services to operators of publicly and privately owned wastewater treatment and stormwater facilities. Services are also provided to mixed municipal landfills and transfer stations. The regulatory services include permitting, compliance, and enforcement.

The Operational Support Division oversees the MPCA's finances and its business operations (vehicle fleet, leases, mail and shipping, etc.), human resources processes and issues, and communication services. These staff are mainly located in St. Paul.

Budget

In the 1970s, the MPCA was primarily funded through the General Fund and federal grants. In the 1980s, environmental fees and taxes were established to fund certain programs, primarily regulatory programs associated with addressing point sources of pollution.

Today, the major sources of air and water pollution are non-point sources, which are largely not associated with existing fee structures. In 2002, the Legislative Auditor recommended revisiting how the MPCA is funded to better address today's environmental priorities. The governor's recommendation for PCA Fund Consolidation was adopted by the legislature in 2003. Fund consolidation has enhanced the MPCA's ability to direct resources to priority activities.

The agency is funded by a mix of general (9%), other state (i.e. environmental, remediation, special revenue, public facilities authority) (75%) and federal (16%) funds.

Contact

For more information, contact: Ralph Heussner, Communications Director at (651) 296-6977.

In addition, at www.state.mn.us and www.moea.state.mn.us visitors can learn more about pollution prevention, reuse, recycling, responsible waste management, sustainable practices, as well as access regulatory news and updates, rules, public notices, agency initiatives, details about environmental quality, and current "hot topics." Our waste reduction campaign (<http://www.reduce.org>) is an online source for Minnesotans who want to know more about preventing garbage and reducing what they throw away. The NextStep web site (<http://www.nextstep.state.mn.us>) offers resources for finding and sharing information on sustainability. SEEK (<http://www.seek.state.mn.us>) is Minnesota's interactive directory of EE resources for educators. Minnesota Technical Assistance Program (MnTAP) (<http://www.mntap.umn.edu>) provides resources for technical assistance to businesses, including information about its intern program, site visits, a materials exchange program, etc.

For information on how this agency measures whether it is meeting its statewide goals, please refer to www.departmentresults.state.mn.us

At A Glance: Agency Long-Range Strategic Goals

The mission of the Minnesota Pollution Control Agency (MPCA) is to work with Minnesotans to protect, improve and conserve our air, land, and water resources. The vision for Minnesota's environment is comprised of:

- ◆ clean, sustainable ground and surface water systems,
- ◆ clean and clear air,
- ◆ environmental protection and consideration of the economic and social consequences of our actions,
- ◆ land that supports desired uses, and
- ◆ excellence in operations.

MPCA's priorities are based on environmental risk, environmental stressors, the resource conditions, statutory obligations and responsibilities, public and stakeholder expectations, socio-economic trends, and other opportunities to conserve and improve the quality of our air, land, and water resources.

MPCA's top environmental priorities are:

- ◆ impaired waters,
- ◆ emergency response,
- ◆ waste reduction and reuse,
- ◆ core regulatory air and water programs,
- ◆ non-point source pollution in air and water, and
- ◆ environmental monitoring.

Minnesota's Waste Management Act guides the MPCA and local units of government in solid waste management. The purpose of the Waste Management Act is to protect the state's air, land, water, and other natural resources and public health by fostering an integrated waste management system that will manage solid waste in a manner appropriate to the characteristics of the waste stream.

In addition to the MPCA's responsibilities associated with the management of Minnesota's current waste stream, closed landfills are an outstanding environmental and public health issue for Minnesota. The state, through the MPCA's closed landfill program, has a legal obligation to complete

construction at eligible closed landfills and to move those sites into operation and maintenance program levels.

Trends, Policies and Other Issues Affecting the Demand for Services, Facilities, or Capital Programs

The Capital Assistance Program (CAP) provides financial assistance for local governments developing various types of recovery facilities that helps to establish an integrated waste management system. CAP is a competitive, two-stage grant application process that allows the MPCA to identify and assist projects that will be most beneficial in meeting Minnesota's solid waste management goals. CAP (M.S. 115A.9 – 115A.541) is the MPCA's main program to assist local governments in financing the infrastructure necessary for an integrated solid waste system.

The three major trends and policies affecting the need for additional investment in integrated solid waste management systems are waste growth, waste flow control, and landfills.

- ⇒ **Waste Growth:** The municipal solid waste stream alone grew from 3.8 million tons per year in 1992 to 5.75 million tons per year in 2003, an increase of 56%. If waste generation continues to grow at the rates observed during the 1990s, it will overwhelm our existing waste management infrastructure.
- ⇒ **Waste Flow Control:** Resource recovery projects, funded by CAP, have been subject to substantial legal and financial pressures due to waste flow control issues. Prior to the 1994 U.S. Supreme Court decision which found some flow control/designation ordinances unconstitutional, local governments could direct waste flow through local ordinances. These flow control/designation ordinances were a key component of the environmental, financial, and technical foundation of resource recovery projects.
- ⇒ **Landfills:** Of the 136 municipal solid waste (MSW) landfills permitted in Minnesota since 1969, 21 continue to accept MSW in 2005. CAP has played a key role in Minnesota's initial shift from total reliance on landfills to resource recovery and processing.

Since 1997, recycling has fallen from 41% of the total MSW waste stream down to 39% in 2003; resource recovery has fallen from 30% down to 21%; landfilling of unprocessed waste has increased from 29% to 37%. Overall, recycling and resource recovery have fallen from 71% down to 60% while landfilling/unprocessed waste is on the rise. Insufficient processing capacity is a factor. Minnesota is losing ground on developing a statewide-integrated solid waste management system.

In 1994, the legislature passed the Landfill Cleanup Act which authorized the MPCA to initiate cleanups, complete closures, and take over the long-term operation and maintenance in perpetuity at up to 106 closed, state-permitted, municipal solid waste landfills in Minnesota. In 1999 and 2000, the eligibility was expanded and, six additional facilities became eligible.

Any MPCA-permitted mixed-municipal solid waste landfill that stopped accepting mixed municipal solid waste (MMSW) by April 9, 1994, and demolition debris before May 1, 1995, can qualify for application to this program. Based in part on the legislative changes in 1999 and 2000, two additional landfills entered the Closed Landfill Program (CLP) in 2002 and 2003. This brings the current total number of sites in the program to 109. There are three (3) more sites that are qualified to enter the program that are expected to enter in 2006. Some of the landfills in the CLP are owned by the State, while others remain in private or public ownership. Because the CLP is a voluntary program, not all closed permitted landfills are in the CLP; however, most closed, permitted facilities in the state have opted to join the CLP.

Provide a Self-Assessment of the Condition, Suitability, and Functionality of Present Facilities, Capital Projects, or Assets

The state has provided approximately \$53 million for 92 CAP projects to help finance the construction and expansion of 66 facilities throughout Minnesota: 25 recycling facilities, nine transfer stations, nine waste-to-energy facilities, 12 compost facilities, and 11 special waste stream facilities. A full listing of all grant recipients is available upon request. Public willingness, local government commitment, and CAP funding have all contributed to a successful local/state partnership that helps protect the environment and public health and facilitates recovery of resources and energy.

However, 40% of Minnesota's solid waste is neither recovered nor processed. It continues to go to landfills. New facilities and expansion of existing facilities are necessary to ensure the capacity to process the remaining waste and future increases in waste generation. This request will expand Minnesota's capacity to recover resources and energy. Minnesota counties need legislative support and financial assistance to maintain and to continue the development of an integrated solid waste management system where all of Minnesota has access to, and uses, a primary solid waste processing facility.

In September 2005, the MPCA notified the Department of Finance (DOF) of future state obligations relating to eligible closed landfills of \$211.4 million. These financial obligations are based on needed remedial construction and operation and maintenance of these systems. About 18 publicly owned landfills in the CLP are in need of remedial construction activities in FY 2007 and FY 2008. If this request for general obligation bonds is not authorized, then funding for these activities could come from the Remediation Fund, which funds similar construction activities at non-publicly owned, closed landfills in the program. In addition, if funding is not provided, construction activities at these sites could be delayed into future years and will come at a greater cost to the public.

Agency Process Used to Arrive at These Capital Requests

In preparing this request of \$28 million for CAP in FY 2006, the MPCA relied on interest expressed by past and future applicants. This request will be adjusted based on preliminary applications that will be submitted during the September/October 2005 CAP funding process. The MPCA is basing its extended projection of need on the solid waste management plans developed by the counties, MPCA's Preliminary Assessment of Regional Waste Management Capacity Report, the MPCA's 2003 Solid Waste Policy Report, and the 2004 Metropolitan Policy Plan.

The Project Narrative shows a draft listing of interested applicants. This list is only the basis for the MPCA's projection of funding needs for FY 2006; it does not represent actual projects to be funded.

For FY 2008 and FY 2010, the MPCA projected the minimum need for new MSW processing capacity. Several new projects are needed to serve large

areas of greater Minnesota and the metro area. Existing private facilities may expand as well to meet a portion of the metro area needs.

Regarding the CLP request, the MPCA has estimated design and construction costs for the remaining publicly owned closed landfills that need remedial action. Construction activities at each of these sites may include: 1) the installation or augmentation of landfill covers to reduce the generation of contaminated leachate; 2) the installation of ground water treatment systems to clean up contaminated ground water that threatens public drinking water sources; and 3) the installation of landfill gas control systems to prevent off-site threats of explosion to buildings and damage to crops. This construction represented in this bonding request is for \$33.5 million.

To determine which sites should be worked on first, MPCA staff holds site forums and calculates a site score that is based on several factors. The primary goal of the scoring system is to prioritize sites to prevent or respond to releases of hazardous substances or contaminants and decomposition gases at qualified sites. The MPCA Commissioner publishes an update of the priority list each year.

Major Capital Projects Authorized in 2001, 2002 and 2005

During the 2005 session, the MPCA was appropriated \$4 million for the CAP with language identifying \$2 million for a grant to the city of Red Wing and \$2 million for a grant to Olmsted County. The city of Red Wing proposes construction of an up-front materials recovery facility at its existing waste-to-energy facility. Olmsted County proposes construction of a third combustion unit at its existing facility. Both are to submit final applications in August 2005.

In 1994, the MPCA received \$90 million in state general obligation bonds to be used for design and construction work at publicly owned landfills over a 10-year period. Expenditures from the original \$90 million authorized in 1994 have been ongoing since 1996 until February 2001 when spending of the unobligated amount was frozen. This unobligated balance of \$56.6 million was cancelled on 7-1-01. The freeze in spending was due to the law legislature passed in 2000 requiring the Commissioner of Finance in odd years to report to the legislature and to cancel certain unspent or otherwise unobligated bond proceeds (M.S. 16A.642). The original bond authorization

resulted in approximately \$33.4 million in construction projects. Subsequent authorizations included \$20.5 million in FY 2002, \$10 million in FY 2003 and \$10 million in FY 2005 bringing the program total so far to \$73.9 million. The current request of \$33.5 million is expected to result in the completion of construction for the currently eligible facilities.

Closed Landfill Bonding

2006 STATE APPROPRIATION REQUEST: \$33,500,000

AGENCY PROJECT PRIORITY: 1 of 2

PROJECT LOCATION: 18 closed landfills statewide

Project At A Glance

Design and construct remedial systems (cover, landfill gas mitigation, and ground water treatment systems) and acquire land at publicly owned, closed, mixed municipal solid waste landfills throughout Minnesota.

Project Description

This request for \$33.5 million in state general obligation bonds is to design and construct remedial systems (cover, landfill gas mitigation, and ground water treatment systems) at publicly owned, state-permitted, closed, mixed municipal solid waste landfills throughout Minnesota in FY 2007 and 2008. The Minnesota Pollution Control Agency (MPCA) is authorized under the Landfill Cleanup Act (M.S. 115B.39) to initiate cleanups, complete closures, and assume, in perpetuity, responsibility for long-term operation and maintenance of up to 112 landfills currently qualified for the Closed Landfill Program (CLP). One of the funding sources for the CLP has been state general obligation bonds, which were first appropriated by the legislature in 1994. (1994 Minnesota Session Laws, Ch. 639, Art. 3, Sec. 5).

This bonding authority was intended to be one of the three major funding sources for the closed landfill cleanup program. The other two are the solid waste tax and insurance recovery. The legislature authorized up to \$90 million in general obligation bond funds to be used for design and construction work at publicly owned landfills over a 10-year period. Rather than issuing all \$90 million at one time, the legislature capped the selling and issuance of bonds so that the total amount issued could not exceed: 1) \$10 million by 6-30-96; 2) \$35 million by 6-30-98; 3) \$55 million by 6-30-2000; and 4) \$75 million by 6-30-02.

In 2000, the legislature passed a law requiring the commissioner of Finance to report the amount of unused bonding proceeds to the legislature and to cancel unspent or otherwise unobligated bond funds (M.S. 16A.642). This statute resulted in the cancellation of unused bonds earmarked for construction.

The 1994 law was unique, not only because the legislature intended for bonds to be sold incrementally over 10 years, but also because the selling of these bonds was intended to provide a long-term funding source that enabled the MPCA to address the state's perpetual obligation to protect public health, public safety, and the environment at nearly half of the sites in the CLP. These unused bonds – bonds the MPCA anticipated spending on construction at closed landfills – were cancelled on 7-2-01.

In 2001, 2002, and 2005 the legislature authorized \$20.5 million, \$10 million, and an additional \$10 million in state bond funds respectively, to meet the MPCA's construction needs through FY 2006. However, the MPCA estimates that an additional \$33.5 million is needed to complete remedial construction at 18 sites in FY 2007 and 2008. The authorization of bonds will allow MPCA to carry out the original intention of the 1994 Act and to use the bond proceeds to pay for planned remedial construction at publicly owned landfills. The MPCA is requesting bonding authority for the \$33.5 million to address outstanding needs for remediation at closed landfills.

Impact on Agency Operating Budgets (Facilities Notes)

Bonding dollars have primarily been used to fund the major construction components of the CLP. The Remediation Fund is primarily used to administer the other parts of the CLP including administrative work and operation/maintenance at sites already worked on. If bond dollars are not authorized and immediate work becomes necessary at any of these sites, monies would have to come from the Remediation Fund at the expense of other activities. Also, if the bonding request is not funded, work will be delayed at the remaining publicly owned sites proposed for construction. This delay will add significant costs to obligated work under this program. Bond dollars authorized during the 2005 session only provided funding to cover work at two sites because construction costs went up dramatically.

Closed Landfill Bonding

The longer the delay in funding the construction component of the CLP the greater the overall costs for necessary remedial actions. Delays will also cause environmental impacts that are currently occurring to continue such as groundwater contamination and uncontrolled landfill gas emissions.

Previous Appropriations for this Project

Laws of 1994, Chapter 639; Laws of Special Session 2001, Chapter 12; Laws of 2002, Chapter 393; Laws of 2005, Chapter 20.

Other Considerations

In September 2005, the MPCA notified the Department of Finance of future state obligations relating to eligible closed landfills of \$211.4 million. These financial obligations are based on needed remedial construction and operation and maintenance of these systems.

Project Contact Person

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|---|---|
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|---|---|

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Governor's Recommendations

The Governor recommends general obligation bonding of \$7.150 million for this project. Also included are budget planning estimates of \$10 million in 2008 and \$10 million in 2010.

| TOTAL PROJECT COSTS All Years and Funding Sources | Prior Years | FY 2006-07 | FY 2008-09 | FY 2010-11 | TOTAL |
|--|--------------------|-------------------|-------------------|-------------------|----------------|
| 1. Property Acquisition | 0 | 0 | 0 | 0 | 0 |
| 2. Predesign Fees | 0 | 0 | 0 | 0 | 0 |
| 3. Design Fees | 7,388 | 3,350 | 0 | 0 | 10,738 |
| 4. Project Management | 0 | 0 | 0 | 0 | 0 |
| 5. Construction Costs | 66,489 | 30,150 | 0 | 0 | 96,639 |
| 6. One Percent for Art | 0 | 0 | 0 | 0 | 0 |
| 7. Relocation Expenses | 0 | 0 | 0 | 0 | 0 |
| 8. Occupancy | 0 | 0 | 0 | 0 | 0 |
| 9. Inflation | 0 | 0 | 0 | 0 | 0 |
| TOTAL | 73,877 | 33,500 | 0 | 0 | 107,377 |

| CAPITAL FUNDING SOURCES | Prior Years | FY 2006-07 | FY 2008-09 | FY 2010-11 | TOTAL |
|--------------------------------|--------------------|-------------------|-------------------|-------------------|----------------|
| State Funds : | | | | | |
| G.O Bonds/State Bldgs | 73,877 | 33,500 | 0 | 0 | 107,377 |
| State Funds Subtotal | 73,877 | 33,500 | 0 | 0 | 107,377 |
| Agency Operating Budget Funds | 0 | 0 | 0 | 0 | 0 |
| Federal Funds | 0 | 0 | 0 | 0 | 0 |
| Local Government Funds | 0 | 0 | 0 | 0 | 0 |
| Private Funds | 0 | 0 | 0 | 0 | 0 |
| Other | 0 | 0 | 0 | 0 | 0 |
| TOTAL | 73,877 | 33,500 | 0 | 0 | 107,377 |

| CHANGES IN STATE OPERATING COSTS | Changes in State Operating Costs (Without Inflation) | | | |
|--|---|-------------------|-------------------|--------------|
| | FY 2006-07 | FY 2008-09 | FY 2010-11 | TOTAL |
| Compensation -- Program and Building Operation | 0 | 0 | 0 | 0 |
| Other Program Related Expenses | 0 | 0 | 0 | 0 |
| Building Operating Expenses | 0 | 0 | 0 | 0 |
| Building Repair and Replacement Expenses | 0 | 0 | 0 | 0 |
| State-Owned Lease Expenses | 0 | 0 | 0 | 0 |
| Nonstate-Owned Lease Expenses | 0 | 0 | 0 | 0 |
| Expenditure Subtotal | 0 | 0 | 0 | 0 |
| Revenue Offsets | 0 | 0 | 0 | 0 |
| TOTAL | 0 | 0 | 0 | 0 |
| Change in F.T.E. Personnel | 0.0 | 0.0 | 0.0 | 0.0 |

| SOURCE OF FUNDS FOR DEBT SERVICE PAYMENTS (for bond-financed projects) | Amount | Percent of Total |
|--|---------------|-------------------------|
| General Fund | 33,500 | 100.0% |
| User Financing | 0 | 0.0% |

| STATUTORY AND OTHER REQUIREMENTS | |
|---|---|
| Project applicants should be aware that the following requirements will apply to their projects after adoption of the bonding bill. | |
| No | MS 16B.335 (1a): Construction/Major Remodeling Review (by Legislature) |
| No | MS 16B.335 (3): Predesign Review Required (by Administration Dept) |
| No | MS 16B.335 and MS 16B.325 (4): Energy Conservation Requirements |
| No | MS 16B.335 (5): Information Technology Review (by Office of Technology) |
| Yes | MS 16A.695: Public Ownership Required |
| No | MS 16A.695 (2): Use Agreement Required |
| No | MS 16A.695 (4): Program Funding Review Required (by granting agency) |
| No | Matching Funds Required (as per agency request) |
| Yes | MS 16A.642: Project Cancellation in 2011 |

Capital Assistance Program

2006 STATE APPROPRIATION REQUEST: \$42,200,000

AGENCY PROJECT PRIORITY: 2 of 2

PROJECT LOCATION: Statewide

Project At A Glance

The Solid Waste Processing Facilities Capital Assistance Program (CAP) provides technical assistance and financial incentives to local governmental units (LGUs) implementing integrated solid waste management systems. Integrated solid waste management systems require new infrastructure that are basic public assets to Minnesota.

Project Description

The purpose of this program is to provide \$42.2 million in capital grants to local governments for the construction of solid waste resource recovery facilities. These facilities will preserve land, recover valuable resources and energy, and create jobs. These facilities will also reduce the environmental risks and potential liabilities related to managing waste.

The goal of the Minnesota Waste Management Act is to have an integrated waste management system serving all of Minnesota. Since 1985, CAP grants have funded only a small portion of the total solid waste project costs. Local governments have financed the balance of development, construction, and operating costs. In addition to CAP financial assistance, technical assistance is provided to LGUs to address the development and the institutional and operational challenges associated with implementing an integrated solid waste management system.

Eligible recipients under the CAP grant program are limited to Minnesota cities, counties, solid waste management districts, and sanitary districts. Eligible projects are solid waste processing facilities that include resource recovery.

Examples of eligible projects are:

- ◆ waste-to-energy facilities;
- ◆ recycling facilities;
- ◆ composting facilities;
- ◆ transfer stations that will serve waste processing facilities;
- ◆ projects to increase recovery of materials or energy, those that substantially reduce the amount or toxicity of waste processing residuals, or those that expand the capacity of an existing resource recovery facility in order to meet the needs of expanded regions; and
- ◆ special waste streams (i.e., household hazardous waste).

Depending on the project type, a single-county project may receive funding of 25% or 50% of eligible capital costs, up to a maximum of \$2 million. Multi-county cooperative projects can receive 25% or 50% of the eligible capital costs, or up to \$2 million times the number of participating counties, whichever is less. A new transfer station to serve an existing processing facility may be eligible for up to 75% funding of eligible capital costs.

Following are examples of eligible costs:

- ◆ final design, engineering, and architectural plans;
- ◆ land;
- ◆ structures;
- ◆ waste processing equipment; and
- ◆ onsite roads, parking, and landscaping.

Capital Assistance Program

The following list identifies potential project development and construction over the next six years. Nine applications have been received for FY 2006-07 CAP funding, totaling \$42.2 million in requests.

| <u>FY 2006-07</u> | <u>Project Type</u> | <u>Total Capital Cost</u> | <u>Applicant's Capital Cost</u> | <u>CAP Grant</u> |
|-----------------------|--------------------------|---------------------------|---------------------------------|------------------|
| Hennepin | HHW | \$ 5,407,000 | \$ 3,407,000 | \$ 2,000,000 |
| Hennepin | W-to-E | | | |
| | Upgrades | 5,409,583 | 4,000,000 | 2,000,000 |
| Koochiching | W-to-E | | | |
| | (gasification) | 30,000,000 | 5,000,000 | 10,000,000 |
| Olmsted | W-to-E / 3 rd | 61,885,046 | 27,000,000 | 2,000,000 |
| | Unit | | | |
| Perham | Upfront | 9,113,000 | 6,000,000 | 3,000,000 |
| | MRF | | | |
| Redwood (Lamberton) | W-to-E/MRF | 43,000,000 | 28,000,000 | 15,000,000 |
| Tri-County North | W-to-E | 70,906,542 | 64,906,542 | 6,000,000 |
| Washington | HHW | 4,200,000 | 2,200,000 | 2,000,000 |
| Lake County | HHW | 400,000 | 200,000 | 200,000 |
| | Subtotal | \$230,321,171 | \$140,513,542 | \$42,200,000 |
| | | | | |
| <u>FY 2008-09</u> | | | | |
| Olmsted | Upfront | <u>8,000,000</u> | <u>4,000,000</u> | <u>4,000,000</u> |
| | MRF | | | |
| | Subtotal | \$ 8,000,000 | \$ 4,000,000 | \$4,000,000 |
| | | | | |
| <u>FY 2010-11</u> | | | | |
| North West Minnesota | Processing | \$ 10,000,000 | \$ 7,000,000 | \$ 3,000,000 |
| No. Central Minnesota | Processing | 10,000,000 | 7,000,000 | 3,000,000 |
| West Central | Processing | <u>10,000,000</u> | <u>7,000,000</u> | <u>3,000,000</u> |
| | Subtotal | \$30,000,000 | \$21,000,000 | \$9,000,000 |

Impact on Agency Operating Budgets (Facilities Notes)

Environmental fund dollars are used to administer the CAP grant program. Therefore, there is no additional impact on operating budgets to fund this program.

If the FY 2006-07 CAP request is fully funded, it would greatly add to Minnesota's efforts of landfill abatement. The impact of the added processing capacity would have no impact on the Agency's operating costs, as focus of staff resources would be shifted from the area of project development to the area of project implementation and sustainability.

Project development activities include planning, feasibility studies, waste composition analysis, institutional arrangements, and intercounty agreements. Project implementation and sustainability activities include implementing plans, assistance during construction, choosing equipment, shakedown and acceptance, marketing of materials and/or energy, and operational and compliance issues.

If the FY 2006-07 CAP request is not fully funded, there would be no impact on agency operating costs, as staff resources will continue to be proportionately focused on project development and project implementation.

Previous Appropriations for this Project

| | |
|------|---------------------|
| 2005 | \$ 4.00 million |
| 2002 | 1.15 million |
| 2000 | 2.20 million |
| 1999 | 3.00 million |
| 1998 | 3.50 million |
| 1996 | 3.00 million |
| 1994 | 3.00 million |
| 1992 | 2.00 million |
| 1990 | 7.00 million |
| 1987 | 4.00 million |
| 1985 | 11.40 million |
| 1980 | <u>8.80 million</u> |
| | \$53.05 million |

Capital Assistance Program**Other Considerations**

For local governments, developing an integrated solid waste management system is a complex, controversial, and expensive endeavor. Without the CAP program's technical and financial assistance, many local governments will not move forward in developing a solid waste management infrastructure.

The CAP program serves as an incentive to move infrastructure development forward and cultivates a partnership between the state of Minnesota and local governments to develop integrated solid waste management systems. Due to CAP's funding formula, a significant incentive is created to motivate LGU's to work together on regional projects. The Minnesota Pollution Control Agency's administration and oversight of the CAP grants help to develop projects that are technically, institutionally, and financially sound.

Glossary:

BSS: Benton, Stearns & Sherburne Counties

HHW: Household Hazardous Waste

LGUs: Local Governmental Units

MSW: mixed solid waste

Processing: MSW recovery through W-to-E, composting, etc.

TS: transfer station

Upfront MRF: recycling/fuel cleaning at a W-to-E facility prior to processing.

W-to-E: waste-to-energy facility

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Governor's Recommendations

The Governor recommends general obligation bonding of \$4 million for this project. Also included are budget planning estimates of \$4 million in 2008 and \$4 million in 2010.

Pollution Control Agency

Project Detail

Capital Assistance Program

(\$ in Thousands)

| TOTAL PROJECT COSTS All Years and Funding Sources | Prior Years | FY 2006-07 | FY 2008-09 | FY 2010-11 | TOTAL |
|--|--------------------|-------------------|-------------------|-------------------|----------------|
| 1. Property Acquisition | 0 | 0 | 0 | 0 | 0 |
| 2. Predesign Fees | 0 | 0 | 0 | 0 | 0 |
| 3. Design Fees | 0 | 0 | 0 | 0 | 0 |
| 4. Project Management | 0 | 0 | 0 | 0 | 0 |
| 5. Construction Costs | 167,042 | 205,167 | 8,000 | 30,000 | 410,209 |
| 6. One Percent for Art | 0 | 0 | 0 | 0 | 0 |
| 7. Relocation Expenses | 0 | 0 | 0 | 0 | 0 |
| 8. Occupancy | 0 | 0 | 0 | 0 | 0 |
| 9. Inflation | 0 | 0 | 0 | 0 | 0 |
| TOTAL | 167,042 | 205,167 | 8,000 | 30,000 | 410,209 |

| CAPITAL FUNDING SOURCES | Prior Years | FY 2006-07 | FY 2008-09 | FY 2010-11 | TOTAL |
|--------------------------------|--------------------|-------------------|-------------------|-------------------|----------------|
| State Funds : | | | | | |
| G.O Bonds/State Bldgs | 53,050 | 42,200 | 4,000 | 9,000 | 108,250 |
| State Funds Subtotal | 53,050 | 42,200 | 4,000 | 9,000 | 108,250 |
| Agency Operating Budget Funds | 0 | 0 | 0 | 0 | 0 |
| Federal Funds | 0 | 0 | 0 | 0 | 0 |
| Local Government Funds | 113,992 | 162,967 | 4,000 | 21,000 | 301,959 |
| Private Funds | 0 | 0 | 0 | 0 | 0 |
| Other | 0 | 0 | 0 | 0 | 0 |
| TOTAL | 167,042 | 205,167 | 8,000 | 30,000 | 410,209 |

| CHANGES IN STATE OPERATING COSTS | Changes in State Operating Costs (Without Inflation) | | | |
|--|---|-------------------|-------------------|--------------|
| | FY 2006-07 | FY 2008-09 | FY 2010-11 | TOTAL |
| Compensation -- Program and Building Operation | 0 | 0 | 0 | 0 |
| Other Program Related Expenses | 0 | 0 | 0 | 0 |
| Building Operating Expenses | 0 | 0 | 0 | 0 |
| Building Repair and Replacement Expenses | 0 | 0 | 0 | 0 |
| State-Owned Lease Expenses | 0 | 0 | 0 | 0 |
| Nonstate-Owned Lease Expenses | 0 | 0 | 0 | 0 |
| Expenditure Subtotal | 0 | 0 | 0 | 0 |
| Revenue Offsets | 0 | 0 | 0 | 0 |
| TOTAL | 0 | 0 | 0 | 0 |
| Change in F.T.E. Personnel | 0.0 | 0.0 | 0.0 | 0.0 |

| SOURCE OF FUNDS FOR DEBT SERVICE PAYMENTS (for bond-financed projects) | Amount | Percent of Total |
|--|---------------|-------------------------|
| General Fund | 42,200 | 100.0% |
| User Financing | 0 | 0.0% |

| STATUTORY AND OTHER REQUIREMENTS | |
|---|---|
| Project applicants should be aware that the following requirements will apply to their projects after adoption of the bonding bill. | |
| No | MS 16B.335 (1a): Construction/Major Remodeling Review (by Legislature) |
| No | MS 16B.335 (3): Predesign Review Required (by Administration Dept) |
| Yes | MS 16B.335 and MS 16B.325 (4): Energy Conservation Requirements |
| No | MS 16B.335 (5): Information Technology Review (by Office of Technology) |
| Yes | MS 16A.695: Public Ownership Required |
| Yes | MS 16A.695 (2): Use Agreement Required |
| Yes | MS 16A.695 (4): Program Funding Review Required (by granting agency) |
| Yes | Matching Funds Required (as per agency request) |
| Yes | MS 16A.642: Project Cancellation in 2011 |