



IIJA State Update – Water Infrastructure

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Water Infrastructure to Protect Water Quality and Public Health

PFA finances all types of municipal wastewater/drinking water projects:

- Replace aging infrastructure (pipes and treatment facilities)
- System improvements for better service and efficiency
- Upgrade treatment facilities to improve water quality
- Service extensions to serve existing needs



PFA Water Infrastructure Programs

Clean Water and Drinking Water State Revolving Funds (CWSRF/DWSRF)

- Low interest loans (\$4.4 billion since 1990)
- Limited principal forgiveness grants for disadvantaged communities and green infrastructure
- Supported by annual federal capitalization grants and state match funds, loan repayments revolve back to fund new loans

Water Infrastructure Fund (WIF) Grant Program

- State grants to cities based on affordability criteria
- Packaged with PFA loans or USDA Rural Development funding for small cities

Point Source Implementation Grant (PSIG) Program

- State grants to help cities upgrade water treatment facilities to improve water quality

➤ *All PFA programs follow an annual funding process starting with preparation of Project Priority Lists by MPCA and MDH*

Infrastructure Investment and Jobs Act (IIJA)

IIJA water funding appropriated through State Revolving Funds

➤ *MN allocation: \$668 million over five years (2022-2026)*

- Supplemental funds for existing CWSRF and DWSRF programs
 - 49% to be provided as principal forgiveness grants
 - Requires 10-20% state match
- Drinking water lead service line replacement
 - 49% to be provided as principal forgiveness grants
 - No state match
- Emerging contaminants (CW and DW)
 - 100% to be provided as principal forgiveness grants
 - No state match

2022 Federal Funds – Regular and IIJA

Federal Funding Allocations (2022 actual), IIJA and Regular SRF capitalization grants (*\$ in thousands*)

	Regular Federal Cap Grant *	2022 IIJA Appropriations
CWSRF existing program	\$ 21,267	\$ 32,713
CWSRF emerging contaminants	\$ -	\$ 1,719
DWSRF existing program	\$ 10,697	\$ 27,465
DWSRF lead service line replacement	\$ -	\$ 43,276
DWSRF emerging contaminants	\$ -	\$ 11,533
2022 total	\$ 31,964	\$ 116,706

* 2022 regular federal cap grants reduced by \$14M due to congressional earmarks

Governor's 2022 Bonding Recommendations

Total PFA Request: \$200 million

- State Match for State Revolving Fund Programs - \$49 million
 - For estimated FY23-24 regular federal funds (\$92M)
 - For estimated FY22-24 IIJA supplemental funds (\$206M)
 - FY22-24 IIJA also includes \$174M that doesn't require match
- Water Infrastructure Funding (WIF) Program - \$76 million
 - \$45M wastewater, \$31M drinking water
 - Recommend increasing max grant from \$5M to \$8M
- Point Source Implementation Grants (PSIG) - \$75 million



IIJA New Project Categories

Drinking water lead service line replacement

- IIJA provides major new grant and loan funds over 5 years for LSLR projects
 - 19 LSLR projects on draft 2023 IUP
 - PFA proposing statute changes to fully utilize federal funds
 - Target principal forgiveness grants to the private portion – no cost to property owner
 - Loans for the public portion at 0%

Emerging Contaminants

- DWSRF
 - MDH initially targeting manganese and PFAS
 - 8 cities on draft 2023 IUP for manganese treatment projects
 - PFA proposing statute changes to authorize principal forgiveness funds and establish caps
- CWSRF
 - MPCA will use Minnesota's PFAS Blueprint and Monitoring Plan to guide potential statute changes for use of these funds

Current Status

- 2023 Clean Water and Drinking Water Intended Use Plans (IUPs)
 - Draft IUPs approved by PFA Board 9/21/2022
 - Public comment period ended October 27, 2022
- IJA Supplemental and 2023 regular federal funds require state match
 - Only carryover projects (previously approved) are fundable at this time
 - No new projects will be fundable until state match is appropriated
- IJA funds for Lead Service Lines and Emerging Contaminants do not require state match
 - LSL and EC projects will be listed as fundable on the 2023 DW IUP
 - Statutory changes needed to fully utilize principal forgiveness funds

MPCA's Role

- Wastewater and stormwater projects
- Engineering review and project scoring
 - Facilities Plan
 - Plans and Specifications
- Environmental Review
 - Environmental Assessment Worksheet (EAW), etc.
- Permitting
 - Water discharge permit modification/reissuance



Wastewater and Stormwater Infrastructure Priorities

- Priority based on environmental and public health impact
- Scoring criteria is set in state law
- Significant scoring criteria:
 - Age (> 20 years old) (20 pts)
 - Excessive Infiltration/Inflow (15 pts)
 - Existing or new more stringent permit limits
 - Compliance issues, dilution ratio, etc.



Clean Water Projects on Draft FY23 Project Priority List (PPL)

- Rehab treatment: 76 projects at \$1.74B
- Rehab collection: 108 projects at \$534M
- Rehab collection & treatment: 45 projects at \$298M
- Unsewered communities: 27 projects at \$130M
- Large Subsurface Soil Treatment System: 3 projects at \$2.1M
- Stormwater treatment: 16 projects at \$29M



MDH's Role

- Responsible for Drinking Water Related Projects
- Engineering Review & DWRF Application Scoring
- Environmental & Historic Review
- Operator Certification
- Water Supply Plan Coordination



MDH Priorities

- SDWA Compliance – Regulated Contaminants
 - Nitrate, Arsenic, Radium, etc.
 - Lead
- Emerging Contaminants
 - Rule change to increase priority points
 - Manganese – naturally occurring, PFAS – “forever chemicals”
- Small and/or Disadvantaged Water Systems
 - Project affordability
 - Need for technical assistance



Lead Service Lines

- Main source of lead in drinking water is the lead service line (LSL)
- Water systems are required to complete a service line inventory by October 16, 2024.
- IJA provides funding for technical assistance and LSL replacement
 - Completed LSL inventories will very likely increase demand for replacement funds
 - Very large LSL replacement projects will need to be capped and the replacements will be prioritized based on health equity and efficient use of funds

Technical Assistance

- Contract with Minnesota Rural Water Association
 - General Assistance or LSL Inventory Specific
 - On-site Technical Assistance Visits
 - Training Sessions – in-person & online
 - Asset Management Training & Templates
- LSL Inventory Development
 - Direct Assistance with Inventories
 - Getting LSL Replacement Projects into Funding Queue
- U of M Mapping Tool