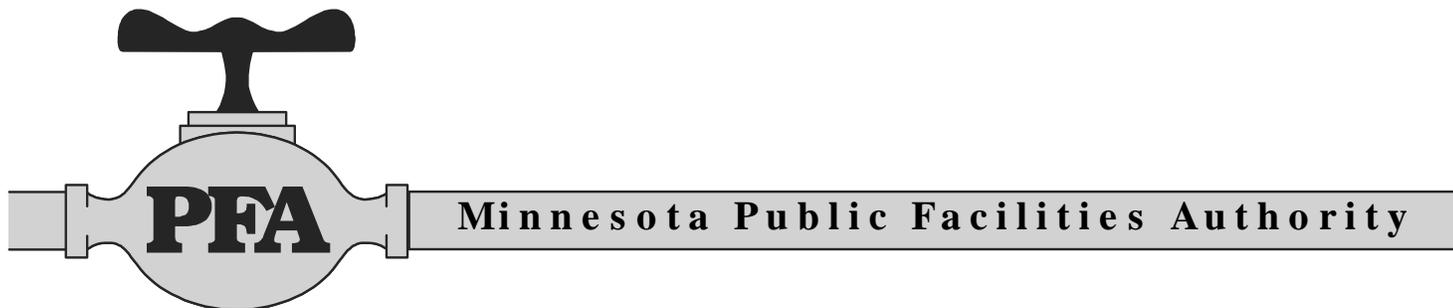


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↻ Designates that this item is a change item



January 27, 2009

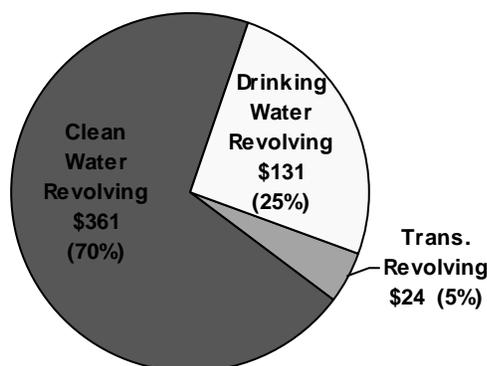
The 2009 Minnesota Legislature:

On behalf of Governor Pawlenty, I am pleased to submit the Minnesota Public Facilities Authority (PFA) budget recommendation for FY 2010-11. The PFA is a multi-agency Authority which provides municipal financing expertise and infrastructure financing programs to enhance the environmental and economic vitality of the State.

The Authority consists of Commissioners from the departments of Employment and Economic Development, Transportation, Health, Agriculture, Minnesota Management and Budget, and the Pollution Control Agency.

Funds available to the PFA are statutorily appropriated to the PFA and available until expended. PFA administrative expenses are paid from application fees and service fees on loan repayments. The PFA receives no general funds for administration. In addition to its staff cost, PFA annually provides administrative support funding to the Pollution Control Agency and the Department of Health for their work with the Clean Water and Drinking Water Revolving Funds.

**Public Facilities Authority  
FY2010-11  
ALL FUNDS = \$516 (in millions)**



The PFA manages capital assets for the making of loans through receipt of federal capitalization grants, state matching funds, loan repayments, investment interest, and proceeds of revenue bond issuances. Communities issue their general obligation bonds to the PFA to secure the loans. The combination of equity assets, general obligation bonds from a large and diverse pool of borrowers, and the experienced staff and management practices of the PFA have achieved AAA bond ratings from all three bond rating agencies.

We believe the proposed budget provides a sound investment return to the state and substantial savings in the cost of financing infrastructure projects statewide.

Sincerely,

Dan McElroy  
Chair, Minnesota Public Facilities Authority

### Minnesota Public Facilities Authority

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### Agency Purpose

The mission of the Minnesota Public Facilities Authority (PFA) is to utilize its interagency authority to provide municipal financing expertise and infrastructure financing programs to enhance the environmental and economic vitality of the state. The PFA is governed by a board consisting of six state commissioners representing the departments of Employment and Economic Development (DEED), Finance, Health, Agriculture, Transportation (MnDOT), and the Pollution Control Agency (PCA).

The PFA is established in M.S. Chapter 446A. The commissioner of DEED serves as the chair and is responsible for hiring an executive director with the consent of the board. The executive director is responsible for staffing, program administration, debt issuance as authorized by the board, and compliance with laws, regulations and disclosure requirements related to the PFA programs. The PFA has statutory authority to issue up to \$1.5 billion in outstanding revenue bonds to raise capital to make loans.

### At A Glance

- ◆ PFA finances local government infrastructure, primarily clean water and drinking water systems, through low interest loans and grants.
- ◆ PFA leverages federal and state seed funds through use of statutory authority to issue its revenue bonds to raise capital for revolving loan funds.
- ◆ During FY 2008, PFA financed high priority local government infrastructure needs by making 43 grants totaling \$21.2 million and 35 loans totaling \$185 million.
- ◆ Since 1989, PFA has leveraged \$881 million in federal and state contributions to finance over \$2.3 billion for clean water and drinking water infrastructure projects.

To achieve its goals the PFA implements the following strategies:

- ◆ Target limited resources to high priority projects identified by regulatory agencies through their project priority lists.
- ◆ Coordinate project funding with all other state and federal funding programs to leverage resources necessary to keep projects affordable.
- ◆ Coordinate activities of various funding partners to minimize duplication, administrative costs, and confusion.
- ◆ Maintain the credit quality (AAA rated) and viability of the PFA's revolving loan funds.
- ◆ Balance the current demand for project funding (including nonpoint source and point source needs) with the long term lending capacity of the PFA's revolving funds to maintain their critical role as important financing tools for high priority projects in perpetuity.

### Core Functions

The core functions of the PFA are: administration of infrastructure financing programs (offering both loans and grants to political subdivisions of the state); investment of funds; issuance of revenue bonds to make loans; and loan servicing. The PFA manages three revolving loan funds and several other grant and loan programs in conjunction with member agencies of the PFA board, which establish priorities and provide technical reviews of projects before the PFA approves funding. The PFA also administers a credit enhancement program and a bond pool program to reduce borrowing costs for local governments for certain types of projects.

PFA programs include the following:

#### Clean Water Revolving Fund (CWRF)

- ◆ Low interest loans to municipalities for wastewater and stormwater projects
  - ⇒ Total loans made FY 1989-2008: 328 for \$1.8 billion
    - Interest savings to communities/taxpayers: \$444 million
  - ⇒ Funding priorities set by PCA project priority list
  - ⇒ Future needs: 261 projects for \$1.8 billion on 2009 priority list
- ◆ PFA has also allocated \$81.6 million for programs to control nonpoint source pollution (Agriculture Best Management Practices Loan Program, PCA Clean Water Partnership Loan Program, DEED Tourism Septic System Loan Program)
- ◆ PFA also provides program administration funds to PCA

**Drinking Water Revolving Fund**

- ◆ Low interest loans to municipalities and other public water suppliers for drinking water infrastructure improvements
  - ⇒ Loans made FY 1999-2008: 207 for \$414 million
    - Interest savings to communities/taxpayers: \$83.7 million
  - ⇒ Funding priorities set by Minnesota Department of Health (MDH) project priority list
  - ⇒ Future needs: 121 projects for \$191 million on 2009 priority list
  - ⇒ PFA also provides funds to MDH for program administration, wellhead protection, public water supply supervision, technical assistance

**Transportation Revolving Loan Fund**

- ◆ Low interest loans to governmental entities for eligible transportation projects, including road and bridge projects and transit projects
  - ⇒ Loans made FY 1999-2008: 22 for \$134 million
    - Interest savings to communities/taxpayers: \$19.2 million
  - ⇒ MnDOT periodically solicits project proposals and ranks them on a competitive basis as loan repayments become available for new loans

**Wastewater Infrastructure Funding (WIF) Program**

- ◆ Supplemental assistance for high cost, high priority wastewater projects
  - ⇒ Grants to match U.S. Department of Agriculture (USDA) Rural Development for small rural communities
- ◆ Non-Rural Development projects receive 0% deferred loans to package with CWRP loans
- ◆ Funding priorities set by PCA project priority list

**Total Maximum Daily Load (TMDL) Grant Program**

- ◆ 50% grants to assist municipalities with wastewater or stormwater projects needed to meet TMDL implementation plan requirements
- ◆ As directed by statute, \$7 million appropriated in 2005-2006 was directed to projects in the first two TMDL implementation areas
- ◆ Funding priorities for new appropriations are based on PCA's project priority list

**Clean Water Legacy Phosphorus Reduction Grant Program**

- ◆ 75% grants up to \$500,000 to assist municipalities with wastewater treatment projects that will reduce discharge of total phosphorus to 1 mg/l or less
- ◆ Funding order based on PCA project priority list

**Small Community Wastewater Treatment Program**

- ◆ Loans and grants to assist small communities with costs to replace non-complying Individual Sewage Treatment Systems (ISTS) with new ISTS and small cluster systems that are publicly owned and operated
- ◆ Technical assistance grants to help small communities contract for services to conduct preliminary site evaluations and contract with University of Minnesota Extension Service for advice and technical assistance to develop their capacity to own and operate the systems
- ◆ 1% construction loans for up to 100% of project costs, communities that have below average median household income can receive 50% of funding as a grant
- ◆ Funding order based on PCA project priority list

**Credit Enhancement Program**

- ◆ Provides limited state guarantee of local government general obligation bonds issued for certain purposes.
- ◆ Eligible county projects include construction of jails, correctional facilities, law enforcement facilities, and social services and human services facilities
- ◆ 2008 statutory change expands eligibilities to include city and county general obligation bonds for wastewater drinking water, and storm water facilities, and for publicly owned buildings or infrastructure that has received partial funding from grants awarded by certain DEED Programs
- ◆ Reduces borrowing costs on general obligation bonds issued for certain purposes by providing a limited state guarantee of the bond payments

### Credit Enhanced Bond Program

- ◆ Created in 2008 to reduce borrowing costs for local government projects by pooling local government general obligation debt into a single revenue bond issue of the PFA, with the Credit Enhancement Program used to provide additional security for the underlying bonds.
  - ⇒ Limited to projects partially funded by other DEED infrastructure grant programs

In partnership with DEED, the executive director oversees the Community Assistance and Redevelopment and Brownfield Units located in the Business and Community Development Division. PFA will implement the new Credit Enhanced Bond Program and Credit Enhancement Program and coordinate with DEED to maximize the use of limited grant funds to deliver comprehensive and coordinated financial packages critical to build the capacity for economic development opportunities across the state.

### Operations

Communities that have drinking water or clean water needs are directed to the appropriate agency (MDH and PCA) to list the project on the appropriate project priority list and to begin the environmental and technical review processes required to permit and certify projects to the PFA for funding. Each year the PFA solicits requests for placement on the Intended Use Plan (a federal requirement used to report to the U.S. Environmental Protection Agency and the public on how the state will use the Clean Water and Drinking Water Revolving Funds each fiscal year). To be placed on the Intended Use Plan, the project must have approval of its preliminary engineering report or facility plan and be scheduled to start work during the fiscal year. Each year the PFA determines how far down the priority list it can fund based on current demand, projected future needs, and the short-term and long-term lending capacity of the revolving funds.

The PFA manages capital assets for the making of loans through receipt of federal capitalization grants, state matching funds, loan repayments, investment interest, and proceeds of revenue bond issuances. Communities issue their general obligation bonds to the PFA to secure the loans. The combination of equity assets, general obligation bonds from a large and diverse pool of borrowers and the experienced staff and management practices of the PFA have achieved AAA bond ratings from all three bond rating agencies.

The WIF program follows the PCA's project priority list and provides supplemental funding for high cost projects that qualify for grant funding by the USDA Rural Development or when project costs exceed 5% of the market value of property in the service area for projects financed under the Clean Water Revolving Fund. For USDA Rural Development projects, the WIF program provides up to 65% of the grant eligible amount determined by Rural Development. For Clean Water Revolving Fund projects, the WIF program provides a zero interest loan, with payments deferred until the revolving fund loan is paid in full.

All other programs have specific application cycles. The application material for each program is available on the PFA website and, for clean water and drinking water infrastructure projects, notices are sent out to all eligible recipients on the Project Priority List notifying them of the deadlines and contacts for assistance.

### Key Goals

By providing for affordable basic infrastructure needs, PFA programs support the following specific *Minnesota Milestones* statewide goals:

- ◆ **Economy: Minnesota will have sustainable, strong economic growth.**
  - ⇒ Goal 38: Growth in gross state product
  - ⇒ Goal 39: Employment of working-age population.
- ◆ **Environment: Minnesotans will improve the quality of the air, water, and earth.**
  - ⇒ Goal 64: Water quality in lakes and rivers
  - ⇒ Goal 65: Nitrate in ground water
  - ⇒ Goal 66: Erosion of cropland

**Key Measures**

Program output is measured primarily by the volume of grants and low-interest loans made. The amount of interest savings to local government borrowers and their taxpayers is one measure of program outcome.

key measures		FY 2005	FY 2006	FY 2007	FY 2008
Grant awards:	count	6	14	23	43
	amount (\$ 000's)	6,196	16,146	15,142	21,210
Loans made:	count	30	25	55	35
	amount (\$ 000's)	132,353	74,594	261,355	184,836
	interest savings to borrowers (\$ 000's)	29,881	12,696	66,020	40,632

**Budget**

Under M.S. 446A.11, Subd. 13, funds available to the PFA, unless otherwise indicated, are statutorily appropriated to the PFA and available until expended. The PFA's expense budget for FY 2009 is approximately \$404 million. This includes \$300.1 million available for low interest loans, \$100.6 million for debt service on outstanding revenue bonds, \$1.57 million for grants, \$916,000 for general administrative costs (8.9 FTEs), \$420,000 for arbitrage rebate liabilities, and \$400,000 for bond issuance and related costs including bond counsel, financial advisor, auditor, and arbitrage rebate contractors. PFA administrative expenses are paid from application fees and service fees on loan repayments. The PFA receives no general funds for administration.

In addition to these amounts, PFA annually provides administrative support funding to the PCA and MDH for their work with the Clean Water and Drinking Water Revolving Funds. These amounts for FY 2009 are \$1,194,361 and \$521,593, respectively.

PFA also allocates funds in the Clean Water Revolving Fund to the PCA and the Department of Agriculture for non-point source revolving loan programs. The anticipated funding level for FY 2009 is \$2.0 million.

Funding for the PFA activities come from US Environmental Protection Agency capitalization grants for the Clean Water and Drinking Water Revolving Funds, appropriations from state general obligation bonds for state matching funds and a variety of funding programs, revenue bonds issued by the PFA payable solely from revenues derived from loan repayments and investment earnings, a small general fund appropriation for technical assistance grants to small communities, and fees charged to clients to cover the administrative costs.

**Contact**

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Dollars in Thousands

	Current		Governor Recomm.		Biennium 2010-11
	FY2008	FY2009	FY2010	FY2011	
<b><u>Direct Appropriations by Fund</u></b>					
<b>General</b>					
Current Appropriation	6,232	100	100	100	200
<b>Recommended</b>	<b>6,232</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>200</b>
Change		0	0	0	0
% Biennial Change from 2008-09					-96.8%
<b>Clean Water Fund</b>					
Current Appropriation	0	0	0	0	0
<b>Recommended</b>	<b>0</b>	<b>0</b>	<b>8,125</b>	<b>17,250</b>	<b>25,375</b>
Change		0	8,125	17,250	25,375
% Biennial Change from 2008-09					n.m.
<b><u>Expenditures by Fund</u></b>					
<b>Direct Appropriations</b>					
General	100	100	100	100	200
Clean Water Fund	100	100	8,225	17,350	25,575
<b>Statutory Appropriations</b>					
Clean Water Revolving Fund	276,476	265,349	190,704	170,186	360,890
Drinking Water Revolving Fund	43,813	107,465	70,665	59,603	130,268
General	2	3	6	6	12
Miscellaneous Special Revenue	0	150	17	16	33
Transportation Revolving Fund	14,736	31,017	14,684	9,574	24,258
<b>Total</b>	<b>335,227</b>	<b>404,184</b>	<b>284,401</b>	<b>256,835</b>	<b>541,236</b>
<b><u>Expenditures by Category</u></b>					
Total Compensation	784	836	862	886	1,748
Other Operating Expenses	1,375	1,000	1,335	2,513	3,848
Local Assistance	1,354	1,569	9,644	18,768	28,412
Other Financial Transactions	331,714	400,779	272,560	234,668	507,228
<b>Total</b>	<b>335,227</b>	<b>404,184</b>	<b>284,401</b>	<b>256,835</b>	<b>541,236</b>
<b><u>Expenditures by Program</u></b>					
Public Facilities Authority	335,227	404,184	284,401	256,835	541,236
<b>Total</b>	<b>335,227</b>	<b>404,184</b>	<b>284,401</b>	<b>256,835</b>	<b>541,236</b>
<b>Full-Time Equivalents (FTE)</b>	<b>8.8</b>	<b>8.9</b>	<b>8.9</b>	<b>8.9</b>	

PUBLIC FACILITIES AUTHORITY

Change Summary

<i>Dollars in Thousands</i>				
	FY2009	Governor's Recomm.		Biennium
		FY2010	FY2011	2010-11
<b>Fund: GENERAL</b>				
FY 2009 Appropriations	100	100	100	200
Subtotal - Forecast Base	100	100	100	200
Total Governor's Recommendations	100	100	100	200
<b>Fund: CLEAN WATER FUND</b>				
FY 2009 Appropriations	0	0	0	0
Subtotal - Forecast Base	0	0	0	0
<b>Change Items</b>				
Phosphorus Reduction Grants	0	2,500	5,000	7,500
Small Community Wastewater Treatment	0	625	2,250	2,875
TMDL Grants Program	0	5,000	10,000	15,000
Total Governor's Recommendations	0	8,125	17,250	25,375
<b>Fund: CLEAN WATER REVOLVING FUND</b>				
Planned Statutory Spending	265,349	190,704	170,186	360,890
Total Governor's Recommendations	265,349	190,704	170,186	360,890
<b>Fund: DRINKING WATER REVOLVING FUND</b>				
Planned Statutory Spending	107,465	70,665	59,603	130,268
Total Governor's Recommendations	107,465	70,665	59,603	130,268
<b>Fund: GENERAL</b>				
Planned Statutory Spending	3	6	6	12
Total Governor's Recommendations	3	6	6	12
<b>Fund: MISCELLANEOUS SPECIAL REVENUE</b>				
Planned Statutory Spending	150	17	16	33
Total Governor's Recommendations	150	17	16	33
<b>Fund: TRANSPORTATION REVOLVING FUND</b>				
Planned Statutory Spending	31,017	14,684	9,574	24,258
Total Governor's Recommendations	31,017	14,684	9,574	24,258

# PUBLIC FACILITIES AUTHORITY

## Change Item: Small Community Wastewater Treatment

Fiscal Impact (\$000s)	FY 2010	FY 2011	FY 2012	FY 2013
General Fund				
Expenditures	\$0	\$0	\$0	\$0
Revenues	0	0	0	0
Other Fund				
Expenditures	625	2,250	2,250	2,250
Revenues	0	0	0	0
Net Fiscal Impact	\$625	\$2,250	\$2,250	\$2,250

### Recommendation

The Governor recommends an appropriation of \$2.875 million for FY 2010-2011 from clean water dedicated sales tax revenues to the small community wastewater treatment account established under M.S. 446A.075. The recommended amount is based on estimated need of \$250,000 per year for technical assistance grants and \$3 million for construction loans and grants.

### Background

The Minnesota Pollution Control Agency (PCA) has identified 1,025 small communities with inadequate wastewater treatment, estimated to generate over 2.3 million gallons of wastewater annually. Of these, 106 are straight-pipe communities where homes and businesses drain their sewage to a pipe that discharges directly to surface waters without proper treatment. The Public Facilities Authority (PFA) defines a small community as a cluster of five or more homes and businesses, on lots typically less than one acre in size, which is suspected or known to be in need of effective wastewater treatment.

Small lots and poor soils in many of these small communities make it difficult or impossible to construct private individual sewage treatment systems that comply with state regulations. By providing financing to replace non-complying septic systems with new individual and small cluster subsurface sewage treatment systems (SSTS), the Small Community Wastewater Treatment Program provides a wastewater alternative that is often more cost-effective than construction of a traditional municipal collection and treatment. Through the Small Community Wastewater Treatment Program, the PFA provides loans and grants to small communities to replace non-complying septic systems with new individual and cluster SSTS that are publicly owned and operated.

Governmental units seeking loans or grants must be listed on the PCA's Project Priority List and prioritized based environmental and public health criteria. Governmental units may apply for technical assistance grants up to \$40,000 for feasibility studies and to contract with the University of Minnesota Extension Service for technical assistance and advice. Construction financing is provided in the form of loans at 1% for ten years, or up to 20 years if the loan amount exceeds \$10,000 per household. Communities with below average median household income may receive half of the construction financing as a grant. A governmental unit receiving construction financing must own the wastewater systems built under the program and is responsible for all inspection, maintenance and repairs to ensure proper operation of the systems. Participation by property owners is voluntary. Each property owner that participates must provide a utility easement to the governmental unit to allow access for system construction, management and repairs.

### Relationship to Base Budget

The program was established in 2006 as part of the Clean Water Legacy Act to address wastewater needs in very small communities that aren't a good fit with the PFA's base wastewater financing programs, the Clean Water Revolving Fund and the Wastewater Infrastructure Funding (WIF) program. The Small Community program was appropriated \$1 million from state general obligation bonds and \$100,000 from the general fund as part of the Clean Water Legacy funding package. In 2007, the PFA was appropriated \$100,000 per year base budget from the general fund for technical assistance grants. In 2008, an additional \$1.5 million was appropriated from state general obligation bonds for construction loans and grants.

**Key Goals and Measures**

The PCA has set a goal of eliminating the direct discharge of raw or partially treated sewage in all 106 straight-pipe communities by December 2014. These communities are ranked as high priority projects when they apply to the Project Priority List, with additional priority points assigned if the community is also identified in a TMDL implementation plan to restore impaired waters. Other unsewered communities are prioritized based on percentage of developed lots with inadequate wastewater treatment and the seriousness of the environmental conditions.

PFA financing follows the PCA priorities and project readiness to proceed. The PFA measures program performance by the number of technical assistance and construction projects funded the loan and grant amounts, and the number of projects that contributed to the restoration of impaired waters through a TMDL implementation plan. Water quality improvements are monitored by PCA through the TMDL process.

**Alternatives Considered**

The PFA administers a number of other wastewater financing programs in cooperation with the PCA, including the Clean Water Revolving Fund and the Wastewater Infrastructure Funding program. These programs are available to finance wastewater treatment projects for municipalities of all sizes throughout the state. The Small Community Wastewater Treatment program, however, was specifically designed for very small unsewered communities that want to address their wastewater needs by using small scale, decentralized wastewater treatment alternatives. By simplifying the application and review process, providing grants for technical assistance, and providing construction financing on favorable terms, the program gives very small communities more viable options provide adequate wastewater treatment for their residents.

**Statutory Change:** All program appropriations should be for transfer to the small community wastewater treatment account established in M.S. 446A.075, Subdivision 1.

# PUBLIC FACILITIES AUTHORITY

Change Item: TMDL Grants Program

Fiscal Impact (\$000s)	FY 2010	FY 2011	FY 2012	FY 2013
General Fund				
Expenditures	\$0	\$0	\$0	\$0
Revenues	0	0	0	0
Other Fund				
Expenditures	5,000	10,000	10,000	10,000
Revenues	0	0	0	0
Net Fiscal Impact	\$5,000	\$10,000	\$10,000	\$10,000

## Recommendation

The Governor recommends an appropriation of \$15 million for FY 2010-2011 from clean water dedicated sales tax revenues for the Total Maximum Daily Load (TMDL) Grants program established under M.S. 446A.073.

## Background

As of December 2008, the Minnesota Pollution Control Agency (PCA) has completed 20 TMDL plans under the requirements of Section 303(d) of the federal Clean Water Act. These TMDL plans have identified 325 municipal wastewater and stormwater projects necessary to achieve specific wasteload reductions as part of comprehensive plans to restore impaired waters. By the end of 2009 the PCA expects to have a total of 126 TMDL studies completed or underway.

The PCA's FY 2009 Project Priority List includes 30 TMDL projects with an estimated TMDL grant need of \$16 million. With the expected ramp-up in TMDL studies, the number of wastewater and stormwater projects eligible for TMDL grants is expected to increase significantly in coming years.

Through the TMDL grants program, the Public Facilities Authority (PFA) provides grants up to a maximum of \$3 million to governmental units to cover up to one-half the cost of wastewater or stormwater projects necessary to achieve wasteload reductions required by TMDL implementation plans.

## Relationship to Base Budget

There is no base budget for this program. The program was established in 2005 to assist municipalities in meeting additional wastewater treatment standards beyond those that they are currently required to meet. The program has been appropriated a total of \$9 million from state general obligation bonds in 2005, 2006 and 2008.

## Key Goals and Measures

The PFA measures program performance by the number and dollar amount of TMDL projects funded. Water quality improvements to impaired waters are monitored by the PCA through the TMDL process.

## Alternatives Considered

The PFA administers a number of other wastewater financing programs in cooperation with the PCA, including the Clean Water Revolving Fund and Wastewater Infrastructure Funding program. Wastewater and stormwater TMDL projects are also potentially eligible for these programs based on their priority on the PCA's Project Priority List. The availability of TMDL grants provides needed financial assistance and an incentive to municipalities to accelerate these projects in order to meet the required wasteload reductions necessary to help restore impaired waters.

**Statutory Change:** Not Applicable.

# PUBLIC FACILITIES AUTHORITY

## Change Item: Phosphorus Reduction Grants

Fiscal Impact (\$000s)	FY 2010	FY 2011	FY 2012	FY 2013
General Fund				
Expenditures	\$0	\$0	\$0	\$0
Revenues	0	0	0	0
Other Fund				
Expenditures	2,500	5,000	5,000	5,000
Revenues	0	0	0	0
Net Fiscal Impact	\$2,500	\$5,000	\$5,000	\$5,000

### Recommendation

The Governor recommends an appropriation of \$7.5 million for FY 2010-2011 from clean water dedicated sales tax revenues for the Clean Water Legacy Phosphorus Reduction Grants program established under M.S. 446A.074.

### Background

In March 2000 the Minnesota Pollution Control Agency (PCA) approved a phosphorus strategy due to growing concerns about the water quality impacts of phosphorus and large number of waterbody impairments caused by phosphorus. The PCA phosphorus strategy included a requirement for all municipal wastewater treatment facilities above a de-minimus level to provide phosphorus treatment to reduce the discharge of total phosphorus to one milligram per liter or less. The PCA has determined that 130 treatment facilities will have to implement capital improvement projects to meet this new discharge limit, and the Phosphorus Reduction Grant program was created in 2006 as part of the Clean Water Legacy Act to assist these municipalities. Through the Phosphorus Reduction grants program, the Public Facilities Authority (PFA) provides grants up to a maximum of \$500,000 to cover up to 75% of the capital costs of wastewater treatment facility projects that will reduce the discharge of total phosphorus to one milligram per liter or less.

Under the requirements of M.S. 446A.074, in each fiscal year that funds are available, money is first reserved until May 1 for new projects in priority order listed on the PCA's Project Priority List. Any money reserved for new projects that are not approved and certified by the PCA by May 1 is available to reimburse cities for previously completed projects. Priority for award of reimbursement grants is based on the date of PCA approval of the project plans and specifications.

### Relationship to Base Budget

There is no base budget for this program. The program was established in 2006 as part of the Clean Water Legacy Act to assist municipalities in providing a greater level of phosphorus treatment than had previously been required. The program was appropriated \$2.31 million from state general obligation bonds as part of the Clean Water Legacy funding package.

### Key Goals and Measures

The PFA measures program performance by the number and dollar amount of phosphorus reduction projects funded. Water quality improvements are monitored by the PCA through its systematic watershed monitoring process.

### Alternatives Considered

The PFA administers a number of other wastewater financing programs in cooperation with the PCA, including the Clean Water Revolving Fund and Wastewater Infrastructure Funding program. Phosphorus reduction projects are also potentially eligible for these programs based on their priority on the PCA's Project Priority List. The availability of phosphorus reduction grants provides an incentive to municipalities to accelerate these projects in order to help restore impaired waters and protect threatened waters.

**Statutory Change:** Not Applicable.

PUBLIC FACILITIES AUTHORITY

Agency Revenue Summary

*Dollars in Thousands*

	Actual FY2008	Budgeted FY2009	Governor's Recomm. FY2010   FY2011		Biennium 2010-11
<b><u>Non Dedicated Revenue:</u></b>					
<b>Other Revenues:</b>					
General	0	0	1	1	2
<b>Other Sources:</b>					
General	0	5	7	4	11
<b>Total Non-Dedicated Receipts</b>	<b>0</b>	<b>5</b>	<b>8</b>	<b>5</b>	<b>13</b>
<b><u>Dedicated Receipts:</u></b>					
<b>Departmental Earnings:</b>					
Clean Water Revolving Fund	1,785	1,817	1,743	1,984	3,727
Drinking Water Revolving Fund	407	483	524	528	1,052
General	4	3	4	4	8
Miscellaneous Special Revenue	5	5	5	5	10
<b>Grants:</b>					
Clean Water Revolving Fund	19,672	12,507	12,507	12,507	25,014
Drinking Water Revolving Fund	19,504	12,121	12,121	12,121	24,242
<b>Other Revenues:</b>					
Clean Water Revolving Fund	47,626	42,957	38,894	38,048	76,942
Drinking Water Revolving Fund	9,928	8,247	8,314	7,783	16,097
Miscellaneous Special Revenue	1	3	3	3	6
Transportation Revolving Fund	3,082	2,570	2,055	1,713	3,768
<b>Other Sources:</b>					
Clean Water Revolving Fund	252,291	224,988	105,763	118,359	224,122
Drinking Water Revolving Fund	12,595	71,408	38,109	38,837	76,946
Transportation Revolving Fund	16,012	11,989	11,655	7,728	19,383
<b>Total Dedicated Receipts</b>	<b>382,912</b>	<b>389,098</b>	<b>231,697</b>	<b>239,620</b>	<b>471,317</b>
<b>Agency Total Revenue</b>	<b>382,912</b>	<b>389,103</b>	<b>231,705</b>	<b>239,625</b>	<b>471,330</b>