

FINANCING CONSTRUCTION OF
MUNICIPAL WASTEWATER
TREATMENT FACILITIES

March 12, 1984

TEAM

BARRY C. SCHADE, TEAM LEADER
MINNESOTA POLLUTION CONTROL AGENCY

JACK DITMORE
STATE PLANNING AGENCY

DOUG WATNEMO
DEPARTMENT OF FINANCE

MARSHA BATTLES
DEPARTMENT OF ENERGY AND ECONOMIC DEVELOPMENT

I. ISSUE TITLE

Financing Construction of Municipal Wastewater Treatment Facilities

II. SUMMARY

A. Issue Summary

Changes in the federal construction grants program for the construction of municipal wastewater treatment facilities have led to the discussion of the proper role for State Government to undertake in this issue. There are some cities that are aggravating pollution problems or are experiencing constrained residential and industrial growth as a result of inadequate treatment facility. The Team charge was to evaluate what type of assistance program the State should consider in addressing this issue.

B. Findings

The conclusions of the Team are:

- The State has a significant concern in the abatement of pollution and the related impact on tourism, residential and industrial expansion,
- The environment of Minnesota is suffering from the lack of adequate wastewater treatment facilities in approximately 500 municipalities,
- The industrial and residential growth of some Minnesota municipalities is being impacted by the lack of adequate wastewater facilities,
- Cities are required to provide adequate treatment facilities to meet Federal standards regardless of the availability of grant funds by July 1, 1988,
- The Federal Construction Grants Program does not contribute sufficient funds to Minnesota municipalities to adequately address this problem, and
- There exists approximately \$520 million in grant eligible "needs" for those facilities for which no Federal or State financial assistance currently exists.

C. Recommended Course of Action

The Team recommends that the Governor propose that the State Legislature adopt legislation establishing a State Grant Program for the construction of municipal wastewater treatment facilities that would embody the following principles:

The State Grant Program

- The State should establish an independent grants program for 50 percent of the cost of design and construction, commencing with State FY 1985.

- Eligible costs should parallel U.S. Environmental Protection Agency (EPA) eligibility criteria, except the State grants program would fund the construction of 20 year design capacity in the treatment facility.
- A 65 percent grant should be awarded to those municipalities required to construct some type of advance wastewater treatment facilities.
- The current 15 percent matching grants program should be terminated after the Federal FY 84 projects are funded.
- Municipalities should be required to establish a dedicated sinking fund funded by equitable user charges to fund future construction needs.
- The State grant program should include a set aside of up to 10 percent for cities threatened with imminent loss of new jobs or other economic loss directly the result of inadequate treatment facilities.

Administration

- Parallel administration to the Federal Construction Grants Program so as to maximize the use of Federal Construction Grants Program funds allocated to the State of Minnesota, increase administrative efficiency, and allow cities to take advantage of either program.

Federal Action

- The State should pursue continued Federal funding for the Federal Construction Grant Program.

D. Budget

The budget for FY 1985 would consist of \$7.8 million for the independent grants program, \$4.2 million to terminate 15 percent state matching grants program (\$4.6 million is already available for projects on the FY 1984 list), and \$342,825 for administrative costs. The independent grants program would require approximately \$50 million for each of the five fiscal years from FY 86 through FY 90.

- The State should evaluate alternative sources of funding for the independent grants program beyond FY 1985.

E. Time Table

It is recommended that this program be funded through 1990 to allow municipalities to provide adequate treatment facilities and meet Federal standards.

II. BACKGROUND

The 1972 amendments of the Federal Clean Water Act (PL 92-500) established a comprehensive program aimed at secondary treatment of all municipal wastewater treatment facilities and provided a federal financial assistance program to pay 75 percent of the construction costs.

The federal wastewater treatment construction grants are administered by the U.S. EPA or by states, such as Minnesota, to which administration has been delegated. Under Minnesota Statutes, chapter 116, the MPCA also administers a state matching grants program whereby the state provides a 15 percent matching grant to the federal 75 percent grant, leaving a local share of ten percent of the project costs.

Federal funds allocated to Minnesota communities through fiscal year 1983 have amounted to a total of \$797,323,892 out of a nation-wide appropriation of \$42,685,837,000. State matching funds during the same time period have been \$151,900,000.

Federal appropriations, however, have lessened significantly over the past several years. From a 1976 high point of \$9,000,000,000 nationally with a Minnesota allocation of \$172,024,500, the amounts have subsequently decreased to the present figure of \$2,400,000,000 nationally with a Minnesota allocation of \$44,964,000. The annual expenditure of State matching funds has likewise decreased from \$34,404,900 to \$8,543,160 over those same years.

Various examples of the program's accomplishments can be given. The Western Lake Superior Sanitary District's wastewater treatment facility, built in the mid '70's, has resulted in dramatic improvement in the St. Louis River and Bay area of the Duluth Lake Superior Harbor area. Improvements in fish numbers, water quality, and the recreational use of the river have exceeded all expectations. High quality recreational waters have also been protected by the construction of an on-land disposal system for the wastewater of the City of Walker, which had previously discharged directly into a recreational area of Leech Lake. A similar example is the elimination of six sewage treatment plants discharging into Lake Minnetonka, a lake used by thousands of metro area residents.

Other projects are underway. Continuing construction at the Metropolitan Waste Control Commission Metro Plant over the past ten years has done a great deal to improve the quality of that facility's discharge into the Mississippi. A project to remove the discharge of the City of Glenwood from Lake Minnewaska is scheduled to begin within a year. Bemidji has recently received a construction grant to

upgrade its wastewater treatment discharge to the Bemidji, Cass, Wolf, and Andrusia chain of lakes. Rochester, Albert Lea, and Moorhead have major wastewater treatment facility plants recently completed or nearing completion.

Much remains to be done. From a detailed 1982 survey conducted by EPA, approximately 715 Minnesota municipalities have been identified as still having a need for new or updated wastewater treatment facilities to bring their discharges into compliance with state water quality standards. The total cost of meeting these needs (in 1982 dollars) is expected to be \$1.2 billion. It must be noted that these needs are estimates and were proposed in the context of a total Federal and State grants participation of at least 90 percent. The total breaks down as follows (categories I, II, IIIA, and IVB are considered to be "compliance-related" and hence eligible for funding under the federal grants program):

I secondary treatment	\$ 580,000,000
II advanced treatment	126,000,000
IIIA infiltration/inflow repair	28,000,000
IIIB sewer repair	17,000,000
IVA new collector construction	158,000,000
IVB new interceptor construction	253,000,000
TOTAL	\$1,162,000,000

Of this total need, approximately \$415 million will be met by 1988 using Federal, State and local funds. This presumes that the EPA program will continue to provide funding (\$45 million annually allocated to Minnesota) through 1988. Since about \$220 million of the total need listed above is ineligible, a balance of \$527 million of eligible needs remains. This figure is from the 1982 EPA Needs Survey which reflects estimates probably influenced by the assumption that federal and state programs would meet at least 90 percent of the construction costs. It is possible that the number of communities with needs may decrease by as much as 25 to 30 percent under the amended grant program, leaving perhaps 500 communities with wastewater treatment construction needs.

Minnesota, as well as most states nationally, has recognized the fiscal shortfall as a major problem in meeting the Clean Water Act requirement that municipalities be in compliance with Federal Standards by July 1, 1988.

The combination of a reduced federal share of project costs and the acceptance of the 1988 compliance deadline would mean an increased burden on local communities, both to finance new construction and to pay for operation and maintenance.

The greatest impact of attempting to meet treatment needs by 1988 under a reduced federal grant program would be on low population communities with populations of 250 or less. With no financial assistance, average annual household costs for sewage treatment in these cities could rise by 280 percent (from \$93 to \$354), with costs per household in individual communities exceeding \$1,000. On a statewide average, the increase could be 174 percent.

For a community that does not provide adequate wastewater treatment, economic costs can take the form of lost industry, commerce, and residential development (Congressional Budget Office, 1983).

In cases in which an industry has selected several alternative sites based on general locational criteria, the availability of adequate wastewater treatment facilities ranks as an important consideration (Border Cities Study, 1983). The importance of such a facility may be expanded by the type of industry involved (e.g., a food processing industry with large wastewater treatment requirements). The City of Perham provides a current case study of this problem. Inadequate wastewater treatment can also limit a communities's ability to allow existing industry and development to grow. Where communities depend on a single industry with substantial wastewater treatment requirements, the maintenance and rehabilitation of these systems can be an important infrastructure investment consideration.

III. Program Options

The MPCA contracted in 1983 with Peat, Marwick, Mitchell and Company (in association with the Government Finance Research Center of the Municipal Finance Officer Association, Donohue and Associates, and Briggs and Morgan law firm) to prepare a report entitled "Evaluation of Alternative State Aid and Other Programs for Financing Construction of Municipal Wastewater Treatment Facilities". This report was completed October 1, 1983.

The contractor's report provided the basis for review of program options to address the issue. Attachment A summarizes the options identified by the contractor and considered by the work team. The work team considered the current state program, the EPA Needs Survey information, the assistance program of other states, and other pertinent data.

The alternative of "no change" was also considered. No change (i.e., continuation of the States 15 percent matching grants program in conjunction with the Federal 55 percent grants program through 1988) would result in communities shouldering 79 percent of the burden of providing wastewater

treatment, i.e., about \$849.6 million. Over 280 communities would exceed EPA guidelines for cost as a percentage of overall household income.

IV. Findings and Conclusions

The TEAM reached the following conclusions:

1. Inadequate wastewater treatment has a serious effect on the state's environment and economic development.
 - The environment of Minnesota is suffering from the lack of adequate wastewater treatment facilities at approximately 500 wastewater treatment sites
 - Municipal residential and industrial growth are being restricted by the lack of adequate wastewater treatment facilities.
 - The lack of adequate wastewater treatment is a factor in the possible loss of new or existing jobs in municipalities.
2. A new State assistance program is necessary to aid communities in meeting Federal compliance requirements.
 - The Federal Construction Grants Program is inadequate to address the financial burden imposed on municipalities to reach the compliance deadlines imposed by the Federal Clean Water Act.
 - The only meaningful reduction in local shares could be obtained through a grant program.
 - Alternative aid programs are being developed across the nation by those states who concluded that loan interest subsidies or bond interest subsidies did not provide a significant cost reduction for local municipalities.
 - The Clean Water Act's deadline of 1988 for compliance with the National Water Quality Goals would be very difficult for Minnesota municipalities to meet, in the absence of some type of state financial assistance program.
3. The State assistance program should be in the form of a grant program, as grants provide the most significant means of reducing local shares.
 - The Minnesota Pollution Control Agency, in concert with its administration of the Federal Construction Grants Program, should administer a State financial construction grants program for communities not receiving federal grants. Staff increases to accommodate the added administration would be needed.
 - A setaside of up to 10 percent should be established to allow early assistance for municipalities who face an imminent economic

hardship because of the existence of inadequate wastewater treatment facilities.

- Municipalities should be required to establish a dedicated sinking fund funded by user charges to allow for the ultimate elimination of their reliance on federal or state grants for the replacement or upgrading of wastewater treatment facilities.
- The MPCA should closely review the "needs" of each municipality to assure that only reasonable pollution control facilities are required.
- In addition to the base state grant, communities who face the cost of advanced treatment should receive added funding.
- The Construction Grants Program should consider, as an eligible cost of the project, 20 year reserve capacity so as to allow for reasonable residential and industrial commercial growth within that city.

V. Recommendations

It is recommended that:

1. The State establish a Construction Grants Program that would incorporate the following principles:
 - A 50 percent grant program grant to all municipalities with 15 percent additional for projects required to have advanced treatment
 - A State program be parallel to the Federal program except the State grant program would provide for 20 year reserve capacity as an eligible cost.
 - A setaside of up to 10 percent for economic development projects
 - A required dedicated sinking fund to capitalize replacement costs
2. The current 15 percent matching grants program be terminated after the FY 84 projects are funded.
3. The State commit to this program approximately \$263 million dollars (in 1982 dollars) over the next six years to assure compliance with the Clean Water Act goals. This would include necessary staffing and administrative overhead.

A draft bill has been prepared to implement these recommendations and a copy is attached as Attachment E.

VI. Funding Implications

Attachment B summarizes the cash flow projection for the proposal made herein.

Attachment C is a copy of the Supplemental Budget Request and attachments summarizing the grant program budget and administrative costs.

Attachment D is a Resource Analysis from which the staffing projection was developed.

VI. Attachments

Attachment A - Summary of Financial Alternatives

Attachment B - Table of Cash Flow Projections

Attachment C - Supplemental Budget Request

Attachment D - Resource Analysis for State Construction
Grants Program

Attachment E - Copy of the proposed bill

ATTACHMENT A

SUMMARY OF FINANCIAL ALTERNATIVES

Program Characteristics	Grant Programs				Loan and Interest Subsidy Programs				
	Straight	Directed	Sliding Scale	Variable	State Guarantee	Interest Subsidy	Guarantee and Subsidy	Bond Bank	Revolving Loan
Description	Fixed percent to all projects	Fixed percent to certain projects	Different percent to selected projects	Variable percent to selected projects	State guarantees local borrowing	State pays a Portion of local interest	Guarantees and pays a portion	State packages local loans	State Loans funds to city at state rating
Example or Impact	50 percent to all	50 percent if above EPA Guideline 0 percent if below	50 percent above EPA Guideline 25 percent if below Guideline	Variable percent to reduce cost to EPA Guideline	Lowers Interest Rate to Localities	Reduces Local Costs	Lower Rate and Reduced Cost	Lower Rate	State Rate
Advantages and Disadvantages									
. Administrative Feasibility	Uses Existing System	Existing System plus new criteria	New Calculations required	Complex Administration	New Procedures	New Procedures and Payment System	New Procedures and Payment System	New Agency	New Agency
. Cost to State	Potentially Expensive	Less Expensive	Less Expensive	Less Expensive with Cap	Inexpensive	Potentially Expensive	Potentially Expensive	Inexpensive	Inexpensive
. Effective Reduction of Local Costs	Yes	Yes	Yes	Yes	No	Yes	Yes	No	No
. New Legislation Required	Yes	Yes	Yes	Yes	Yes*	Yes**	Yes**	Yes***	No
. Type of New Legislation Required	Minor Amendment to Ch. 116	Minor Amendments to Ch. 116	Minor Amendments to Ch. 116	Minor Amendments to Ch. 116	Possible Constitutional Amendment and Changes to Ch. 116	Changes to Ch. 116	Possible Constitutional Amendment and Changes to Ch. 116	Constitutional Amendment, New Statute and Amendment to Ch. 475	Clarifying legislation for Ch. 116

* Existing guarantee backed by a limited fund (\$400M), broader guarantee would require constitutional amendment.

** Interest subsidizes would have to be funded by annual appropriations rather than state bonds.

*** If a loan guarantee is included in the bond bank program the same constitutional restrictions applicable to a straight guarantee program would apply.

ATTACHMENT A (Continued)

SUMMARY OF FINANCIAL ALTERNATIVES

Program Characteristics	Assistance Programs		
	O&M Subsidy	Industrial Cost Recovery	Privatization
Description	State pays a portion of local O&M Costs	Special Tax on Surcharge to Industry	Private Companies Own and Operate Plants for City
Example or Impact	Lower Local Costs	Increases Cost to Industry	Potentially lowers Net Cost to City
Advantages and Disadvantages			
. Administrative Feasibility	New Procedures	New Procedures	Several Unknowns
. Cost to State	Potentially Expensive	Burden to Industry State and City	Potentially Inexpensive for
. Effective Reduction	Yes	No	Yes
. New Legislation Required	No	Yes	Yes
. Type of New Legislation Required	N/A	Amendments to Ch. 116	Clarifying legislation to Ch. 475

Taken from "Evaluation of Alternative State Aid and Other Programs for Financing Construction of Municipal Wastewater Treatment Facilities, October, 1983" prepared by Peat, Marwick, Mitchell & Company, in association with the Government Finances Research Center of the Municipal Finance Officer Association, Donahue and Associate and Briggs and Morgan law firm.

ATTACHMENT B

	STATE	FY	84	85	86	87	88	89	90	91	92
<u>CURRENT PROGRAM</u>											
	FED \$		44.0	44.0	44.0	44.0	44.0	?	--	--	--
	75% - FY 84										
	55% after FY 84										
	STATE		8.8	12.0	12.0	12.0	12.0	--	--	--	--
	15% match										
<u>PROPOSED PROGRAM</u>											
	FED \$		44.0	44.0	44.0	44.0	44.0	?	--	--	--
	75% - FY 84										
	55% after FY 84										
	STATE - 15% matching		8.8	0	0	0	0	--	--	--	--
	STATE - 50% Independent		--	6.8	46.0	46.0	46.0	46.0	46.0	--	--
	65% AWT		--	1.0	4.0	4.0	4.0	4.0	4.0	--	--
	Total State Independent		--	7.8	50.0	50.0	50.0	50.0	50.0	--	--
	TOTAL STATE OBLIGATION		8.8	7.8	50.0	50.0	50.0	50.0	50.0	--	--
CASH FLOW PROJECTIONS											
Goal	STATE - 15% matching (FY 83 & Prior)	7.4	4.3	1.8	.4	--	--	--	--	--	--
	STATE - 15% matching (FY 84)										
	- Bonding (\$4.6 million)	0.8	3.5	0.3	0	0	0	0	0		
	- Proposed Bond Fund (\$4.2 million)	0	0	2.3	1.4	0.4	0.1	0			
	STATE - 50% Independent (65% AWT)	0	.7	7.7	26.9	40.8	47.9	50.0	45.5	25.5	
	TOTAL CASH FLOW PROJECTIONS		8.2	8.5	12.1	28.7	41.2	47.9	50.0	45.5	25.5
	PROPOSED BILL CASH FLOW (\$12 million) (Includes proposed bond fund (\$4.2 million) for matching grants and \$7.8 million for 50% independent grants program (only for FY 85 appropriation))	0	0.7	5.4	3.7	1.6	0.6				

1984 LEGISLATIVE SESSION - SUPPLEMENTAL BUDGET REQUEST Attachment C

AGENCY : Pollution Control Agency REQUEST TITLE: Independent State Wastewater
 PROGRAM : Water Pollution Control Facility Construction Grants
 BUDGET ACTIVITY: Wastewater Facility Construction Program (Revised 3/13/84)

Expenditures by Fund	Governor's Recommendation	
	F.Y. 1984	F.Y. 1985
<ul style="list-style-type: none"> General - Old GRANTS Bond Fund - New GRANTS General - New ADMINISTRATION 	\$	(\$ 12,000,000*) 12,000,000 342,800 <hr/> \$ 12,342,800
Revised Total		
Positions by Fund		
<ul style="list-style-type: none"> General 		12.0

NOTE: This recommendation will be presented in separate legislation.

STATEMENT OF REQUEST/OBJECTIVE: The Governor recommends the above dollar and complement amounts in order to initiate an independent state municipal wastewater treatment facility construction grants program, which will provide 50% grants to municipalities. The objectives of this program are to provide grant assistance to municipalities to plan, design, and construct wastewater treatment facilities so that the state will be able to meet national water quality goals and so that municipalities may provide basic services which ensure maintenance of public health and allow for continuing economic development.

BACKGROUND: Within the state of Minnesota there currently is a need for approximately \$1.1 billion in municipal wastewater treatment facility construction. As many as 500 municipalities are estimated to have a need for new or upgraded wastewater treatment facilities to bring their wastewater discharges into compliance with state water quality standards. Since 1956, there have been various federal and state grant programs. The current federal program (by which \$45 million is allocated to Minnesota annually) provides grants which pay 75% of eligible costs. The state provides

an additional 15% which leaves the municipality with the remaining 10%. However, after 9-30-84 the federal contribution will be reduced to 55%. While it is anticipated that the federal program will continue until 1988, the level of funding will not be sufficient to meet the wastewater needs of the state. The lack of adequate wastewater treatment facilities has, in certain cities, restricted industrial growth and residential construction.

RATIONALE: Water is an important natural resource of the state of Minnesota. Municipal wastewater discharges are a major contribution to water pollution. The reduction of pollution from municipalities to ensure high quality waters in the state is capital intensive; however, municipalities have limited resources to invest in wastewater treatment construction. However, as the availability of federal funding for grants decrease, there are fewer resources to assist communities, especially smaller ones.

In addition, the Federal Clean Water Act requires that municipalities meet their water quality standards by 7-1-88. Failure to meet these standards may result in the application of significant sanctions upon the state and the violating community. The state program will greatly assist communities in meeting the national requirements

If this is an increase to an existing appropriation, enter the legal citation:

Draft legislation ☐ has been ☒ will be ☐ will not be submitted for introduction.

1984 LEGISLATIVE SESSION - SUPPLEMENTAL BUDGET REQUEST (CONTD.)

AGENCY: Pollution Control Agency (Contd.)

The budget recommendation for F.Y. 1985 consists of \$7.8 million for the independent grant program, \$4.2 million to terminate the 15% state matching grants program at the end of Federal Fiscal Year 1984, and \$342,800 for administrative costs. The independent grants program will be phased in during F.Y. 1984. Thereafter the program will require approximately \$50 million per each of the 5 fiscal years from F.Y. 1986 through F.Y. 1990.

Since the federal program will reduce its grant contribution from 75% to 55% for F.Y. 1985, the new state program will closely coincide with the federal program by providing 50% grants. This will allow more communities to receive federal and state funding than in the past and allow residential and industrial expansion. The new state program will no longer provide the current 15% match.

PERFORMANCE

MEASURES:	<u>F.Y. 1984</u>	<u>F.Y. 1985</u>
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Projects to be constructed with 50% state contribution.		13
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Projects to be constructed with 15% state match and 75% federal contribution.	28	
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Outstate communities to be given facility planning grants.		17
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Outstate communities to be given facility design grants.		9
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Federal fund projects at 55% federal contribution (approximate, depending on project readiness to proceed).		24
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*The net savings to the General Fund for F.Y. 1985, is \$700,000 since \$11,300,000 was previously considered as a General Fund cancellation.

STATE OF MINNESOTA
DEPARTMENT OF FINANCE

1983 CAPITAL BUDGET
PROJECT DETAIL REQUEST

Agency Name: Pollution Control Agency

Estimated Costs:

<u>Institution:</u>	Land Acquisition	\$
<u>Request Title:</u> Independent State Wastewater Construction Grants Program	Construction	\$
	Non-Building Costs - Grants	\$ 12,000,000
<u>Description:</u>	Architect Fees	\$
	Equipment	\$
	Site Work	\$
	Other	\$
	Total Project Cost	\$
	Total for this Request Only	\$
	Cost/Gross Square Foot	\$
	Cost/Assignable Square Foot	\$
	Governor's Recommendation	\$ 12,000,000

The objectives of this program are to provide grant assistance to municipalities to plan, design, and construct wastewater treatment facilities so that the state will be able to meet national water quality goals and so that municipalities may provide basic services which ensure maintenance of public health.

Rationale for Project:

As many as 500 communities are estimated to have a need for new or upgraded wastewater treatment facilities to bring wastewater discharges into compliance with state and federal water quality standards. The reduction of pollution from municipalities to ensure high quality waters in the state is capitol intensive; however, municipalities have limited resources to invest in wastewater treatment construction and as the availability of federal funding for grants decrease, there are fewer resources to assist communities, especially the smaller ones.

Changes in Operating Expenses:

Operating costs will increase by approximately \$342,800 in F.Y. 1985. The operating funds are being requested as a General Fund appropriation.

Explanation of Governor's Recommendation:

The Governor recommends approval of the request to fund an independent state wastewater facility construction grants program. Cash flow from bond sales for this program would appear as follows:
(in millions)

<u>F.Y. 1985</u>	<u>F.Y. 1986</u>	<u>F.Y. 1987</u>	<u>F.Y. 1988</u>	<u>F.Y. 1989</u>
\$.7	\$ 5.4	\$ 3.7	\$ 1.6	\$.6

INDEPENDENT STATE WASTEWATER TREATMENT CONSTRUCTION GRANTS PROGRAM

BUDGET DETAIL

OBJECT CODE	DESCRIPTION		\$ FY 1984	\$ FY 1985
01	Personnel*		0	296,742
	<u>FTE</u> <u>CLASSIFICATION</u>	<u>BUDGET</u>		
	1.0 Planning Grants Analyst Principal, Supervisor	19,654*		
	1.0 Clerk Typist 1	13,529		
	1.0 Word Processing Operator	10,555*		
	1.0 Engineer Senior	28,169		
	1.0 Engineer Senior	28,169		
	1.0 Engineer, II	24,481		
	1.0 Engineer, I	22,103		
	1.0 Planner, Intermediate	20,488		
	1.0 Soil Scientist I	20,488		
	1.0 Planning Grants Analyst, Senior	22,648		
	1.0 Planning Grants Analyst, Intermediate	20,488		
	1.0 Planning Grants Analyst	18,591		
	<u>12.0 TOTAL</u>	<u>249,363</u>		
	FRINGE at 19% salary	47,379		
14	Printing		0	2,011
	Grant Forms, Procedures, etc	800		
	Duplicating	1,211		
16	Professional/Technical Services		0	12,000
	Rule Making Hearings 4 days at \$3,000 per day including notice in State Register			
20	Communications		0	5,300
	Telephone	5,000		
	Postage and Freight	300		
21	Instate Travel		0	2,000
	General Travel Expenses	1,000		
	Motor Pool Rental	1,000		
29	Fees		0	700
	Professional Memberships	700		
30	Supplies			
	General Office	1,500	0	1,500

*The personnel listed are less highly paid than formerly estimated.
In addition, two people will not be transferred into the program until
October 1, 1984.

INDEPENDENT STATE WASTEWATER TREATMENT CONSTRUCTION GRANTS PROGRAM

BUDGET DETAIL

<u>OBJECT CODE</u>	<u>DESCRIPTION</u>	<u>\$ FY 1984</u>	<u>\$ FY 1985</u>
40	Equipment	0	22,572
	10 Desks at 390 ea	3,900	
	2 Desks (clerical) at 536 ea	1,072	
	10 Credenzas at 480 ea	4,800	
	12 Chairs, Swival at 125 ea	1,500	
	10 Side Chairs at 70 ea	700	
	4 Calculators at 150 ea	600	
	Accoustical Partitions	3,000	
	1 Word Processing Unit	7,000	
722	Human Services		12,000,000
	Fiscal Year 1984 15% State 4,200,000		
	Match to Federal		
	Construction Grants		
	Program		
	Fiscal Year 1985 Projects 7,800,000		
	13 Construction Projects		
	(5,070,500 Outstate,		
	1,560,000 Metro)		
	17 Step 1 Planning		
	Grants (467,500)		
	9 Step 2 Design Grants		
	(702,000)		

BUDGET SUMMARY

<u>OBJECT CODE</u>	<u>DESCRIPTION</u>	<u>\$ FY 1984</u>	<u>\$ FY 1985</u>
01	Personnel	0	296,742
10-40	Expenses, Supplies and Equipment	0	46,083
	10-29 Expenses	22,011	
	30 Supplies	1,500	
	40 Equipment	22,572	
01-40	TOTAL		342,825
722	Human Services Grants		12,000,000
			<hr/> 12,342,825 <hr/>

RESOURCE ANALYSIS
FOR
STATE CONSTRUCTION GRANTS PROGRAM

DIVISION OF WATER QUALITY
13 January 1984

KHN

INTRODUCTION

This resource analysis is for the purpose of supporting the staffing resource requirements for the Independent State Construction Grants Program for Fiscal Year 1985.

ASSUMPTIONS

1. That \$12,000,000 will be appropriated by the Legislature for use in the State Construction Grants Program for Fiscal Year 1985.
2. That of the \$12,000,000, \$4,200,000 is needed to support the 15% State match for the current Federal Construction Grants Program for Fiscal Year 1984.
3. That of the \$12,000,000, \$7,800,000 will be used to fund the following types of construction grants projects:
 - a. 13 Construction Projects totalling \$6,630,500 of which \$5,070,500 would be dedicated to Outstate projects and no more than \$1,560,000 to Metro Area projects.
 - b. 17 Step 1 Planning Grants totalling \$467,500
 - c. 9 Step 2 Design Grants totalling \$702,000

ANALYSIS

TABLE 1: Number of Major Work Tasks, presents the major functions needed to be accomplished for the above described program. It sets the basic parameters for the detailed work effort requirements as described in Table 4.

TABLE 4: Detailed Work Effort Requirements outlines the work functions by major function type and by the three steps of the construction grants program (i.e. Step 1, planning, Step 2, design, Step 3, construction.) Each work task is performed by one or more staff specialities; and these are noted by a staffing code. Each work function also has an incremental time factor, which is the amount of time necessary to do one iteration of a given task. The incremental time factors are the result of many years experience in conduction the Federal/State match construction grants program. In order to determine the number of hours necessary to perform a given work function, the incremental time factor for each staff specialty is multiplied by the goal for the Fiscal Year. The goal is the number of tasks which are necessary to be performed to accomplish the major work tasks as described in TABLE 1. The total number of hours for each primary work area is presented at the appropriate points in TABLE 4.

CONCLUSIONS

TABLE 3: Staffing Requirements by Major Task Area presents the staffing requirements developed in TABLE 4. To determine the full

TABLE 1: NUMBER OF MAJOR WORK TASKS

MAJOR WORK TASKS	FISCAL YEAR 1985
<u>GRANTS ADMINISTRATION AND FISCAL REVIEW</u>	
Step 1 Planning Application Reviews	17
Step 2 Design Application Reviews	9
Step 2 User Charge Reviews	9
Step 3 Construction Application Reviews	13
Step 3 Bid Reviews	13
<u>ENGINEERING PRODUCT REVIEWS</u>	
Step 1 Facility Plan Reviews	17
Step 2 Plan and Specification Reviews	9
Step 3 Operation and Maintenance Manual Reviews	13
Step 3 Construction Change Orders	169

time staffing equivalent (FTE), the hours per staffing specialty are divided by 1560 which is the number of hours in a year which is available for the described functions. (The 1560 hours do not include vacation time, sick leave, and other administrative time including training.) TABLE 3 indicates that 12.1 FTE are needed to accomplish the goals of TABLE 1.

TABLE 2: Staffing Requirements for Fiscal Year 1985 presents the staffing necessary by classification for the Fiscal Year 1985 Program. It lists 12 positions totalling 12.0 FTE. TABLE 2 is the basic conclusion of this analysis.

TABLE 2: STAFFING REQUIREMENTS FOR FISCAL YEAR 1985

FTE	CLASSIFICATION
1.0	Planning Grants Analyst, Principal, Supervisor
1.0	Clerk Typist 1
1.0	Word Processing Operator 1
2.0	Engineer, Senior
1.0	Engineer, 2
1.0	Engineer, 1
1.0	Planner, Intermediate
1.0	Planning Grants Analyst, Senior
1.0	Planning Grants Analyst, Intermediate
1.0	Planning Grants Analyst
1.0	Soil Scientist, 1
12.0	TOTAL

TABLE 3: STAFFING REQUIREMENTS BY MAJOR TASK AREA

MAJOR TASK AREA	STAFFING CODE	FTE STAFFING
<u>PROGRAM MANAGEMENT, SUPERVISION AND CLERICAL</u>		
Unit Supervision	PGA-PR	1.0
Clerk Typist	CT1	1.0
Word Processing Operator 1	WP1	1.0
TOTAL		<u>3.0</u>
<u>GRANTS ADMINISTRATION AND FISCAL REVIEW</u>		
Step 1 Planning Activities	PGA	.5
Step 2 Design Activities	PGA	1.0
Step 3 Construction Activities	PGA	1.5
TOTAL		<u>3.0</u>
<u>GRANTS ADMINISTRATION AND TECHNICAL PRODUCT REVIEW</u>		
Step 1 Facility Plan Review	ENG	1.4
	PCS	.9
	SS	.7
		<u>3.0</u>
Step 2 Design Review	ENG	1.2
	SS	.4
		<u>1.6</u>
Step 3 Construction Review	ENG	1.4
	SS	.1
		<u>1.5</u>
TOTAL		<u>6.1</u>
TOTAL STAFFING NEEDS		<u>12.1</u>

Staffing Codes = PGA-PR (Planning Grants Analyst Principal) / CT (Clerk Typist) / WP (Word Processing) / PGA (Planning Grants Analyst) / ENG (Engineer) / PCS (Pollution Control Specialist) / SS (Soil Scientist)

TABLE 4: DETAILED WORK EFFORT REQUIREMENTS

WORK FUNCTION	STAFFING CODE	INCREMENTAL TIME FACTOR	FY 1985 GOALS	HOURS
<u>PROGRAM MANAGEMENT, SUPER- VISION AND CLERICAL</u>				
A. Unit Supervision	PGA-PR	1560	1	1560
B. Clerk typist/Word Processor Operator	CT1-WP01	1560	2	3120
TOTAL				4680
<u>GRANTS ADMINISTRATION AND FISCAL REVIEW</u>				
<u>STEP 1 PLANNING ACTIVITIES</u>				
A. Pre-Application Conferences	PGA	1	17	17
B. Application Review	PGA	10	17	170
C. Plan of Study Review	PGA	1	17	17
D. Needs Determination	PGA	1	17	17
E. A/E Subagreements	PGA	2	17	34
F. Cost Review	PGA	2	17	34
G. MBE/WBE/SBE Review	PGA	2	17	34
H. Grant Documents	PGA	2	17	34
I. Grant Amendments	PGA	7	34	238
J. Time Extensions	PGA	1	17	17
K. Payments	PGA	10	17	170
TOTAL				782
<u>STEP 2 DESIGN ACTIVITIES</u>				
A. Pre-Application Conferences	PGA	1	9	9
B. Application Review	PGA	24	9	216
C. Plan of Operation Review	PGA	1	9	9

WORK FUNCTION	STAFFING CODE	INCREMENTAL TIME FACTOR	FY 1985 GOALS HOURS	
D. A/E Subagreements	PGA	4	9	36
E. Cost Review	PGA	8	9	72
F. MBE/WBE/SBE Review	PGA	6	9	54
G. Grant Documents	PGA	2	9	18
H. User Charge	PGA	80	9	720
I. Financial Capability Review	PGA	22	9	198
J. Grant Amendments	PGA	8	18	144
K. Time Extensions	PGA	1	9	9
L. Amendment Documents	PGA	1	9	9
M. Payments	PGA	10	9	90
TOTAL				1584
<u>STEP 3 CONSTRUCTION</u>				
<u>ACTIVITIES</u>				
A. Pre-Application Conferences	PGA	1	13	13
B. Application Review	PGA	40	13	520
C. A/E Subagreements	PGA	4	13	52
D. Cost Review	PGA	8	13	104
E. MBE/WBE/SBE Review	PGA	10	13	130
F. Grant Documents	PGA	2	13	26
G. Final User Charge	PGA	5	13	65
H. Draft/Final Operation and Maintenance Manual	PGA	1	13	13
I. Start-Up Services	PGA	1	13	13
J. Change Orders	PGA	1	13	13
K. Bid Checklists	PGA	1	13	13
L. Bid Review	PGA	16	13	208

WORK FUNCTION	STAFFING CODE	INCREMENTAL TIME FACTOR	FY 1985 GOALS	HOURS
M. Bid Authorization	PGA	20	13	260
N. Land Acquisition Review	PGA	11	13	141
O. Grant Amendments	PGA	9	26	234
P. Time Extensions	PGA	1	13	13
Q. Amendment Documents	PGA	1	13	13
R. Payments	PGA	26	13	338
S. Inspection Coordination	PGA	8	13	104
TOTAL				<u>2275</u>
TOTAL GRANTS ADMINISTRATION AND FISCAL REVIEW				<u>4641</u>

GRANT ADMINISTRATION AND
TECHNICAL PRODUCT REVIEW

STEP 1 PLANNING REVIEW

A. Pre-Application Conferences	ENG PCS	1 1	17 17	17 17
B. A/E Subagreements	ENG	4	17	68
C. Cost Review	ENG	1	17	17
D. Grant Amendments	ENG PCS SS	6 2 2	34 34 34	204 68 68
E. Time Extensions	ENG	1	17	17
F. Environmental Inventory	PCS	4	17	68
G. Plan of Study	PCS	1	17	17
H. Mid-course Review	ENG PCS SS	8 8 8	17 17 17	136 136 136
I. Inflow/Infiltration Analysis	ENG	21	13	273
J. Sewer System Evaluation	ENG	33	2	66

WORK FUNCTION	STAFFING CODE	INCREMENTAL TIME FACTOR	FY 1985 GOALS	HOURS
K. Site Inspection	ENG	8	17	136
	PCS	8	17	136
	SS	8	17	136
L. Facility Plan Technical Review	ENG	32	17	544
	SS	32	17	544
M. Cost Effectiveness Analysis	ENG	22	17	374
N. Eligibility Determinations	ENG	14	17	238
O. Environmental Information Document	PCS	30	17	510
P. Environmental Assessment	PCS	22	17	374
Q. Public Meetings	ENG	8	17	136
	PCS	8	17	136
	SS	8	17	136
TOTAL				4708
<u>STEP 2 DESIGN REVIEW</u>				
A. Pre-Application Conferences	ENG	1	9	9
B. Application Review	ENG	12	9	108
C. Grant Amendments	ENG	4	18	72
D. Time Extensions	ENG	1	9	9
E. A/E Subagreements	ENG	3	9	27
F. Plan and Specification in Progress Review	ENG	25	9	225
	SS	6	9	54
G. Plan and Specification Technical Review	ENG	122	9	1098
	SS	72	9	648
H. Biddability and Constructability Coordination	ENG	8	9	72
I. Value Engineering	ENG	80	1	80
J. Plan of Operation Review	ENG	4	9	36
K. Plan and Specification Operability Review	ENG	16	9	144

WORK FUNCTION	STAFFING CODE	INCREMENTAL TIME FACTOR	FY 1985 GOALS HOURS	
TOTAL				<u>2582</u>
<u>STEP 3 CONSTRUCTION REVIEW</u>				
A. Pre-Application Conferences	ENG	1	13	13
B. Application Review	ENG	10	13	130
C. Amendment Review	ENG	4	26	104
D. Time Extensions	ENG	1	13	13
E. A/E Subagreements	ENG	3	13	39
F. Bid Review	ENG	2	13	26
G. Change Orders	ENG	6	169	1014
H. Operation and Maintenance Manual Review	ENG SS	30 8	13 13	390 104
I. Start-Up Services Review	ENG	21	13	273
J. Inspection Coordination	ENG	16	13	208
TOTAL				<u>2314</u>
TOTAL GRANT ADMINISTRATION AND TECHNICAL PRODUCT REVIEW				<u>9604</u>
TOTAL PROGRAM				<u>18925</u>

1/26/84

[REVISOR] XX/MP 84-3052

1 A bill for an act

2 relating to water pollution control; establishing an
3 independent state grants program for the construction
4 of municipal wastewater treatment facilities;
5 appropriating money; amending Minnesota Statutes 1982,
6 sections 115.03, subdivision 1; 116.16, subdivisions
7 2, 4, 5, 9, and by adding a subdivision; amending
8 Minnesota Statutes 1983 Supplement, section 116.18;
9 repealing Minnesota Statutes 1982, section 116.16,
10 subdivisions 6 and 7.

11

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

13 Section 1. Minnesota Statutes 1982, section 115.03,
14 subdivision 1, is amended to read:

15 Subdivision 1. The agency is hereby given and charged with
16 the following powers and duties:

17 (a) To administer and enforce all laws relating to the
18 pollution of any of the waters of the state;

19 (b) To investigate the extent, character, and effect of the
20 pollution of the waters of this state and to gather data and
21 information necessary or desirable in the administration or
22 enforcement of pollution laws, and to make such classification
23 of the waters of the state as it may deem advisable;

24 (c) To establish and alter such reasonable pollution
25 standards for any waters of the state in relation to the public
26 use to which they are or may be put as it shall deem necessary
27 for the purposes of this chapter and, with respect to the
28 pollution of waters of the state, chapter 116;

1 (d) To encourage waste treatment, including advanced waste
2 treatment, instead of stream low-flow augmentation for dilution
3 purposes to control and prevent pollution;

4 (e) To adopt, issue, reissue, modify, deny, or revoke,
5 enter into or enforce reasonable orders, permits, variances,
6 standards, regulations, schedules of compliance, and stipulation
7 agreements, under such conditions as it may prescribe, in order
8 to prevent, control or abate water pollution, or for the
9 installation or operation of disposal systems or parts thereof,
10 or for other equipment and facilities;

11 (1) Requiring the discontinuance of the discharge of
12 sewage, industrial waste or other wastes into any waters of the
13 state resulting in pollution in excess of the applicable
14 pollution standard established under this chapter;

15 (2) Prohibiting or directing the abatement of any discharge
16 of sewage, industrial waste, or other wastes, into any waters of
17 the state or the deposit thereof or the discharge into any
18 municipal disposal system where the same is likely to get into
19 any waters of the state in violation of this chapter and, with
20 respect to the pollution of waters of the state, chapter 116, or
21 standards or regulations promulgated or permits issued pursuant
22 thereto, and specifying the schedule of compliance within which
23 such prohibition or abatement must be accomplished;

24 (3) Prohibiting the storage of any liquid or solid
25 substance or other pollutant in a manner which does not
26 reasonably assure proper retention against entry into any waters
27 of the state that would be likely to pollute any waters of the
28 state;

29 (4) Requiring the construction, installation, maintenance,
30 and operation by any person of any disposal system or any part
31 thereof, or other equipment and facilities, or the
32 reconstruction, alteration, or enlargement of its existing
33 disposal system or any part thereof, or the adoption of other
34 remedial measures to prevent, control or abate any discharge or
35 deposit of sewage, industrial waste or other wastes by any
36 person;

1 (5) Establishing, and from time to time revising, standards
2 of performance for new sources taking into consideration, among
3 other things, classes, types, sizes, and categories of sources,
4 processes, pollution control technology, cost of achieving such
5 effluent reduction, and any non-water quality environmental
6 impact and energy requirements. Said standards of performance
7 for new sources shall encompass those standards for the control
8 of the discharge of pollutants which reflect the greatest degree
9 of effluent reduction which the agency determines to be
10 achievable through application of the best available
11 demonstrated control technology, processes, operating methods,
12 or other alternatives, including, where practicable, a standard
13 permitting no discharge of pollutants. New sources shall
14 encompass buildings, structures, facilities, or installations
15 from which there is or may be the discharge of pollutants, the
16 construction of which is commenced after the publication by the
17 agency of proposed regulations prescribing a standard of
18 performance which will be applicable to such source.
19 Notwithstanding any other provision of the law of this state,
20 any point source the construction of which is commenced after
21 May 20, 1973 and which is so constructed as to meet all
22 applicable standards of performance for new sources shall,
23 consistent with and subject to the provisions of section 306(d)
24 of the Amendments of 1972 to the Federal Water Pollution Control
25 Act, not be subject to any more stringent standard of
26 performance for new sources during a ten-year period beginning
27 on the date of completion of such construction or during the
28 period of depreciation or amortization of such facility for the
29 purposes of section 167 or 169, or both, of the Federal Internal
30 Revenue Code of 1954, whichever period ends first. Construction
31 shall encompass any placement, assembly, or installation of
32 facilities or equipment, including contractual obligations to
33 purchase such facilities or equipment, at the premises where
34 such equipment will be used, including preparation work at such
35 premises;

36 (6) Establishing and revising pretreatment standards to

1 prevent or abate the discharge of any pollutant into any
2 publicly owned disposal system, which pollutant interferes with,
3 passes through, or otherwise is incompatible with such disposal
4 system;

5 (7) Requiring the owner or operator of any disposal system
6 or any point source to establish and maintain such records, make
7 such reports, install, use, and maintain such monitoring
8 equipment or methods, including where appropriate biological
9 monitoring methods, sample such effluents in accordance with
10 such methods, at such locations, at such intervals, and in such
11 a manner as the agency shall prescribe, and providing such other
12 information as the agency may reasonably require;

13 (8) Notwithstanding any other provision of this chapter,
14 and with respect to the pollution of waters of the state,
15 chapter 116, requiring the achievement of more stringent
16 limitations than otherwise imposed by effluent limitations in
17 order to meet any applicable water quality standard by
18 establishing new effluent limitations, based upon section
19 115.01, subdivision 5, clause (b), including alternative
20 effluent control strategies for any point source or group of
21 point sources to insure the integrity of water quality
22 classifications, whenever the agency determines that discharges
23 of pollutants from such point source or sources, with the
24 application of effluent limitations required to comply with any
25 standard of best available technology, would interfere with the
26 attainment or maintenance of the water quality classification in
27 a specific portion of the waters of the state. Prior to
28 establishment of any such effluent limitation, the agency shall
29 hold a public hearing to determine the relationship of the
30 economic and social costs of achieving such limitation or
31 limitations, including any economic or social dislocation in the
32 affected community or communities, to the social and economic
33 benefits to be obtained and to determine whether or not such
34 effluent limitation can be implemented with available technology
35 or other alternative control strategies. If a person affected
36 by such limitation demonstrates at such hearing that, whether or

1 not such technology or other alternative control strategies are
2 available, there is no reasonable relationship between the
3 economic and social costs and the benefits to be obtained, such
4 limitation shall not become effective and shall be adjusted as
5 it applies to such person;

6 (9) Modifying, in its discretion, any requirement or
7 limitation based upon best available technology with respect to
8 any point source for which a permit application is filed after
9 July 1, 1977 upon a showing by the owner or operator of such
10 point source satisfactory to the agency that such modified
11 requirements will represent the maximum use of technology within
12 the economic capability of the owner or operator and will result
13 in reasonable further progress toward the elimination of the
14 discharge of pollutants;

15 (f) To require to be submitted and to approve plans and
16 specifications for disposal systems or point sources, or any
17 part thereof and to inspect the construction thereof for
18 compliance with the approved plans and specifications thereof;

19 (g) To prescribe and alter rules and regulations, not
20 inconsistent with law, for the conduct of the agency and other
21 matters within the scope of the powers granted to and imposed
22 upon it by this chapter and, with respect to pollution of waters
23 of the state, in chapter 116, provided that every rule or
24 regulation affecting any other department or agency of the state
25 or any person other than a member or employee of the agency
26 shall be filed with the secretary of state;

27 (h) To conduct such investigations, issue such notices,
28 public and otherwise, and hold such hearings as are necessary or
29 which it may deem advisable for the discharge of its duties
30 under this chapter and, with respect to the pollution of waters
31 of the state, under chapter 116, including, but not limited to,
32 the issuance of permits, and to authorize any member, employee,
33 or agent appointed by it to conduct such investigations or,
34 issue such notices and hold such hearings;

35 (i) For the purpose of water pollution control planning by
36 the state and pursuant to the Federal Water Pollution Control

1 Act, as amended, to establish and revise planning areas, adopt
2 plans and programs and continuing planning processes, including,
3 but not limited to, basin plans and areawide waste treatment
4 management plans, and to provide for the implementation of any
5 such plans by means of, including, but not limited to,
6 standards, plan elements, procedures for revision,
7 intergovernmental cooperation, residual treatment process waste
8 controls, and needs inventory and ranking for construction of
9 disposal systems;

10 (j) To train water pollution control personnel, and charge
11 such fees therefor as are necessary to cover the agency's
12 costs. All such fees received shall be paid into the state
13 treasury and credited to the water pollution control training
14 fund of the agency, from which the agency shall have the power
15 to make disbursements to pay expenses relating to such training;

16 (k) To impose as additional conditions in permits to
17 publicly owned disposal systems appropriate measures to insure
18 compliance by industrial and other users with any pretreatment
19 standard, including, but not limited to, those related to toxic
20 pollutants, and any system of user charges ratably as is hereby
21 required under state law or said Federal Water Pollution Control
22 Act, as amended, or any regulations or guidelines promulgated
23 thereunder; and

24 (l) To set a period not to exceed five years for the
25 duration of any National Pollutant Discharge Elimination System
26 permit; and

27 (m) To require a governmental subdivision that owns or
28 operates a wastewater disposal system to establish a dedicated
29 fund, funded through a user charge system or other system
30 acceptable to the agency, sufficient to cover the costs of
31 planning and constructing an adequate replacement system at the
32 end of the existing system's expected useful life.

33 Sec. 2. Minnesota Statutes 1982, section 116.16,
34 subdivision 2, is amended to read:

35 Subd. 2. [DEFINITIONS.] In this section and ~~section~~
36 sections 116.17 and 116.18:

1 (1) Agency means the Minnesota pollution control agency
2 created by this chapter;

3 (2) Municipality means any county, city, and town, the
4 metropolitan waste control commission established in chapter 473
5 and the metropolitan council when acting under the provisions of
6 that chapter or an Indian tribe or an authorized Indian tribal
7 organization, and any other governmental subdivision of the
8 state responsible by law for the prevention, control, and
9 abatement of water pollution in any area of the state;

10 (3) Pollution control fund means the Minnesota state water
11 pollution control fund created by subdivision 1;

12 (4) Bond account means the Minnesota state water pollution
13 control bond account created in the state bond fund by section
14 116.17, subdivision 4;

15 (5) Terms defined in section 115.01 have the meanings
16 therein given them;

17 (6) The eligible cost of any municipal project, except as
18 otherwise provided in clause (7), includes (a) preliminary
19 planning to determine the economic, engineering, and
20 environmental feasibility of the project; (b) engineering,
21 architectural, legal, fiscal, economic, sociological, project
22 administrative costs of the agency and the municipality, and
23 other investigations and studies; (c) surveys, designs, plans,
24 working drawings, specifications, procedures, and other actions
25 necessary to the planning, design, and construction of the
26 project; (d) erection, building, acquisition, alteration,
27 remodeling, improvement, and extension of disposal systems; (e)
28 inspection and supervision of construction; and (f) all other
29 expenses of the kinds enumerated in section 475.65.

30 (7) For state grant purposes hereunder, the eligible cost
31 for grant applicants shall be the eligible cost as determined by
32 the United States environmental protection agency under the
33 Federal Water Pollution Control Act, as amended, 33 U.S.C. 1314,
34 et seq. Notwithstanding this provision, for state grants under
35 section 116.18, subdivision 3, the eligible cost includes the
36 acquisition of land for stabilization ponds and the provision of

1 reserve capacity, which reserve capacity is sufficient to serve
2 the reasonable needs of the municipality for 20 years in the
3 case of treatment works and 40 years in the case of sewer
4 systems. Notwithstanding this provision, for state grants under
5 section 116.18, subdivision 3, the eligible cost does not
6 include the provision of collector sewers as defined in agency
7 rules or the provision of service to seasonal homes or the
8 control of combined sewer overflow or cost increases from
9 contingencies which exceed three percent of as-bid costs or cost
10 increases from unanticipated site conditions which exceed an
11 additional two percent of as-bid costs.

12 Sec. 3. Minnesota Statutes 1982, section 116.16,
13 subdivision 4, is amended to read:

14 Subd. 4. [DISBURSEMENTS.] Disbursements from the fund
15 shall be made by the state treasurer upon order of the
16 commissioner of finance at the times and in the amounts
17 requested by the agency in accordance with the state and federal
18 laws, rules, and regulations and-the-state-appropriation-acts
19 governing such disbursements; except that no appropriation or
20 loan of state funds for any project shall be disbursed to any
21 municipality until and unless the agency has by resolution
22 determined the total estimated cost of the project, and
23 ascertained that financing of the project is assured by:

24 (1) A grant to the municipality by an agency of the federal
25 government within the amount of funds then appropriated to that
26 agency and allocated by it to projects within the state; or

27 (2) A grant of funds appropriated by state law; or

28 (3) A loan authorized by state law; or

29 (4) The appropriation of proceeds of bonds or other funds
30 of the municipality to a fund for the construction of the
31 project; or

32 (5) Any or all of the means referred to in paragraphs (1)
33 to (4); and

34 (6) An irrevocable undertaking, by resolution of the
35 governing body of the municipality, to use all funds so made
36 available exclusively for the construction of the project, and

1 to pay any additional amount by which the cost of the project
2 exceeds the estimate, by the appropriation to the construction
3 fund of additional municipal funds or the proceeds of additional
4 bonds to be issued by the municipality; and

5 (7) Conformity of the project and of the loan or grant
6 application with the state water pollution control plan as
7 certified to the federal government and with all other
8 conditions under state and federal laws, rules, and regulations
9 for a grant of state or federal funds of the nature and in the
10 amount involved.

11 Sec. 4. Minnesota Statutes 1982, section 116.16,
12 subdivision 5, is amended to read:

13 Subd. 5. [RULES.] The agency shall promulgate permanent
14 rules and may promulgate temporary rules for the administration
15 of grants and loans authorized to be made from the fund or from
16 federal funds under the Federal Water Pollution Control Act, as
17 amended, which rules, however, shall not be applicable to the
18 issuance of bonds by the commissioner of finance as provided in
19 section 116.17. The rules shall contain as a minimum:

20 (1) procedures for application by municipalities;
21 (2) conditions for the administration of the grant or loan;
22 (3) criteria for eligibility the ranking of projects in
23 order of priority for grants or loans, including-these-specified
24 in-subdivision-6 based on factors including but not limited to
25 the extent and nature of pollution, technological feasibility,
26 assurance of proper operation and maintenance and replacement,
27 and participation in multi-municipal systems; and

28 (4) such other matters as the agency and the director find
29 necessary to the proper administration of the grant program.

30 Except as otherwise provided in sections 116.16 to 116.18,
31 the rules for the administration of state grants under section
32 116.18, subdivision 3, must comply, to the extent practicable,
33 with provisions relating directly to protection of the
34 environment contained in the Federal Water Pollution Control
35 Act, as amended, and regulations and guidelines of the United
36 States environmental protection agency promulgated under the

1 act, except provisions regarding allocation contained in section
2 205 of the act and regulations and guidelines promulgated under
3 section 205 of the act.

4 Sec. 5. Minnesota Statutes 1982, section 116.16,
5 subdivision 9, is amended to read:

6 Subd. 9. [APPLICATIONS.] Applications by municipalities
7 for grants or loans from the fund shall be made to the director
8 of the agency on forms requiring information prescribed by rules
9 of the agency. The director shall certify to the agency those
10 applications which appear to meet the criteria set forth in
11 sections 116.16 to 116.18 and the rules promulgated hereunder,
12 and the agency shall award grants or loans on the basis of the
13 criteria and priorities established in its rules and in sections
14 116.16 to 116.18. A municipality that is designated under
15 agency rules to receive state or federal funding and that does
16 not make timely application for or that refuses the funding is
17 not eligible for either state or federal funding in that fiscal
18 year or the subsequent year.

19 Sec. 6. Minnesota Statutes 1982, section 116.16, is
20 amended adding a subdivision to read:

21 Subd. 9a. [SUBSEQUENT GRANTS.] No municipality awarded
22 before July 1, 1983, a final grant of federal funding under the
23 program established by the 1972 Federal Water Pollution Control
24 Act amendments is eligible for such additional federal funding
25 or for state funding under the program established by section
26 116.18, subdivision 3, unless the funding is necessary for the
27 provision of increased capacity or as a result of subsequent
28 changes in state water quality standards, effluent limits, or
29 technical design requirements. No municipality awarded on or
30 after July 1, 1983, a final grant of federal funding under the
31 program established by the 1972 Federal Water Pollution Control
32 Act amendments or of state funding under the program established
33 by section 116.18, subdivision 3, is eligible for such
34 additional funding, unless the funding is necessary as a result
35 of subsequent changes in state water quality standards, effluent
36 limits, or technical design requirements.

1 Sec. 7. Minnesota Statutes 1983 Supplement, section
2 116.18, is amended to read:

3 116.18 [WATER POLLUTION CONTROL FUNDS; APPROPRIATIONS AND
4 BONDS.]

5 Subdivision 1. [APPROPRIATION FROM THE FUND.] The sum of
6 ~~\$155,000,000~~ \$167,000,000, or so much thereof as may be
7 necessary, is appropriated from the Minnesota state water
8 pollution control fund in the state treasury to the pollution
9 control agency, for the period commencing on July 23, 1971 and
10 ending June 30, 1985, to be granted and disbursed to
11 municipalities and agencies of the state in aid of the
12 construction of projects conforming to section 116.16, in
13 accordance with the rules, priorities, and criteria therein
14 described. ~~Except-as-otherwise-provided-in-this-subdivision-and~~
15 ~~in-subdivision-2,-these-state-funds-shall-be-expended-at-15-per~~
16 ~~centum-of-the-eligible-cost-of-construction-and-shall-be~~
17 ~~expended-only~~

18 Subd. 2. [STATE MATCHING GRANTS PROGRAM.] For projects
19 tendered, by September 30, 1984, a grant of federal funds under
20 section 201(g), section 202, section 203 or section 206(f) of
21 the Federal Water Pollution Control Act, as amended, 33 U.S.C.
22 1314 et seq., at 75 per centum of the eligible cost for
23 construction of the treatment works, state funds appropriated
24 under subdivision 1 must be expended at 15 percent of the
25 eligible cost of construction, except as otherwise provided in
26 this subdivision; provided, that not less than ten percent of
27 the cost shall be paid by the municipality or agency
28 constructing the project. In the event that a municipality is
29 tendered federal and state grants in a percentage cumulatively
30 exceeding 90 per centum of the eligible cost of construction,
31 the state pollution control agency shall reduce the grant to the
32 municipality under this chapter to the extent necessary to
33 assure that not less than ten percent of the cost shall be paid
34 by the municipality. It is the purpose of this appropriation
35 that a grant of state funds for each project approved in each of
36 the fiscal years ending June 30, 1971 through 1985, shall be

1 made in an amount not less than that required in federal law and
2 regulations as a condition for the grant of federal funds for
3 the project and for all other water pollution control projects
4 for which federal grants are allocated in the same year, in the
5 maximum amount permissible under law and regulations.

6 ~~Notwithstanding any other provision, the agency may, in its~~
7 ~~discretion, and after consideration of the amount of state funds~~
8 ~~required to match federal funds, make a grant of state funds not~~
9 ~~exceeding 15 per centum to a municipality that would qualify for~~
10 ~~a grant of federal funds but desires to initiate construction of~~
11 ~~a project without a federal grant. The agency may limit the~~
12 ~~scope and eligible cost of the project.~~

13 If a municipality is tendered a grant of federal funds
14 under section 201, paragraph (g), section 202, section 203 or
15 section 206, paragraph (f) of the Federal Water Pollution
16 Control Act, as amended, 33 U.S.C. 1314 et seq., at 85 percent
17 of the eligible cost for construction of treatment works
18 utilizing innovative or alternative wastewater treatment
19 processes and techniques, state funds shall be expended at nine
20 percent of the eligible cost of construction; provided, that not
21 less than six percent of the eligible cost of construction shall
22 be paid by the municipality or agency constructing the project.
23 In the event that a municipality is tendered federal and state
24 grants in a percentage cumulatively exceeding 94 percent of the
25 eligible cost of construction, the state pollution control
26 agency shall reduce the grant to the municipality under this
27 chapter to the extent necessary to assure that the municipality
28 receives no more than 94 percent of the eligible cost of
29 construction.

30 ~~Subd. 2. -- {ADDITIONAL PURPOSES OF APPROPRIATION.}~~ If the
31 pollution control agency, acting in accordance with section
32 116.16, subdivision 4 and rules promulgated by the agency
33 establishing criteria for financial hardship cases, determines
34 that the prevention, control, and abatement of water pollution
35 and the public health of the state requires the construction of
36 a project by a municipality or agency that is unable to provide

1 10 percent of the eligible cost thereof, the funds appropriated
2 in subdivision 1 may be expended to reduce or eliminate its
3 contribution to the eligible cost.

4 Subd. 3a. [STATE INDEPENDENT GRANTS PROGRAM.] The agency
5 may award grants for projects for 50 percent or, if the agency
6 requires advanced treatment, 65 percent of the eligible cost of
7 construction. These grants may be awarded in separate steps for
8 planning and design in addition to actual construction. Not
9 more than 20 percent of the total amount of grants awarded under
10 this subdivision in any single fiscal year may be awarded to any
11 single grantee.

12 Up to ten percent of the total amount of grants awarded
13 under this subdivision in any single fiscal year may be awarded
14 to municipalities certified by the commissioner of energy and
15 economic development as having an especially urgent need for a
16 project in order to serve imminent industrial development. The
17 commissioner, with the assistance of the agency, shall develop
18 permanent and temporary rules necessary to administer this
19 provision.

20 Grants may also be awarded under this subdivision to
21 reimburse municipalities willing to proceed with projects and
22 apply to be reimbursed in the subsequent year conditioned upon
23 appropriation of sufficient funds under subdivision 1 for that
24 year. The maximum amount of the reimbursement the agency may
25 commit in any single fiscal year is equal to the amount newly
26 appropriated under subdivision 1 for that year.

27 Subd. 4. [BOND AUTHORIZATION.] For the purpose of
28 providing money appropriated in subdivision 1 for expenditure
29 from the Minnesota state water pollution control fund through
30 grants to municipalities and agencies of the state for the
31 acquisition and betterment of public land, buildings, and
32 improvements of a capital nature needed for the prevention,
33 control, and abatement of water pollution, the commissioner of
34 finance is authorized upon request of the pollution control
35 agency to sell and issue Minnesota state water pollution control
36 bonds in the amount of ~~\$144,000,000~~ \$156,000,000, in the manner

1 and upon the conditions prescribed in section 116.17 and in the
2 Constitution, Article XI, Sections 4 to 7. The proceeds of the
3 bonds, except as provided in section 116.17, subdivision 5, are
4 appropriated and shall be credited to the Minnesota state water
5 pollution control fund. The amount of bonds issued pursuant to
6 this authorization shall not exceed at any time the amount
7 needed to produce a balance in the water pollution control fund
8 equal to the aggregate amount of grants then approved and not
9 previously disbursed, plus the amount of grants to be approved
10 in the current and the following fiscal year, as estimated by
11 the pollution control agency.

12 Subd. 5. [FEDERAL AND OTHER FUNDS.] All federal and other
13 funds made available for any purpose of the water pollution
14 control fund are also appropriated to that fund.

15 Subd. 6. [CONTINUANCE OF APPROPRIATIONS.] None of the
16 appropriations made in this section shall lapse until the
17 purpose for which it is made has been accomplished or
18 abandoned. The amount of each grant approved for disbursement
19 from the water pollution control fund shall be and remain
20 appropriated for that purpose until the grant is fully disbursed
21 or part or all thereof is revoked by the pollution control
22 agency.

23 Sec. 8. [APPROPRIATION; COMPLEMENT.]

24 The sum of \$..... is appropriated from the general fund to
25 the director of the pollution control agency to administer
26 sections 1 to 7. The complement of the pollution control agency
27 is increased by positions.

28 Sec. 9. [REPEALER.]

29 Minnesota Statutes 1982, section 116.16, subdivisions 6 and
30 7, are repealed.

31 Sec. 10. [EFFECTIVE DATE.]

32 Sections 1 to 9 are effective the day following final
33 enactment.