

HF24 - 2E - Lead Service Line Replacement Grant Program

Chief Author: **Sydney Jordan**  
 Committee: **Environment and Natural Resources Finance And Policy**  
 Date Completed: **3/6/2023 9:27:46 AM**  
 Lead Agency: **Public Facilities Authority**  
 Other Agencies:  
 Health Dept

State Fiscal Impact	Yes	No
Expenditures	X	
Fee/Departmental Earnings		X
Tax Revenue		X
Information Technology		X
Local Fiscal Impact	X	

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions shown in the parentheses.

State Cost (Savings)	Biennium			Biennium		
	Dollars in Thousands	FY2023	FY2024	FY2025	FY2026	FY2027
<b>Health Dept</b>						
General Fund	-	12,631	12,631	1,307	1,307	
<b>Public Facilities Authority</b>						
General Fund	-	80,000	80,000	80,000	80,000	80,000
<b>State Total</b>						
General Fund	-	92,631	92,631	81,307	81,307	81,307
	<b>Total</b>	<b>-</b>	<b>92,631</b>	<b>92,631</b>	<b>81,307</b>	<b>81,307</b>
	<b>Biennial Total</b>		<b>185,262</b>		<b>162,614</b>	

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2023	FY2024	FY2025	FY2026	FY2027
<b>Health Dept</b>					
General Fund	-	13.4	13.4	8	8
<b>Public Facilities Authority</b>					
General Fund	-	-	-	-	-
	<b>Total</b>	<b>-</b>	<b>13.4</b>	<b>13.4</b>	<b>8</b>

**Lead LBO Analyst's Comment**

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

**LBO Signature:** Christian Larson    **Date:** 3/6/2023 9:27:46 AM  
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**State Cost (Savings) Calculation Details**

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

\*Transfers In/Out and Absorbed Costs are only displayed when reported.

<b>State Cost (Savings) = 1-2</b>		<b>Biennium</b>			<b>Biennium</b>	
Dollars in Thousands		<b>FY2023</b>	<b>FY2024</b>	<b>FY2025</b>	<b>FY2026</b>	<b>FY2027</b>
<b>Health Dept</b>						
General Fund	-	12,631	12,631	1,307	1,307	
<b>Public Facilities Authority</b>						
General Fund	-	80,000	80,000	80,000	80,000	
<b>Total</b>	<b>-</b>	<b>92,631</b>	<b>92,631</b>	<b>81,307</b>	<b>81,307</b>	
	<b>Biennial Total</b>		<b>185,262</b>		<b>162,614</b>	
<b>1 - Expenditures, Absorbed Costs*, Transfers Out*</b>						
Health Dept						
General Fund	-	12,631	12,631	1,307	1,307	
Public Facilities Authority						
General Fund	-	80,000	80,000	80,000	80,000	
<b>Total</b>	<b>-</b>	<b>92,631</b>	<b>92,631</b>	<b>81,307</b>	<b>81,307</b>	
	<b>Biennial Total</b>		<b>185,262</b>		<b>162,614</b>	
<b>2 - Revenues, Transfers In*</b>						
Health Dept						
General Fund	-	-	-	-	-	
Public Facilities Authority						
General Fund	-	-	-	-	-	
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
	<b>Biennial Total</b>		<b>-</b>		<b>-</b>	

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 Date Completed: **3/6/2023 9:27:46 AM**  
 Agency: **Public Facilities Authority**

State Fiscal Impact	Yes	No
Expenditures	X	
Fee/Departmental Earnings		X
Tax Revenue		X
Information Technology		X
Local Fiscal Impact	X	

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions shown in the parentheses.

State Cost (Savings)	Biennium			Biennium		
	Dollars in Thousands	FY2023	FY2024	FY2025	FY2026	FY2027
General Fund	-	80,000	80,000	80,000	80,000	80,000
<b>Total</b>	-	<b>80,000</b>	<b>80,000</b>	<b>80,000</b>	<b>80,000</b>	<b>80,000</b>
<b>Biennial Total</b>			<b>160,000</b>		<b>160,000</b>	

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2023	FY2024	FY2025	FY2026	FY2027
General Fund	-	-	-	-	-
<b>Total</b>	-	-	-	-	-

**LBO Analyst's Comment**

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

**LBO Signature:** Christian Larson    **Date:** 2/27/2023 3:16:56 PM  
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**State Cost (Savings) Calculation Details**

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

\*Transfers In/Out and Absorbed Costs are only displayed when reported.

<b>State Cost (Savings) = 1-2</b>		<b>Biennium</b>			<b>Biennium</b>	
Dollars in Thousands		FY2023	FY2024	FY2025	FY2026	FY2027
General Fund	-	80,000	80,000	80,000	80,000	80,000
<b>Total</b>		<b>-</b>	<b>80,000</b>	<b>80,000</b>	<b>80,000</b>	<b>80,000</b>
<b>Biennial Total</b>				<b>160,000</b>		<b>160,000</b>
<b>1 - Expenditures, Absorbed Costs*, Transfers Out*</b>						
General Fund	-	80,000	80,000	80,000	80,000	80,000
<b>Total</b>		<b>-</b>	<b>80,000</b>	<b>80,000</b>	<b>80,000</b>	<b>80,000</b>
<b>Biennial Total</b>				<b>160,000</b>		<b>160,000</b>
<b>2 - Revenues, Transfers In*</b>						
General Fund	-	-	-	-	-	-
<b>Total</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Biennial Total</b>				<b>-</b>		<b>-</b>

**Bill Description**

This bill would establish two grant programs with appropriations: 1) to the Public Facilities Authority to make grants for replacing lead drinking water service lines, and 2) to the Department of Health to make grants to municipalities for mapping lead service lines.

The bill requires that all lead waterlines be replaced by 2033.

The appropriation for this bill expires at the end of FY33.

**Assumptions**

These state appropriations would supplement federal funds from the Infrastructure Investment and Jobs Act (IIJA) dedicated to replacing lead service lines. Forty-nine percent of the federal money must be used for grants to local government, up to sixteen percent is available for set-aside activities, the remainder must be used for loans to local government.

The Public Facilities Authority's costs for administration of lead service line replacement activities will come from federal IIJA money. Up to four percent of the federal grants may be used for admin (this is part of the up to sixteen percent available for set-asides).

**Expenditure and/or Revenue Formula**

**Long-Term Fiscal Considerations**

**Local Fiscal Impact**

Local units of government will receive grants from the state appropriations to the Public Facilities Authority.

**References/Sources**

**Agency Contact:** Jeff Freeman

**Agency Fiscal Note Coordinator Signature:** Steve Walter

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HF24 - 2E - Lead Service Line Replacement Grant Program

Chief Author: **Sydney Jordan**  
 Committee: **Environment and Natural Resources Finance And Policy**  
 Date Completed: **3/6/2023 9:27:46 AM**  
 Agency: **Health Dept**

State Fiscal Impact	Yes	No
Expenditures	X	
Fee/Departmental Earnings		X
Tax Revenue		X
Information Technology		X
Local Fiscal Impact	X	

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions shown in the parentheses.

State Cost (Savings)	Biennium			Biennium		
	Dollars in Thousands	FY2023	FY2024	FY2025	FY2026	FY2027
General Fund	-	12,631	12,631	1,307	1,307	
<b>Total</b>	<b>-</b>	<b>12,631</b>	<b>12,631</b>	<b>1,307</b>	<b>1,307</b>	
<b>Biennial Total</b>			<b>25,262</b>			<b>2,614</b>

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2023	FY2024	FY2025	FY2026	FY2027
General Fund	-	13.4	13.4	8	8
<b>Total</b>	<b>-</b>	<b>13.4</b>	<b>13.4</b>	<b>8</b>	<b>8</b>

**LBO Analyst's Comment**

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

**LBO Signature:** Kate Schiller      **Date:** 3/1/2023 10:36:26 AM  
**Phone:** 651-296-6052      **Email:** kate.schiller@lbo.mn.gov

**State Cost (Savings) Calculation Details**

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

\*Transfers In/Out and Absorbed Costs are only displayed when reported.

<b>State Cost (Savings) = 1-2</b>		<b>Biennium</b>			<b>Biennium</b>	
<b>Dollars in Thousands</b>	<b>FY2023</b>	<b>FY2024</b>	<b>FY2025</b>	<b>FY2026</b>	<b>FY2027</b>	
General Fund	-	12,631	12,631	1,307	1,307	
<b>Total</b>	<b>-</b>	<b>12,631</b>	<b>12,631</b>	<b>1,307</b>	<b>1,307</b>	
	<b>Biennial Total</b>		<b>25,262</b>		<b>2,614</b>	
<b>1 - Expenditures, Absorbed Costs*, Transfers Out*</b>						
General Fund	-	12,631	12,631	1,307	1,307	
<b>Total</b>	<b>-</b>	<b>12,631</b>	<b>12,631</b>	<b>1,307</b>	<b>1,307</b>	
	<b>Biennial Total</b>		<b>25,262</b>		<b>2,614</b>	
<b>2 - Revenues, Transfers In*</b>						
General Fund	-	-	-	-	-	
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
	<b>Biennial Total</b>		<b>-</b>		<b>-</b>	

**Bill Description**

The bill establishes a grant program at the Public Facilities Authority for a lead service line (LSL) replacement and a grant program at the Minnesota Department of Health for LSL mapping. A one-time appropriation of \$10,000,000 is appropriated in fiscal year 2024 and in fiscal year 2025 to establish a program to provide grants to municipalities for producing an inventory and is available until June 30, 2026.

The bill is effective July 1, 2023.

**Technical comment:**

The bill states that the MDH grants for LSL inventories are provided only "to municipalities," of which there are 730 in Minnesota. Community water systems are not considered municipalities and includes an additional 234 townships, manufactured home parks, and community developments that would not be eligible for the grant program.

**Assumptions**

**Lead Service Line Replacement Grant Program**

The Public Facilities Authority (PFA) and the department already jointly administer a program to fund LSL replacement through the Drinking Water Revolving Fund and the department provides significant assistance to the PFA to administer this program. Minnesota Rules, chapters 4720.9000 to 4720.9065, establish the roles and responsibilities of the department for aiding the PFA in this joint program. Based on our experience administering this federal LSL program with PFA, the department assumes we will require staff to provide technical assistance with grant management, communication, project management of the engineering projects including application review and scoring, plan review, environmental review, and historic/archaeological review as well as assist with coordination of other utility work being completed in the project area. The PFA is also expected to receive approximately \$43,000,000 per year for the next five years for lead service line replacement from the federal Infrastructure Investment and Jobs Act. Up to 10% of the \$43,000,000 can be used for LSL inventory and replacement expenses and staff to provide technical assistance. The department assumes that we will fund 4.0 full-time equivalent staff through an Interagency Agreement with PFA using these federal IJA dollars in addition to the staff funded through this proposal.

The department assumes that LSL inventory information will be entered into the already existing University of MN Infrastructure Transparency Tool. No additional funding is needed to use this tool.

**Lead Service Line Inventory Grant Program**

The department assumes the grants only to municipalities for lead service line inventories would require staff in fiscal years 2024 and 2025 to administer the grants. The department has experience issuing grants to municipalities for similar types of activities including source water protection planning and well-head zone protection planning. The staff would act as the project coordinators by answering technical questions from the contractors and water systems, and ensure uniformity of the grants; market the program to the eligible applicants; verify that the work has been completed according to guidance; and develop and implement grant communications and management.

As some community water systems in Minnesota have begun developing inventories in the last year, cost estimates now reflect actual experience. Costs for verifying the service line material, geocoding, and data management average \$100 per service line or an average of \$100,000 per system. There are about 1,500,000 municipal water service lines and 730 municipalities in the state. With a \$10,000,000 per year appropriation for fiscal year 2024 and 2025, the department will be able to provide grants to approximately 100 municipal water systems each year at an average of \$100,000 per grant. \$1,786,000 will be needed each fiscal year to administer this grant program.

**Expenditure and/or Revenue Formula**

**Replacement Costs:**

Expenditure (Actual Dollars)	Amount	FY 2024	FY 2025	FY 2026	FY 2027
<b>Salary &amp; Fringe:</b>		FTE	FTE	FTE	FTE
<i>Replacement:</i>					
Engineer Principal	150,864	1.00	1.00	1.00	1.00
Engineer Senior	138,021	4.00	4.00	4.00	4.00
	<b>FTE</b>	<b>5.00</b>	<b>5.00</b>	<b>5.00</b>	<b>5.00</b>
	<b>Subtotal</b>	<b>702,948</b>	<b>702,948</b>	<b>702,948</b>	<b>702,948</b>
<b>Information Technology:</b>					
	<b>Subtotal</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Other Operating Costs:</b>					
	<b>Subtotal</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Grants, Aids &amp; Subsidies:</b>					
	<b>Subtotal</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Indirect (20.3% Eligible Costs)</b>	<b>Subtotal</b>	<b>142,698</b>	<b>142,698</b>	<b>142,698</b>	<b>142,698</b>
<b>Expenditure</b>	<b>Total</b>	<b>845,646</b>	<b>845,646</b>	<b>845,646</b>	<b>845,646</b>
<b>Fiscal Tracking (Dollars in Thousands)</b>		<b>FY 2024</b>	<b>FY 2025</b>	<b>FY 2026</b>	<b>FY 2027</b>
<b>Health Protection BACT 03</b>		<b>846</b>	<b>846</b>	<b>846</b>	<b>846</b>
Administration		846	846	846	846
Grants		0	0	0	0

**Inventory Costs:**

Expenditure (Actual Dollars)	Amount	FY 2024	FY 2025	FY 2026	FY 2027
<b>Salary &amp; Fringe:</b>		FTE	FTE	FTE	FTE



<i>Inventory:</i>					
Engineer Senior	138,021	2.00	2.00	1.00	1.00
Planner Principal State	129,602	3.20	3.20	1.00	1.00
Grants Specialist Sr	116,165	3.20	3.20	1.00	1.00
	<b>FTE</b>	<b>8.40</b>	<b>8.40</b>	<b>3.00</b>	<b>3.00</b>
	<b>Subtotal</b>	<b>1,062,496</b>	<b>1,062,496</b>	<b>383,788</b>	<b>383,788</b>
<b>Information Technology:</b>					
	<b>Subtotal</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Other Operating Costs:</b>					
	<b>Subtotal</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Grants, Aids &amp; Subsidies:</b>					
100 municipal water systems annually at \$100,000 each	100,000	10,000,000	10,000,000	0	0
	<b>Subtotal</b>	<b>10,000,000</b>	<b>10,000,000</b>	<b>0</b>	<b>0</b>
<b>Indirect (20.3% Eligible Costs)</b>	<b>Subtotal</b>	<b>723,187</b>	<b>723,187</b>	<b>77,909</b>	<b>77,909</b>
<b>Expenditure</b>	<b>Total</b>	<b>11,785,683</b>	<b>11,785,683</b>	<b>461,697</b>	<b>461,697</b>
<b>Fiscal Tracking (Dollars in Thousands)</b>		<b>FY 2024</b>	<b>FY 2025</b>	<b>FY 2026</b>	<b>FY 2027</b>
<b>Health Protection</b>	<b>BACT 03</b>	<b>11,786</b>	<b>11,786</b>	<b>462</b>	<b>462</b>
Administration		1,786	1,786	462	462
Grants		10,000	10,000	0	0

**Long-Term Fiscal Considerations**

The United States Environmental Protection Agency has set a deadline for LSL inventories to be completed by October 16, 2024. Our experience shows that many service lines will be classified as “unknown” to meet this deadline but require follow up after the deadline. The department would need staff to assist with follow up on the inventories listed as unknown through fiscal year 2028.

**Local Fiscal Impact**

Local governments operating a water system will likely have fiscal impacts related to the development of an accurate lead service line inventory that are not covered by these grants due to the intensive nature of the process, the short timeline for completion and the appropriation amount not fully covering the anticipated need by local governments. Potential fiscal impacts may also include increased communications with customers, competition for securing qualified workers, and data management for receiving and storing findings before uploading to the central database.

**References/Sources**

Lead and Copper Rule Revision, U.S. EPA. <https://www.federalregister.gov/documents/2021/01/15/2020-28691/national-primary-drinking-water-regulations-lead-and-copper-rule-revisions>

Lead and Copper Rule Revisions, MDH  
<https://www.health.state.mn.us/communities/environment/water/rules/lcrr.html>

**Agency Contact:**

**Agency Fiscal Note Coordinator Signature:** Char Kimber

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**Date:** 2/28/2023 3:22:40 PM

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