



March 31, 2023

Chair Hassan and Members of the House Economic Development Finance and Policy Committee:

I am writing to express my significant concerns with Article 4 in HF 3028, the Omnibus Economic Development Finance Budget Bill. The existence of these provisions only came to my attention late last night as this committee had not been the venue for PFA-related policy discussions so far this session.

Article 4 would make major policy changes to the Public Facilities Authority's (PFA's) Clean Water and Drinking Water Revolving Funds (CWRF/DWRF) and concerning, reduce long-term lending capacity. The PFA's CWRF and DWRF revolving loan funds are the State's largest and most cost-effective source of funding for water infrastructure projects for cities of all sizes throughout the State. To date, every \$1 in state matching funds has generated over \$15 in project construction, and the below-market interest rates provide millions in annual interest savings to cities and their residents. Over the past five years, PFA low-interest loans have totaled over \$1 billion, including \$709 million for 122 clean water (wastewater) projects and \$301 million for 117 drinking water projects. (See attached list of 2019-2023 loan recipients.)

In addition to loans, federal law allows a portion of annual federal capitalization funds to be provided as principal forgiveness grants based on affordability criteria for disadvantaged communities and for energy efficiency improvements and green infrastructure projects. Under current state statutes, affordability criteria established for the PFA's Water Infrastructure Fund (WIF) program are also used for federal principal forgiveness grants. WIF affordability criteria are based on an analysis of the per household cost for operation, maintenance, and debt service within each city's wastewater or drinking water enterprise fund. Grants tend to go to smaller cities that have fewer users to share the costs, providing critical assistance for projects to rehabilitate and replace aging infrastructure that would otherwise be unaffordable.

A major factor in the success of the CWRF/DWRF loan funds is the stability of the funding process which allows cities to have confidence in the availability of low interest financing as they plan and prepare for their projects. Taking principal forgiveness grants from federal loan capitalization funds permanently removes those assets from the revolving loan funds, thereby reducing long-term lending capacity. PFA is required under federal law to maintain the CWRF and DWRF in perpetuity. To maintain the strength and stability of the revolving loan funds, the use of principal forgiveness grants must be limited and carefully targeted to achieve a specific purpose or outcome, such as reducing user rates or incentivizing cities to address specific types of water infrastructure needs.

Article 4 would establish new definitions for affordability and disadvantaged communities that would replace the current affordability criteria with demographic and census tract data. PFA and its

partner agencies recognize that additional federal funding through the Infrastructure Investment and Jobs Act (IIJA) provides an opportunity to expand the use of federal principal forgiveness grants for a broader range of cities and projects to address important environmental justice and equity issues. But we object to wholesale changes that would totally replace existing criteria with overly complicated metrics that do not provide a workable basis for targeting principal forgiveness grants.

The 2023 Clean Water and Drinking Water Project Priority Lists contain \$4.6 billion in project needs over the next 5-10 years, and long-term needs surveys estimate \$12 billion in needs over the next 20 years. The American Society of Civil Engineers 2022 Infrastructure Report Card gives Minnesota a C and C- for wastewater and drinking water. To meet our long-term water infrastructure needs, Minnesota must efficiently and effectively use available resources by carefully managing the revolving loan funds and targeting limited state and federal principal forgiveness grants to achieve clear and specific outcomes.

We have been working in good faith with Capital Investment Chair Lee to develop additional affordability and disadvantaged community criteria that could be added to the CWRF and DWRP programs, while maintaining the strength and stability of the revolving loan funds. I would welcome the opportunity for additional dialogue at the committee or with individual members going forward.

Respectfully,  
Jeff Freeman  
Executive Director

**MN Public Facilities Authority**  
**SRF Loans made by Fiscal Year since FY 2019**  
**As of March 20, 2023**

*sorted by FY, Borrower*

FY	Borrower	County	Date	Clean Water SRF		Drinking Water SRF	
				Loan Amount	Interest Rate	Loan Amount	Interest Rate
2019	Albert Lea	Freeborn	02/26/19	1,076,680	1.000%		
2019	Albert Lea	Freeborn	02/26/19			391,964	1.000%
2019	Alden	Freeborn	09/27/18			1,601,962	1.000%
2019	Bagley	Clearwater	08/22/18	538,157	1.000%		
2019	Bagley	Clearwater	08/22/18			490,913	1.000%
2019	Canby	Yellow Medicine	08/21/18	4,537,774	1.000%		
2019	Canby	Yellow Medicine	08/21/18			4,121,521	1.000%
2019	Canby	Yellow Medicine	08/21/18			47,502	1.000%
2019	Carlton	Carlton	10/25/18			2,175,099	1.000%
2019	Chisholm	Saint Louis	08/09/18	597,306	1.211%		
2019	Chisholm	Saint Louis	08/09/18			1,498,014	1.114%
2019	Cloquet	Carlton	09/04/18			7,358,236	1.128%
2019	Courtland	Nicollet	07/12/18			2,692,175	1.000%
2019	Eden Valley	Meeker	08/09/18	697,495	1.000%		
2019	Eden Valley	Meeker	08/09/18			131,924	1.000%
2019	Elbow Lake	Grant	08/13/18	600,400	1.000%		
2019	Elbow Lake	Grant	08/13/18			170,193	1.000%
2019	Erskine	Polk	11/13/18	376,294	1.000%		
2019	Evansville	Douglas	12/18/18			657,518	1.000%
2019	Eveleth	Saint Louis	09/07/18			1,179,288	1.115%
2019	Faribault	Rice	05/28/19			10,205,719	1.000%
2019	Fertile	Polk	05/13/19			1,618,697	1.000%
2019	Gilbert	Saint Louis	07/24/18	4,911,117	1.000%		
2019	Glencoe	McLeod	05/10/19	14,281,300	1.000%		
2019	Glenwood	Pope	04/09/19			812,243	1.000%
2019	Greenbush	Roseau	07/24/18			211,879	1.000%
2019	Houston	Houston	11/13/18			500,200	1.000%
2019	Hoyt Lakes	Saint Louis	10/09/18	1,376,828	1.000%		
2019	Lowry	Pope	07/15/18			120,521	1.000%
2019	Metropolitan Council	Hennepin	08/01/18	45,000,000	1.091%		
2019	Minneapolis	Hennepin	11/21/18			27,300,000	1.470%
2019	Nashwauk	Itasca	11/13/18			1,088,777	1.000%
2019	Pemberton	Blue Earth	07/18/18			152,049	1.107%
2019	Pine River	Cass	03/12/19			272,902	1.000%
2019	Rice Lake	Saint Louis	07/23/18	55,005	1.000%		
2019	Stewart	McLeod	08/13/18	307,733	1.000%		
2019	Stewart	McLeod	08/13/18			275,179	1.000%
2019	Tonka Bay	Hennepin	03/28/19			1,920,365	1.000%
2019	Two Harbors	Lake	10/10/18	1,825,939	1.000%		

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				Loan Amount	Interest Rate	Loan Amount	Interest Rate
2019	Verndale	Wadena	12/19/18			864,462	1.000%
2019	Waseca	Waseca	09/05/18	3,424,234	1.000%		
2019	Waseca	Waseca	09/05/18			2,321,393	1.000%
2019	Waverly	Wright	08/09/18	408,645	1.000%		
2019	Waverly	Wright	08/09/18			82,616	1.000%
2019	Western Lake Superior SD	Saint Louis	11/02/18	1,907,254	1.233%		
2019	Western Lake Superior SD	Saint Louis	11/02/18	15,269,184	1.233%		
2019	Western Lake Superior SD	Saint Louis	11/02/18	678,051	1.245%		
2019	Western Lake Superior SD	Saint Louis	11/02/18	2,345,795	1.245%		
2019	Western Lake Superior SD	Saint Louis	11/02/18	2,118,013	1.245%		
2019	Wheaton	Traverse	09/13/18			1,090,980	1.000%
2019	Willmar	Kandiyohi	10/03/18	1,478,205	1.119%		
2019	Windom	Cottonwood	01/17/19	8,909,643	1.000%		
2019	Winger	Polk	11/13/18			794,076	1.000%
2019	Winnebago	Faribault	06/11/19	1,920,730	1.000%		
2019	Winnebago	Faribault	06/11/19			2,557,784	1.000%
<b>2020</b>	Ada	Norman	06/23/20	1,130,993	1.000%		
2020	Ada	Norman	06/23/20			813,680	1.000%
2020	Aitkin	Aitkin	08/05/19	881,442	1.000%		
2020	Aitkin	Aitkin	08/05/19			943,764	1.000%
2020	Battle Lake	Otter Tail	11/13/19	1,740,267	1.000%		
2020	Battle Lake	Otter Tail	11/13/19			874,638	1.000%
2020	Burnsville	Dakota	06/23/20			2,678,197	1.394%
2020	Clear Lake	Sherburne	11/04/19			1,355,004	1.000%
2020	Dassel	Meeker	08/20/19			2,360,880	1.000%
2020	Detroit Lakes	Becker	07/10/19	554,510	1.000%		
2020	Detroit Lakes	Becker	07/10/19			1,988,748	1.000%
2020	Frazee	Becker	10/29/19			1,430,653	1.000%
2020	Gibbon	Sibley	08/08/19	644,207	1.000%		
2020	Greenbush	Roseau	09/30/19			144,732	1.000%
2020	Hamburg	Carver	10/28/19			1,368,075	1.000%
2020	Houston	Houston	03/09/20			141,441	1.000%
2020	Le Sueur County	Le Sueur	08/27/19	1,218,136	1.000%		
2020	Little Falls	Morrison	07/01/19	15,498,248	1.000%		
2020	Marshall	Lyon	07/10/19	14,830,890	1.000%		
2020	Metropolitan Council	Hennepin	11/26/19	50,000,000	1.462%		
2020	Montrose	Wright	10/14/19			1,285,102	1.000%
2020	Mountain Lake	Cottonwood	03/17/20	8,018,787	1.000%		
2020	New London	Kandiyohi	09/04/19			1,468,547	1.000%

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2020	Ortonville	Big Stone	07/15/19	2,667,364	1.000%		
2020	Ortonville	Big Stone	07/15/19			3,403,550	1.000%
2020	Otsego	Wright	05/27/20	17,199,866	1.161%		
2020	Perham	Otter Tail	07/08/19	744,453	1.000%		
2020	Pipestone	Pipestone	08/21/19			293,270	1.000%
2020	Red Lake Falls	Red Lake	10/28/19	728,160	1.000%		
2020	Red Lake Falls	Red Lake	10/28/19			2,286,072	1.000%
2020	Rice Lake	Saint Louis	09/26/19			288,354	1.000%
2020	Saint James	Watonwan	10/02/19	2,810,568	1.000%		
2020	Saint James	Watonwan	10/02/19			3,577,926	1.000%
2020	Silver Bay	Lake	03/05/20	2,424,489	1.000%		
2020	Staples	Todd	12/30/19	6,051,599	1.599%		
2020	Twin Valley	Norman	10/14/19			290,909	1.000%
2020	Waverly	Wright	09/09/19	773,032	1.000%		
2020	Western Lake Superior SD	Saint Louis	10/28/19	1,747,998	1.000%		
2020	Western Lake Superior SD	Saint Louis	10/28/19	4,520,671	1.000%		
2020	Western Lake Superior SD	Saint Louis	10/28/19	361,300	1.000%		
2020	Winnebago	Faribault	04/14/20	3,481,727	1.000%		
<b>2021</b>	Adams	Mower	07/24/20	797,355	1.000%		
2021	Appleton	Swift	12/12/20			6,071,937	1.000%
2021	Askov	Pine	01/15/21			624,070	1.000%
2021	Barnesville	Clay	07/29/20	1,961,315	1.000%		
2021	Caledonia	Houston	07/21/20			333,149	1.000%
2021	Chisago Lakes JSTC	Chisago	07/31/20	800,287	1.000%		
2021	Clearwater	Wright	06/24/21			832,959	1.000%
2021	Cokato	Wright	02/13/21	862,748	1.000%		
2021	Deer River	Itasca	06/22/21	930,373	1.000%		
2021	Eagle Bend	Todd	03/24/21	87,925	1.000%		
2021	Eagle Bend	Todd	03/24/21			67,506	1.000%
2021	Elbow Lake	Grant	05/18/21			3,394,320	1.000%
2021	Eveleth	Saint Louis	05/12/21	194,297	1.000%		
2021	Eveleth	Saint Louis	05/12/21			555,465	1.000%
2021	Fertile	Polk	07/20/20			302,623	1.000%
2021	Gilbert	Saint Louis	06/28/21	373,983	1.000%		
2021	Greenbush	Roseau	06/23/21			185,341	1.000%
2021	Houston	Houston	05/11/21	1,198,986	1.000%		
2021	Hoyt Lakes	Saint Louis	10/19/20	1,846,371	1.000%		
2021	Kandiyohi County	Kandiyohi	07/31/20	1,027,427	1.000%		
2021	Lake Park	Becker	11/17/20	1,311,000	1.000%		

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				Loan Amount	Interest Rate	Loan Amount	Interest Rate
2021	Lanesboro	Fillmore	12/08/20	4,844,331	1.000%		
2021	Mayer	Carver	07/30/20			1,140,415	1.000%
2021	Metropolitan Council	Hennepin	03/01/21	50,000,000	1.000%		
2021	Moorhead	Clay	08/13/20	18,048,080	1.000%		
2021	Nashwauk	Itasca	06/11/21	2,380,034	1.000%		
2021	Nisswa	Crow Wing	08/26/20	4,673,627	1.000%		
2021	Pelican Rapids	Otter Tail	07/30/20	531,676	1.000%		
2021	Pelican Rapids	Otter Tail	07/30/20			688,147	1.000%
2021	Robbinsdale	Hennepin	09/17/20			36,430,904	1.000%
2021	Saint Cloud	Stearns	08/26/20			40,055,140	1.025%
2021	Saint Cloud	Stearns	06/23/21	7,419,725	1.000%		
2021	Saint Paul	Ramsey	05/27/21			15,400,000	1.000%
2021	Sandstone	Pine	04/23/21			827,601	1.000%
2021	Starbuck	Pope	09/11/20	1,471,148	1.000%		
2021	Starbuck	Pope	09/11/20			940,628	1.000%
2021	Walker	Cass	09/18/20	1,790,182	1.000%		
2021	Walker	Cass	09/18/20			979,065	1.000%
2021	Western Lake Superior SD	Saint Louis	10/21/20	621,465	1.000%		
2021	Western Lake Superior SD	Saint Louis	10/21/20	469,586	1.000%		
<b>2022</b>	Askov	Pine	10/14/21			522,131	1.000%
2022	Babbitt	Saint Louis	10/25/21	6,006,995	1.000%		
2022	Battle Lake	Otter Tail	07/15/21			756,421	1.000%
2022	Caledonia	Houston	09/21/21			1,286,324	1.000%
2022	Caledonia	Houston	12/02/21	8,281,954	1.000%		
2022	Chisago Lakes JSTC	Chisago	08/09/21	701,055	1.000%		
2022	Dawson	Lac qui Parle	06/06/22			2,548,641	1.842%
2022	Detroit Lakes	Becker	05/23/22	1,896,785	2.600%		
2022	Detroit Lakes	Becker	05/23/22			2,021,184	2.600%
2022	Duluth	Saint Louis	01/25/22			3,857,531	1.003%
2022	Eden Valley	Meeker	09/16/21	1,748,608	1.000%		
2022	Eden Valley	Meeker	09/16/21			1,150,135	1.000%
2022	Ely	Saint Louis	01/20/22	549,561	1.000%		
2022	Fairmont	Martin	12/21/21	2,760,479	1.000%		
2022	Faribault	Rice	11/01/21			481,352	1.000%
2022	Frazee	Becker	06/28/22	573,624	2.117%		
2022	Frazee	Becker	06/28/22			155,536	2.117%
2022	Hawley	Clay	08/17/21	926,657	1.000%		
2022	Henning	Otter Tail	08/10/21	152,000	1.000%		
2022	Henning	Otter Tail	08/10/21			137,875	1.000%

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				Loan Amount	Interest Rate	Loan Amount	Interest Rate
2022	Le Sueur	Le Sueur	09/15/21			2,312,072	1.064%
2022	Long Prairie	Todd	06/15/22	4,776,440	2.285%		
2022	Long Prairie	Todd	06/15/22			3,812,346	2.591%
2022	Melrose	Stearns	10/27/21	2,096,321	1.000%		
2022	Metropolitan Council	Hennepin	01/12/22	50,000,000	1.000%		
2022	Mountain Iron	Saint Louis	12/28/21			535,973	1.036%
2022	Oronoco	Olmsted	03/16/22	10,469,187	1.047%		
2022	Oronoco	Olmsted	03/16/22	841,487	1.249%		
2022	Oronoco	Olmsted	03/16/22			856,606	1.252%
2022	Pipestone	Pipestone	10/14/21	1,332,542	1.000%		
2022	Pipestone	Pipestone	10/14/21			467,828	1.000%
2022	Robbinsdale	Hennepin	05/02/22			6,770,650	1.953%
2022	Royalton	Morrison	12/15/21			1,311,776	1.000%
2022	Saint Cloud	Stearns	03/18/22			1,166,077	1.608%
2022	Saint Paul	Ramsey	06/14/22			46,000,000	2.428%
2022	Sherburn	Martin	01/05/22	3,181,490	1.000%		
2022	Warren	Marshall	06/14/22	344,448	1.954%		
2022	Warren	Marshall	06/14/22			358,340	1.953%
2022	Waverly	Wright	08/20/21	1,556,775	1.000%		
2022	Western Lake Superior SD	Saint Louis	10/08/21	1,594,934	1.000%		
2022	Western Lake Superior SD	Saint Louis	10/08/21	3,707,325	1.000%		
2022	Worthington	Nobles	09/14/21	30,322,821	1.000%		
<b>2023</b>	Ada	Norman	03/14/23	1,478,332	1.310%		
2023	Annandale	Wright	12/13/22	253,362	2.250%		
2023	Annandale	Wright	12/13/22			1,358,413	1.998%
2023	Austin	Mower	02/09/23	42,216,633	1.912%		
2023	Crosby	Crow Wing	12/13/22	712,315	2.185%		
2023	Crosby	Crow Wing	12/13/22			1,812,804	2.185%
2023	Dassel	Meeker	08/19/22	871,848	1.389%		
2023	Dassel	Meeker	08/19/22			818,925	1.895%
2023	Dawson	Lac qui Parle	07/11/22	3,307,904	2.123%		
2023	Eveleth	Saint Louis	07/19/22	436,281	2.291%		
2023	Eveleth	Saint Louis	07/19/22			364,924	2.291%
2023	Floodwood	Saint Louis	08/16/22	247,944	2.180%		
2023	Foley	Benton	08/10/22	19,790,428	2.587%		
2023	Grand Meadow	Mower	10/11/22	4,187,040	1.364%		
2023	Lake Park	Becker	10/17/22			1,083,625	2.767%
2023	Lanesboro	Fillmore	10/04/22	461,728	1.531%		
2023	Lanesboro	Fillmore	10/04/22			345,334	2.041%

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				Loan Amount	Interest Rate	Loan Amount	Interest Rate
2023	Litchfield	Meeker	11/30/22			3,936,422	2.675%
2023	Menahga	Wadena	11/02/22			614,500	1.524%
2023	Metropolitan Council	Hennepin	03/14/23	40,000,000	1.586%		
2023	Owatonna	Steele	01/26/23	35,000,000	1.915%		
2023	Perham	Otter Tail	09/18/22	1,789,998	2.210%		
2023	Perham	Otter Tail	09/18/22			1,832,913	2.210%
2023	Pipestone	Pipestone	10/31/22	1,719,191	2.477%		
2023	Pipestone	Pipestone	10/31/22			403,828	2.478%
2023	Two Harbors	Lake	09/19/22	14,493,919	1.578%		
2023	Watertown	Carver	12/05/22	16,723,450	2.693%		
2023	Western Lake Superior SD	Saint Louis	11/08/22	11,579,701	2.380%		
2023	Western Lake Superior SD	Saint Louis	11/08/22	6,638,455	2.537%		
2023	Western Lake Superior SD	Saint Louis	02/05/23	2,711,568	1.922%		
2023	Western Lake Superior SD	Saint Louis	02/05/23	1,581,288	1.760%		
2023	Western Lake Superior SD	Saint Louis	03/14/23	13,047,063	1.594%		
2023	Zimmerman	Sherburne	11/30/22			1,136,210	2.675%
				709,382,347		300,745,656	

FY	Clean Water SRF		Drinking Water SRF		
	Total Loans	Count	Total Loans	Count	
2019	114,641,781	24	74,706,149	31	
2020	138,028,708	22	26,993,542	19	
2021	103,641,922	23	108,829,270	17	
2022	133,821,488	22	76,508,797	20	
2023 to date	219,248,448	22	13,707,898	11	
		709,382,347	113	300,745,656	98