

# Public Facilities Authority: Wastewater Infrastructure Programs

Update to 2019 Evaluation Report

February 2020

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## Problems Identified

- **Inconsistent and Incompatible Data Sources for Estimating Wastewater Infrastructure Needs.** Two sources identify the state’s wastewater infrastructure needs: (1) the Wastewater Infrastructure Needs Survey (WINS), administered biennially by the Minnesota Pollution Control Agency (MPCA); and (2) the Project Priority List (PPL), a list of the wastewater infrastructure projects for which a community is seeking certain types of funding from the Public Facilities Authority (PFA). These sources can have very different cost estimates for the same project and cannot be linked.
- **Unclear Statute Regarding Minimum Interest Rates.** PFA’s administrative rules do not permit it to make loans from the Clean Water State Revolving Fund with an interest rate of less than 1 percent. However, a state statute says that such loans “must be made at or below market interest rates, including interest-free loans....” It is not clear whether interest-free loans must be available as an option for certain wastewater projects.
- **Direct Appropriations Circumvent Established Process.** The process for receiving funding through PFA is thorough and appropriate. However, recipients of direct appropriations from the Legislature do not go through the same vetting process. For example, they do not have to submit a facilities plan to MPCA wherein an engineer determines the wastewater treatment option that best fits a community’s needs.

## Changes Implemented

- **WINS and PPL Data Linked.** Beginning with the 2019 WINS, MPCA requires communities to provide the PPL number for any project the community identifies as being on the PPL. This number allows the two datasets to be linked, possibly facilitating the development of a more reliable estimate of statewide wastewater infrastructure needs.

## Action Needed

- **Amend Statute to Clarify Minimum Interest Rate Requirement.** The Legislature should amend *Minnesota Statutes* 2019, 446A.07, subd. 7(b), to clarify whether and under what circumstances PFA must offer interest-free loans from the Clean Water State Revolving Fund.
- **Exercise Restraint with Direct Appropriations.** The 2019 bonding bill (HF2529), which did not become law in 2019 but may be considered in the 2020 session, contains more than \$24 million in direct appropriations for wastewater infrastructure. The Legislature should limit these appropriations. If a compelling reason exists for the appropriation—such as coordinating with other planned construction—the Legislature should consider requiring recipients to complete the same planning processes as other PFA funding applicants.