MINNESOTA
PUBLIC FACILITIES AUTHORITY

Office Memorandum

Date: June 4, 2025

To: MN Public Facilities Authority (MPFA) Board Members

From: Steve Walter, Executive Director

Subject: **Information Item**
2025 Legislative Session

Appropriation bills:

The Legacy Finance Bill (HF 2563 - Chapter 36) was signed by the governor on May 23, 2025:

Chapter 36; Legacy Finance Bill	FY 2026	FY 2027	Totals
Point Source Implementation Grants	$ 8,190,000	$ 8,250,000	$ 16,440,000
Small Community WW	50,000	50,000	100,000
totals	$ 8,240,000	$ 8,300,000	$ 16,540,000

The Capital Investment Bill (HF 2844/SF 3056) was not passed as of Monday June 2:

HF 2844, SF 3056: Capital Investments	Gov Rec
State Match for Federal Grants to State Revolving Loan Fund Programs	$ 39,000,000
Water Infrastructure Funding Program (WIF) note: 50/50 CW/DW	23,485,000
Point Source Implementation Grants Program	18,527,000
Emerging Contaminants Grant Program	18,000,000
totals	$ 99,012,000

Policy language in the Capital Investment Bill (not passed as of Monday June 2):

See attached 3-page table by MMB Capital Budget Coordinator Maddy Kennedy

Water Related Policy Items from Governor's Revised Capital Budget – SF 3056

Priority (Must Do or Nice to Have)	Article	Section	Agency	Statute	Item	Notes
`Must Do – If there's an appropriation for the Statewide Drinking Water Contamination Mitigation Program	Article 2	Section 5	MPCA	NEW M.S. 115B.245	Statewide Drinking Water Contamination Mitigation Program	Language for new grant program; seeded with appropriation in bill ($8M to MPCA) - Establishes a program structure to provide grants for projects to address drinking water contaminated by hazardous substances (e.g. PFAS, 1,4-dioxane, other contaminants) - Currently these issues are often addressed with short-term solutions such as providing bottled drinking water. - This program will provide long-term solutions, such as connecting to alternative drinking water sources, digging new wells, or installing treatment systems. - The current top priority project is for the Red Oaks neighborhood in Andover. Other projects have also been identified as eligible.
Must Do—to enable use of new federal $	Article 2	Section 6	MPFA/MPCA/MDH	M.S. 116.182	Emerging Contaminants Rules	Provides additional points for wastewater/stormwater projects that address emerging contaminants (especially PFAS). - This allows MPCA to score projects to address PFAS (and other emerging contaminants) for inclusion on the Project Priority list (PPL)that MPFA uses to prioritize funding - Up to $17 million in federal funding is available through IIJA for this purpose - However, without this statutory change, Minnesota is not able to access federal funds for this purpose. - MPCA estimates that removal and destruction of PFAS from the state's wastewater stream could cost $14-28 billion over the next 20 years. **This section is part of a set of MPFA/MPCA/MDH language that functions as one piece. It is intended to move alongside sections 8 and 11.**
Must Do--to enable use of new federal $	Article 2	Section 8	MPFA/MPCA/MDH	M.S. 446A.07	Clean Water Revolving Fund - federal change	Together with Section 6, allows MPFA to distribute IIJA emerging contaminants funds (e.g., for PFAS) to wastewater projects as principal forgiveness grants. - Authorizes Clean Water principal forgiveness grants for 50% of project costs up to $3 million for emerging contaminants - Establishes criteria for the grants and for green infrastructure funding **This section is part of a set of MPFA/MPCA/MDH language that functions as one piece. It is intended to move alongside sections 6 and 11.**

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Nice/important to have, supported by water agencies &municipal groups	Article 2	Section 9	MPFA	M.S. 446A.072	Water Infrastructure Funding Program	Increases the maximum grant amount for the Water Infrastructure Funding program and USDA funding from $5M to $10M. - Project costs have increased due to inflation increased project complexity and scope since this cap was last set in 2017. - These grant programs are important funding sources for low-income communities. **This is independent from other sections of the bill, but corresponds to similar changes in section 10.**
Nice/important to have, supported by water agencies &municipal groups	Article 2	Section 10	MPFA	M.S. 446A.073	Point Source Implementation Grants Program	Increases the maximum grant amount for the Point Source Implementation Grants funding program from $7 million to $12 million - Project costs have increased due to inflation and increased project complexity and scope since this cap was last set in 2017. **This is independent from other sections of the bill, but corresponds to similar changes in section 9.**
Must Do	Article 2	Section 11	MPFA/MPCA/MDH	M.S. 446A.081	Drinking Water Revolving Fund	Allows MPFA to authorize drinking water principal forgiveness grants for 50% up to $3 million for projects needed to comply with a maximum contaminant level as defined by the federal Safe Drinking Water Act. **This section is part of a set of MPFA/MPCA/MDH language that functions as one piece. It is intended to move alongside sections 6 and 8.**
Must Do – If there's an appropriation Helps leverage new federal $	Article 2	Section 12	MPFA	NEW M.S. 446A.082	Emerging Contaminants Grants up to 80% or $12M	This new grant program is designed to supplement federal emerging contaminants dollars to increase grant percentages and caps for projects to treat manganese and PFAS in municipal drinking water systems. - Creates a new funding program designed to address projects necessary to comply with current and future drinking water emerging contaminant concerns. - Ensures water systems across the state provide safe, reliable water to residents. - State funds from this program will partner with federal funds to help more water systems address their specific emerging contaminant concerns. - The new emerging contaminants grant program is designed to fit into the already established, well-known, Drinking Water Revolving Fund program. - Leverages federal funds in the infrastructure Investment and Jobs Act (IIJA), which includes dedicated funding over five years to address emerging contaminants in community water systems.

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						- Minnesota expects to receive approximately $120M over these five years, including federal funds through the drinking water revolving fund and dedicated federal funds for small and disadvantaged communities. - State funds will supplement the federal funds to provide 80% grants up to $12M to local governments for projects to address emerging contaminants. MDH estimates the total cost to provide these grants to all impacted municipalities is $450M. - Local governments will be able to access MPFA's DWRF low-interest loans for project costs that exceed the limits for state emerging contaminant grants. Some projects may also be eligible based on affordability criteria for WIF grants to offset a portion of the DWRF loan.