



January 7, 2021

The Honorable Carrie Ruud
Chair, Senate Environment & Natural Resources
Policy and Legacy Finance Committee
3233 MN Senate Building
95 University Avenue West
St. Paul, MN 55155

The Honorable Steve Green
Republican Lead, House Legacy Finance
Committee
313 State Office Building
100 Rev. Dr. Martin Luther King Jr. Blvd.
St. Paul, MN 55155

The Honorable Bill Ingebrigtsen
Chair, Senate Environment & Natural Resources
Finance Committee
3207 MN Senate Building
95 University Avenue West
St. Paul, MN 55155

The Honorable Foug Hawj
Ranking Minority Member, Senate Environment
and Natural Resources Policy and Legacy
Finance Committee
2201 MN Senate Building
95 University Avenue West
St. Paul, MN 55155

The Honorable Rick Hansen
Chair, House Environment and Natural
Resources Finance & Policy Committee
407 State Office Building
100 Rev. Dr. Martin Luther King Jr. Blvd.
St. Paul, MN 55155

The Honorable Patricia Torres Ray
Ranking Minority Member, Senate Environment
and Natural Resources Finance Committee
2225 MN Senate Building
95 University Avenue West
St. Paul, MN 55155

The Honorable Leon Lillie
Chair, House Legacy Finance Committee
365 State Office Building
100 Rev. Dr. Martin Luther King Jr. Blvd.
St. Paul, MN 55155

The Honorable Josh Heintzeman
Republican Lead, House Environment and
Natural Resources Finance & Policy Committee
353 State Office Building
100 Rev. Dr. Martin Luther King Jr. Blvd.
St. Paul, MN 55155

RE: Clean Water Fund appropriations for Subsurface Sewage Treatment (SSTS) for fiscal years 2013-2021

Dear Environment and Natural Resources Committee Chairs and Minority Leads:

Attached please find the report titled Clean Water Fund appropriations for Subsurface Sewage Treatment (SSTS) for fiscal years 2013-2021 as required under Laws of Minnesota 2019, 1st Spec. Sess. chapter 2, Article 2 section 5 (f). This report details the amount of Clean Water Fund money appropriated to support various county SSTS programs, and outcomes related to these appropriations.

Committee Chairs and Ranking Minority Members

Page Two

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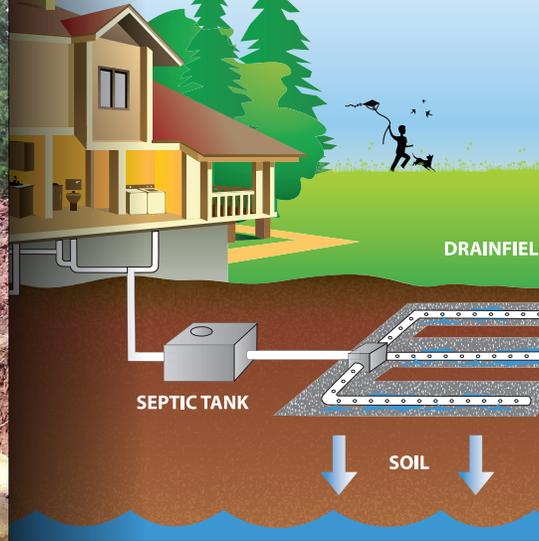
If you have any questions about this report, feel free to contact me at 651-757-2031 or greta.gauthier@state.mn.us or Dana Vanderbosch, Division Director, Municipal Division at 651-757-2601 or dana.vanderbosch@state.mn.us.

Sincerely,

A handwritten signature in blue ink that reads "Greta Gauthier". The signature is written in a cursive style with a horizontal line at the end.

Greta Gauthier
Assistant Commissioner for Legislative and Intergovernmental Relations
Commissioner's Office

GG/BM:cbg



REPORT TO THE
LEGISLATURE

DECEMBER 2020

Clean Water Fund appropriations for Subsurface Sewage Treatment

Appropriations for subsurface sewage treatment system (SSTS) programs in Minnesota for fiscal years 2013–2021



Legislative charge

As a condition of Laws of Minnesota 2019, 1st Spec. Sess. chapter 2, Article 2 section 5 (f) the MPCA must complete a legislative report for all current and past appropriations from Minnesota's Clean Water Fund (CWF) for subsurface sewage treatment systems (SSTS). The report must detail the amount of funding that has gone to SSTS programs and outcomes related to these appropriations. Here is the specific wording of this legislative charge to the MPCA:

(f) \$3,375,000 the first year and \$3,375,000 the second year are for enhancing the county-level delivery systems for subsurface sewage treatment system (SSTS) activities necessary to implement Minnesota Statutes, sections 115.55 and 115.56, for protecting groundwater, including base grants for all counties with SSTS programs and competitive grants to counties with specific plans to significantly reduce water pollution by reducing the number of systems that are an imminent threat to public health or safety or are otherwise failing. Counties that receive base grants must report the number of sewage noncompliant properties upgraded through SSTS replacement, connection to a centralized sewer system, or other means, including property abandonment or buy-out. Counties also must report the number of existing SSTS compliance inspections conducted in areas under county jurisdiction. These required reports are to be part of established annual reporting for SSTS programs. Counties that conduct SSTS inventories or those with an ordinance in place that requires an SSTS to be inspected as a condition of transferring property or as a condition of obtaining a local permit must be given priority for competitive grants under this paragraph. Of this amount, \$1,500,000 each year is available to counties for grants to low-income landowners to address systems that pose an imminent threat to public health or safety or fail to protect groundwater. A grant awarded under this paragraph may not exceed \$40,000 for the biennium. A county receiving a grant under this paragraph must submit a report to the agency listing the projects funded, including an account of the expenditures. By January 15, 2021, the commissioner must submit a report to the chairs and ranking minority members of the House of Representatives and Senate committees and divisions with jurisdiction over environment and natural resources and the clean water fund detailing the outcomes achieved under this paragraph and past appropriations from the clean water fund for this purpose.

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Minnesota Pollution Control Agency

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This report is available in alternative formats upon request, and online at www.pca.state.mn.us.

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CWF money used for county SSTS base, incentive, low-income grant programs; advanced design work

The Minnesota Pollution Control Agency (MPCA) has been distributing money from the Minnesota Clean Water Fund (CWF) for SSTS purposes for nine years (funds were first distributed in FY13). Over this period, the MPCA has distributed a total of \$23,010,815 to 86 of Minnesota's 87 counties (Ramsey County does not operate an SSTS program and does not qualify for CWF grant funding.). CWF appropriations are divided into three grant opportunities for which county SSTS programs are eligible:

- SSTS Base Grants
- SSTS Low-Income Grants
- SSTS Incentive Grants

In addition, a small amount of CWF money is made available annually to help counties pay for advanced inspection and design work required by certain types of SSTS projects.

Base grants provide general support for county SSTS programs

SSTS Base Grants are distributed to counties each year provided three criteria are met. Counties must:

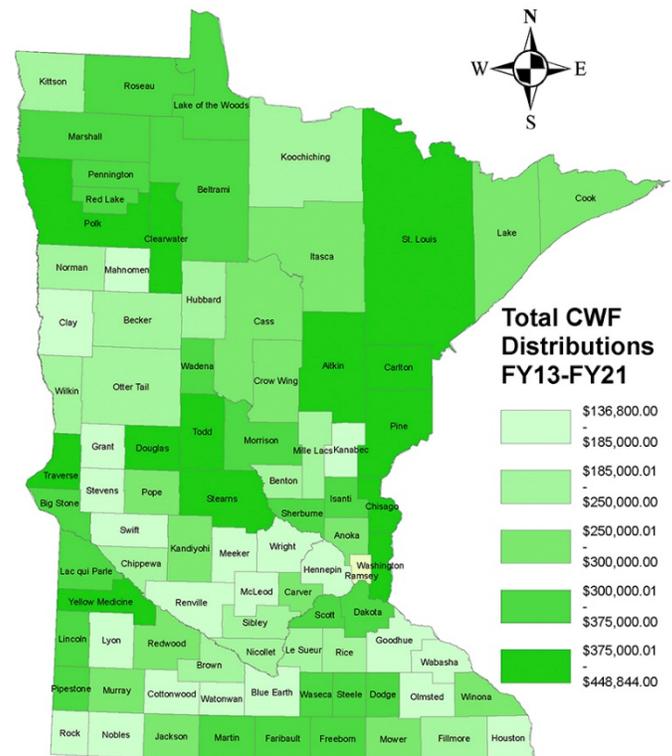
- Administer an SSTS program
- Have an ordinance that meets state rules
- Complete and submit an annual report

Base grants are awarded to counties for activities necessary to implement Minnesota Statutes, sections 115.55 and 115.56, for protecting groundwater. This includes managing SSTS activities such as permitting and inspection programs, resolving disputes between SSTS professionals, developing local SSTS ordinances, and administering low-income grant programs.

For the past eight years, starting in FY14, base grants of \$18,600 per year have been awarded to all 86 counties in Minnesota that administer SSTS programs. Of this amount, \$1,500 is environmental fund money and \$17,100 is CWF money. For each fiscal year from FY14 to FY21, \$1,470,600 (\$17,100 x 86) in CWF money has been distributed annually for enhancing county-level SSTS programs.

Counties that receive base grants must each year report the number of properties in the county without a rule-compliant sewage treatment system where the deficiencies have been corrected, either by SSTS replacement, connection to a centralized sewer system, or by other means, including property abandonment or buy-out.

Counties also must report each year the number of SSTS compliance inspections of existing systems conducted in their jurisdictions. These required reports are sent to the MPCA and compiled into the yearly [Minnesota SSTS Annual Report](#).

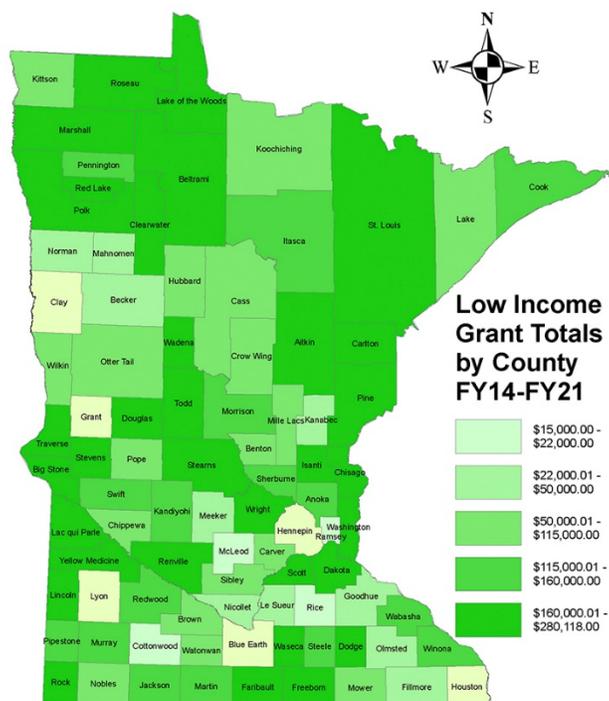


Low-income grants help pay for replacing failing systems

The SSTS Low-income Grant program provides funding to counties through a competitive process that counties must apply for each fiscal year. These grants are used by county SSTS programs to provide funding opportunities to low-income homeowners who have failing SSTS that need to be upgraded or replaced.

Counties that seek and receive these funds must use them in accordance with the following:

- Fix SSTS that have been deemed “failing to protect groundwater” or an “imminent threat to public health or safety” (The homeowner must have been issued a Notice of Noncompliance by a licensed SSTS inspector)
- Funding only for homesteaded single-family homes or duplexes
- Homeowner income must be under low income threshold determined by the county. Most counties (but not all) use USDA income limits.



Systems that fail to protect groundwater are generally those where there is insufficient separation between where effluent enters the soil and groundwater for adequate treatment to occur. Imminent threats to public health and safety generally means untreated wastewater effluent is coming to the surface or directly entering a surface water such as a nearby ditch, stream or lake.

Grant amounts available for this program are variable depending on a multitude of factors, including the amount of overall funding available for a particular year, the number of applications, and the amount of unspent funds each county has left over from previous years. Additionally, there is a cap to the amount of funding any one county may receive in a year (currently \$40,000).

Low-Income grant funds have been available and awarded for nine years, since FY13. Generally, the overall amount of CWF money available for fix-up grants has been about \$1 million a year.

Over the past nine years, distributions to any one county have been capped at no more than \$40,000. The average distribution per county is \$25,645. The total amount of low-income funding distributed since FY13 is \$9,924,636 (\$6,851,862 from FY13-FY19 and \$3,072,774 for FY20-FY21).

Counties that award low-income grants are required to track projects funded by this program. From FY13 through FY19, 980 projects received funding. The average project received \$6,992 (980 projects funded divided by \$6,851,862).

FY20 and FY21 funding (\$3,072,774) has been distributed as of the time of this report; however, since counties are not required to file their grant program reports until February in the year following the grant expenditure we will not know the total number of projects funded from these distributions until sometime in 2022.

One way to predict outcomes from this funding program is to consider the number of systems that can be fixed per \$100,000 in grant money spent. Using the numbers from FY13-FY19, we can estimate that

every \$100,000 in additional funding will fix another 14 failing systems. In other words, we can expect to see an additional 439 septic system fixes resulting from the \$3,072,774 in FY20-FY21 distributions.

When available, incentive grants support efforts in specific categories

The SSTS Incentive Grant program has awarded competitive grants to counties for specific items, issues, or projects in a few SSTS related categories. However, these grant funds are not always available. The MPCA and the CWF appropriation language prioritizes the Base Grant and SSTS Low-income Grant programs to ensure that critical support is given to these areas of county programs. Incentive grants were only distributed in FY14 – FY18. When money is available, incentive grants may be awarded to counties to support efforts in five categories:

- Compliance inspection requirements on property transfers
- Compliance inspection requirements on any permit application
- Improving compliance through an inventory
- Completing a records catalog of SSTS in the jurisdiction
- Planning/addressing unsewered areas within the county

During the five years incentive grants were awarded, \$1,309,299 were distributed to 62 counties. The average amount of incentive funding to each county during that period was \$21,118. The average amount of funding provided to each county per year was:

FY14 – \$1,400

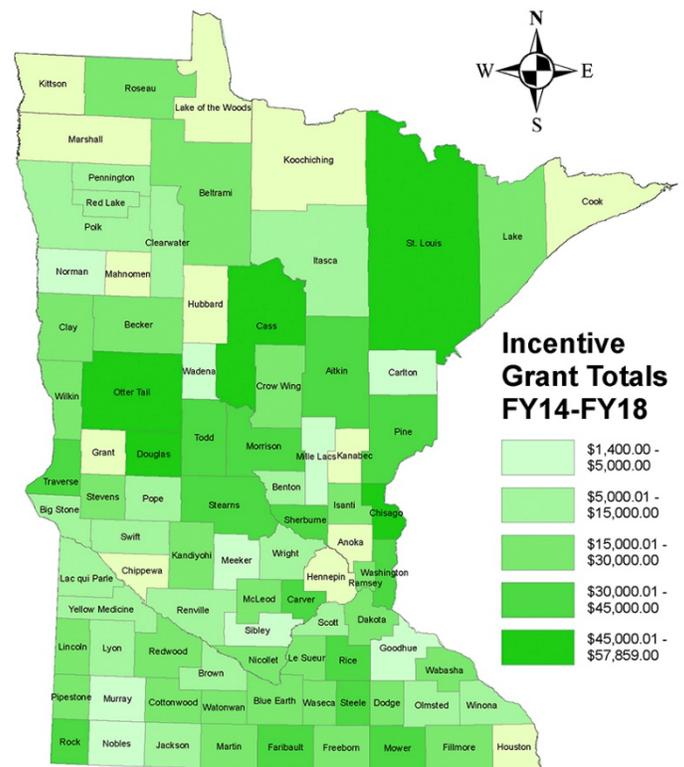
FY15 – \$10,547

FY16 – \$9,041

FY17 – \$3,679

FY18 – \$3,600

Counties that conduct SSTS inventories or those with an ordinance in place that requires an SSTS to be inspected as a condition of transferring property or as a condition of obtaining a local permit are given priority for these competitive incentive grants.



CWF money also helps counties pay for work on advanced systems

CWF money has also been made available for counties to assist with the cost of designing, inspecting and operating SSTS that require involvement by professionals working at the advanced inspector level.

Because the number of SSTS projects across the state that require this level of professional involvement is very low, fewer than 20 projects a year, not every county maintains an advanced inspector on staff.

Therefore, when an advanced SSTS is required for a particular location, it can be cost prohibitive to the local government to acquire the necessary staff training to appropriately, and legally, permit and inspect the system. The advanced inspector grant is designed to offset 75% of the incurred cost for a county to hire an advanced inspector when required.

This grant has been available for counties since FY13 and over the past nine years \$12,081 has been spent by 11 counties.

