



DEDICATED TO A STRONG GREATER MINNESOTA

May 7, 2024

Dear Representative Lee and members of the House Ways and Means Committee,

On behalf of the Coalition of Greater Minnesota Cities (CGMC), I am writing to express our extreme dissatisfaction with the Capital Investment bills being discussed in committee this week. The CGMC is a group of more than 100 cities located outside the Metropolitan Area. Our members are dedicated to a stronger Greater Minnesota and are focused on developing viable, progressive communities for families and businesses through good local government and strong economic growth. The bill either fails to fund or dramatically underfunds key programs that Greater Minnesota communities rely on while also including problematic policy language.

Water and Wastewater Infrastructure is Woefully Underfunded

We are most disappointed with the underfunding of water and wastewater infrastructure programs. Protecting Minnesota's drinking water and its lakes, rivers, and streams should be a top goal for every bonding bill. Although we appreciate the Legislature including \$39 million to match the federal grants for the State Revolving Loan Funds and \$10 million to establish a new Emerging Contaminants Grants Program, the failure to fund the Point Source Implementation Grant (PSIG) program and the underfunding of the Water Infrastructure Fund (WIF) with only \$8 million is unacceptable. The CGMC is asking the Legislature to provide \$120 million each for PSIG and WIF (H.F. 411 – Frederick, DFL-Mankato), but the proposal dedicates more money to planting trees in the Metropolitan Area than to these two essential programs. We have also been pushing for \$180 million per year for lead service line replacement but were surprised and disappointed that no money was included to continue funding the removal of lead lines from public water systems.

The PSIG program is extremely important for communities that are upgrading their wastewater plants to comply with the Minnesota Pollution Control Agency's (MPCA) regulations related to pollutants. The state has historically partnered with cities to pay for these costly upgrades, and every bonding bill in recent memory has funded this program. Not only does this program help cities pay for the cost of this infrastructure, but it also protects the environment for all Minnesotans. We urge you to move closer to the funding numbers in H.F. 4111.

More Investment in Economic Development Would Spur Economic Growth.

Our organization has long supported the Business Development Public Infrastructure (BDPI) program. This program assists communities with building out the public infrastructure needed to support business attraction and expansion in Greater Minnesota. It is one of the most successful programs of the Department of Employment and Economic Development (DEED) and enjoys significant popularity amongst Greater Minnesota cities. While the program is funded at \$2 million, this is well below what is necessary to ensure that funding is available to meet the demand for this popular program.

The Parks and Trails of Greater Minnesota Should Not Be Ignored

This bill also fails to fund the Parks and Trails Local and Regional Grant Program under the Department of Natural Resources (DNR). These DNR programs assist local governments around the state with the acquisition

and development of local and regional parks and trails. Compare the lack of funding for this statewide program again to the amount of \$8 million provided to the Met Council for parks and trails.

Policy Language Adds Unnecessary Expense and Complexity

We are also concerned about several policy provisions in these bills. We thank Rep. Lee for his efforts to improve the language of the Capital Replacement Fund but believe it still needs work. We do think a fiscal note should be provided to determine whether the cost of the program would outweigh the benefits. We also have the following concerns regarding the exception language (H.F. 5162 1st Engrossment, subd. 5):

- (a.) This section requires that recipients of WIF Grants pay additional funds on top of the existing replacement fund administered by the PFA that they pay into, defeating the purpose of the WIF program. This problem could be solved by eliminating the following language at 14.29 – 14.31 (“*so long as the deposits not the replacement fund are at least as large as the minimum deposits established by the commissioner under subdivision 3.*”)
- (b.) We believe that this language should be amended to better align with generally accepted practices on capital improvement plans. We urge the deletion of the current language and the insertion of the following language suggested by the League of Minnesota cities and others: “*This section does not apply to a grantee that assesses the condition and replacement value of its capital assets and future capital projects through an annual capital improvement plan process and publishes an annual capital improvement plan document that forecasts at least 5 years of known capital projects for use in budget forecasting to enhance long-term financial sustainability.*”
- (c.) We would urge that this exception for political subdivisions with low adjusted net tax capacity be amended so that it applies to local governments that fall below the mean, not the median. We believe that using the mean would better protect poorer communities.

In addition, there are several requirements that would require signs and notices that a project has been funded with bonding funds (H.F. 5162 1st Engrossment, Art. 2, Sec. 3; H.F. 5220, Art. 3). Although we appreciate the very Minnesotan instinct to share the good work the state has done, these proposals are unfunded mandates on local government that add additional cost at a time when we should be looking for ways to reduce costs.

In conclusion, this bill inadequately funds water and wastewater infrastructure critical to protecting our environment. Moreover, this bill is unbalanced in its treatment of Greater Minnesota versus the Metro. While we understand that there is a long way to go before the passage of a bill through both bodies and signature by the Governor, we urge this committee to work on rectifying these disparities.

Thank you for your time and consideration.

Sincerely,



Rick Schultz, Mayor of St. Joseph
President, Coalition of Greater Minnesota Cities