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State of Minnesota

HOUSE OF REPRESENTATIVES

NINETY-THIRD SESSION

H. F. No. 2063

02/20/2023

Authored by Jordan

The bill was read for the first time and referred to the Committee on Economic Development Finance and Policy

1.1 A bill for an act
1.2 relating to capital investment; modifying the drinking water revolving fund law
1.3 to address replacement of lead service lines and emerging contaminants; amending
1.4 Minnesota Statutes 2022, section 446A.081, subdivisions 8, 9.

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

1.6 Section 1. Minnesota Statutes 2022, section 446A.081, subdivision 8, is amended to read:

1.7 Subd. 8. **Loan conditions.** (a) When making loans from the drinking water revolving
1.8 fund, the authority shall comply with the conditions of the federal Safe Drinking Water Act,
1.9 including the criteria in this subdivision.

1.10 (b) Loans must be made at or below market interest rates, including zero interest loans,
1.11 for terms not to exceed those allowed under the federal Safe Drinking Water Act.

1.12 (c) The annual principal and interest payments must begin no later than one year after
1.13 completion of the project. Loans must be amortized no later than 20 years after project
1.14 completion, unless the recipient's average annual residential drinking water system cost
1.15 after completion of the project would exceed 1.2 percent of median household income in
1.16 the recipient governmental unit or entity, in which case the loan must be fully amortized
1.17 no later than 30 years after project completion.

1.18 (d) A loan recipient must identify and establish a dedicated source of revenue for
1.19 repayment of the loan, and provide for a source of revenue to properly operate, maintain,
1.20 and repair the water system.

1.21 (e) The fund must be credited with all payments of principal and interest on all loans,
1.22 except the costs as permitted under section 446A.04, subdivision 5, paragraph (a).

2.1 (f) A loan may not be used to pay operating expenses or current obligations, unless
2.2 specifically allowed by the federal Safe Drinking Water Act.

2.3 (g) A loan made by the authority must be secured by notes or bonds of the governmental
2.4 unit and collateral to be determined by the authority for private borrowers.

2.5 (h) Notwithstanding Minnesota Rules, part 7380.0272, the interest rate for loans made
2.6 to replace lead service lines shall be zero percent.

2.7 Sec. 2. Minnesota Statutes 2022, section 446A.081, subdivision 9, is amended to read:

2.8 Subd. 9. **Other uses of fund.** (a) The drinking water revolving loan fund may be used
2.9 as provided in the act, including the following uses:

2.10 (1) to buy or refinance the debt obligations, at or below market rates, of public water
2.11 systems for drinking water systems, where the debt was incurred after the date of enactment
2.12 of the act, for the purposes of construction of the necessary improvements to comply with
2.13 the national primary drinking water regulations under the federal Safe Drinking Water Act;

2.14 (2) to purchase or guarantee insurance for local obligations to improve credit market
2.15 access or reduce interest rates;

2.16 (3) to provide a source of revenue or security for the payment of principal and interest
2.17 on revenue or general obligation bonds issued by the authority if the bond proceeds are
2.18 deposited in the fund;

2.19 (4) to provide loans or loan guarantees for similar revolving funds established by a
2.20 governmental unit or state agency;

2.21 (5) to earn interest on fund accounts;

2.22 (6) to pay the reasonable costs incurred by the authority, the Department of Employment
2.23 and Economic Development, and the Department of Health for conducting activities as
2.24 authorized and required under the act up to the limits authorized under the act;

2.25 (7) to develop and administer programs for water system supervision, source water
2.26 protection, and related programs required under the act;

2.27 (8) to provide principal forgiveness or grants to the extent permitted under the federal
2.28 Safe Drinking Water Act and other federal law, based on the criteria and requirements
2.29 established for drinking water projects under the water infrastructure funding program under
2.30 section 446A.072;

3.1 (9) to provide loans, principal forgiveness or grants to the extent permitted under the
3.2 federal Safe Drinking Water Act and other federal law to address green infrastructure, water
3.3 or energy efficiency improvements, or other environmentally innovative activities;

3.4 (10) to provide principal forgiveness, or grants for 80 percent of project costs up to a
3.5 maximum of \$100,000 for projects needed to comply with national primary drinking water
3.6 standards for an existing nonmunicipal community public water system; ~~and~~

3.7 (11) to provide principal forgiveness or grants to the extent permitted under the federal
3.8 Safe Drinking Water Act and other federal laws ~~for 50 percent of the project costs up to a~~
3.9 ~~maximum of \$250,000~~ for projects to replace the privately owned portion of drinking water
3.10 lead service lines; and

3.11 (12) to provide principal forgiveness or grants to the extent permitted under the federal
3.12 Safe Drinking Water Act and other federal laws for 50 percent of project costs up to a
3.13 maximum of \$3,000,000 for projects to address emerging contaminants in drinking water
3.14 as defined by the U.S. Environmental Protection Agency.

3.15 (b) Principal forgiveness or grants provided under paragraph (a), clause (9), may not
3.16 exceed 25 percent of the eligible project costs as determined by the Department of Health
3.17 for project components directly related to green infrastructure, water or energy efficiency
3.18 improvements, or other environmentally innovative activities, up to a maximum of
3.19 \$1,000,000.