



April 5, 2019

The Honorable Carrie Ruud
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3233 MN Senate Building
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The Honorable David Tomassoni
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The Honorable John Persell
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The Honorable Dale Lueck
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Ranking Minority Lead, House Environment and
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Committee Chairs and Ranking Minority Members

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April 5, 2019

Dear Legislators:

Please see the attached report on expenditures from the water quality and sustainability account during the previous six months, as required by 2018 Session Law, ch. 115B, sec. 52, subd 4 (1).

Please contact us if you have questions.

Sincerely,



Kirk Koudelka
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Attachment

cc: Kristin Beckmann, Office of Governor Tim Walz
Sasha Bergman, Office of Governor Tim Walz

April 2019

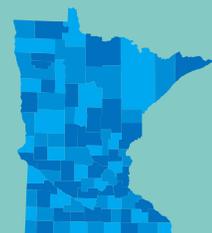
3M Settlement — determining how priorities will be met

Natural Resources Damage Lawsuit



m MINNESOTA

Pollution Control Agency
Department of Natural Resources



Legislative charge — statutory citation

As required by Minn. Stat. § 115B.52, subd. 4, by April 1, 2019, the commissioners of the MPCA and DNR must submit a report to the Legislature that provides an implementation plan detailing how the commissioners will:

(i) determine how the priorities in the settlement will be met and how the spending will move from the first priority to the second priority and the second priority to the third priority outlined in the settlement; and

(ii) evaluate and determine what projects receive funding.

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This report is available in alternative formats upon request.

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Foreword

On February 20, 2018, the State of Minnesota settled its Natural Resources Damage lawsuit against the 3M Company in return for a settlement of \$850 million. Minnesota's Attorney General sued 3M in 2010 alleging that the company's disposal of chemicals known as perfluorochemicals (PFCs), more commonly referred to as per- and polyfluoroalkyl substances (PFAS), had damaged and continue to damage drinking water and natural resources in the Twin Cities East Metropolitan Area. After legal and other expenses were paid, about \$720 million is left to finance drinking water and natural resource projects in this region of the Twin Cities.

The Minnesota Pollution Control Agency and the Minnesota Department of Natural Resources are co-trustees of these funds.

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Summary: State of Minnesota and 3M 2018 Settlement

The State of Minnesota and the 3M Company announced an agreement to settle the state's Natural Resources Damage lawsuit for PFAS contamination on February 20, 2018. Under the terms of the settlement agreement, 3M made an \$850 million grant to the state to be used for clean drinking water and natural resource projects, and to pay the state's lawsuit and other expenses. After legal and other expenses were paid, about \$720 million is available to finance drinking water and natural resource projects in the Twin Cities East Metropolitan Area. The grant's co-trustees are the Minnesota Pollution Control Agency (MPCA) and Minnesota Department of Natural Resources (DNR).

Priority One — Ensure Safe Drinking Water

The top priority for the grant money is to enhance the quality, quantity and sustainability of drinking water in the East Metropolitan Area. This area includes, but is not limited to, the cities of Afton, Cottage Grove, Lake Elmo, Lakeland, Lakeland Shores, Maplewood, Newport, Oakdale, St. Paul Park, Woodbury and the townships of Denmark, Grey Cloud Island and West Lakeland, and the Prairie Island Indian Community. The goal of this highest priority work is to ensure clean drinking water in sufficient supply to residents and businesses in the East Metropolitan Area to meet their current and future water needs.

Funded projects will address PFAS contamination in a variety of ways, thereby helping provide the region's 157,000 residents and businesses with clean drinking water to meet current and future needs. Such efforts could include alternative sources of drinking water for cities or private well owners, treating existing contaminated drinking water wells, and connecting homes served by private wells to municipal drinking water systems.

Grant funds could also support groundwater sustainability with projects such as promoting water conservation or preserving open spaces to help recharge drinking water sources and enhance water quality.

Priority Two — Enhance Natural Resources

The second priority for grant spending is to restore and enhance water resources, wildlife, habitat, fish and other aquatic resources, resource improvement, and outdoor recreational opportunities in the East Metropolitan Area and in downstream areas on the Mississippi and St. Croix Rivers. Such projects might include aquatic habitat and water resource protection and restoration; terrestrial and aquatic outdoor recreation facilities; restoration of wildlife habitat; and implementation of other terrestrial conservation and recreational improvements.

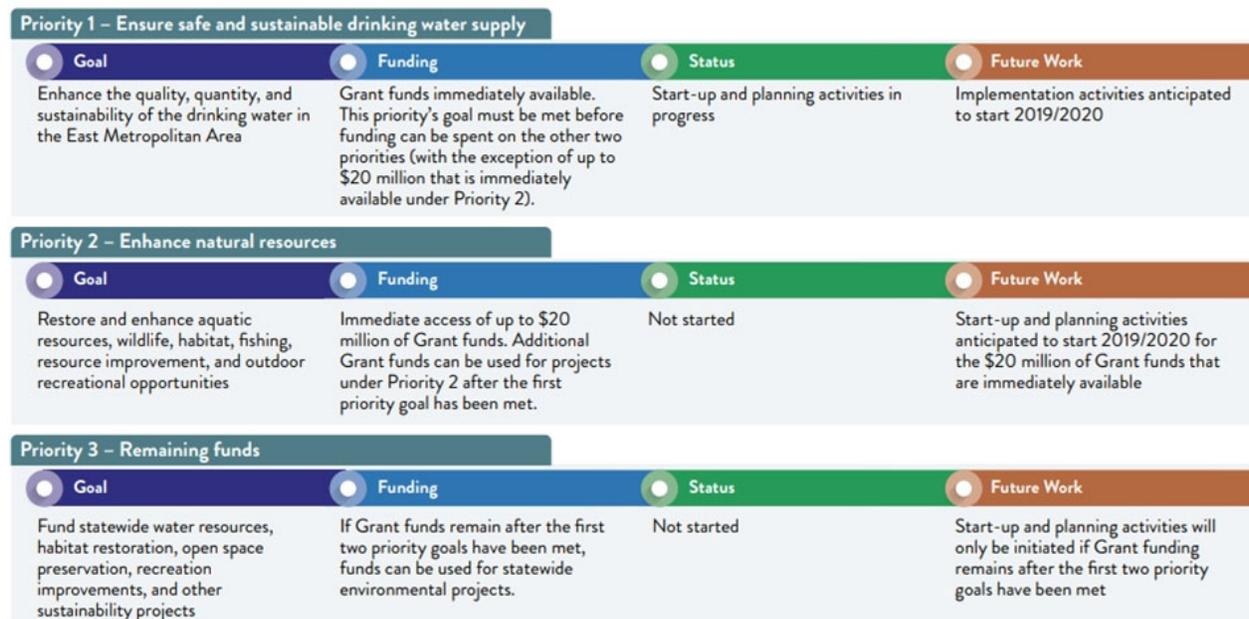
Under the terms of the settlement agreement, the MPCA and DNR have immediate access to \$20 million in grant funds for projects in this priority category. After the safe drinking water goals of the first priority are reasonably achieved, all remaining grant money is then available for natural resource restoration and enhancement projects.

Remaining Grant Funds

If there are funds remaining after the first two priority goals have been met, the grant can be used for statewide environmental improvement projects. Only projects in categories such as statewide water

resources, habitat restoration, open space preservation, outdoor recreation improvements, or other sustainability projects would be eligible.

The State’s progress-to-date for funding projects to ensure safe and sustainable drinking water and enhance natural resources is shown in the figure below.



Priority 1 process

The MPCA and DNR have set up two main work groups and one technical subgroup to help accomplish the goals of Priority 1. The membership and structure of these work groups are available on the 3M Settlement website — <https://3msettlement.state.mn.us>.

The main work groups — the Government and 3M Working Group and the Citizen–Business Group — have been meeting monthly since July 2018. The Drinking Water Supply Technical Subgroup has been meeting monthly since December 2018.

A second technical subgroup — the Groundwater Protection, Sustainability, Conservation and Recharge subgroup — has not started meeting yet. The MPCA and DNR have decided that this group will begin meeting later, when the plan and costs associated with providing safe water supplies are better understood. The MPCA and DNR have included groundwater professionals, along with drinking water supply experts, as part of the Drinking Water Supply Technical Subgroup to address relevant groundwater-related components.

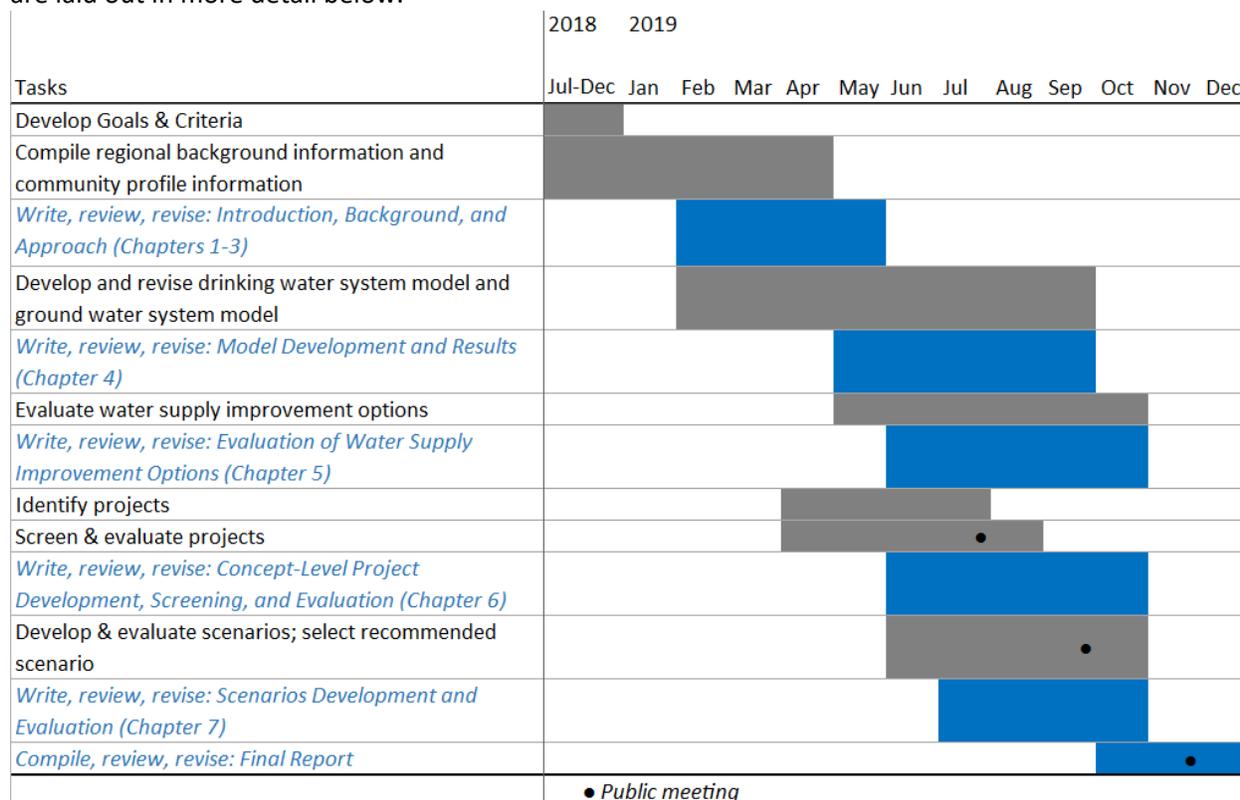
The MPCA and DNR have worked with the Government and 3M Working Group and Citizen–Business Group to develop a set of [program goals](#) and [criteria](#) that will be used to screen and evaluate proposed Priority 1 drinking water supply and groundwater protection/restoration projects for funding from the 3M Settlement.

A separate set of criteria will be developed for Priority 2 projects — natural resource protection and restoration projects. If necessary, additional criteria will be developed for other projects that would be funded under Priority 3.

The current focus of the Drinking Water Supply Technical Subgroup is to create a Conceptual Drinking Water Supply Plan by the end of December 2019. This plan will provide direction on how to provide

clean, sustainable drinking water while addressing each community’s needs now and into the future. The plan will take into account both public water systems and private wells, using a region-wide approach. It will be completed with input from the main work groups and members of the general public, and will likely result in projects within each of the affected communities.

The Conceptual Drinking Water Supply Plan is not the only deliverable needed to address the goals of Priority 1, but is the most critical. High level tasks and an estimated timeline for completion of the plan are laid out in more detail below.



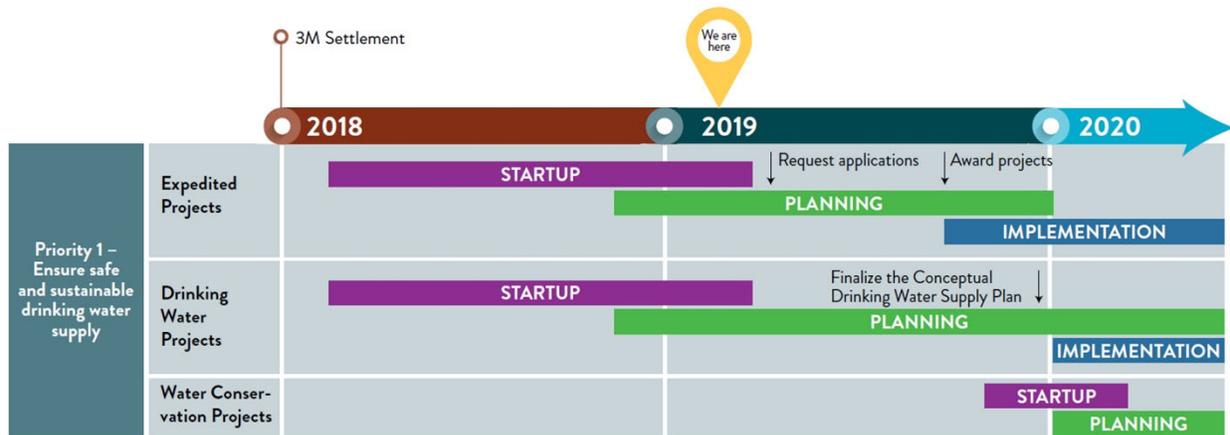
Grey shaded areas represent periods when technical work on the Conceptual Drinking Water Supply Plan is being performed. Blue areas are when those chapters of the plan are being written.

Expedited Projects

Fully implementing the recommendations laid out in the Conceptual Drinking Water Supply Plan will likely take a number of years. However, the MPCA and DNR will be considering certain projects for funding in an expedited timeframe. Expedited projects could include projects that are time-critical to implement due to a current opportunity, such as putting infrastructure in place for hooking up households to a municipal water supply during a planned road construction.

The criteria for expedited project funding have been developed. The application process for expedited funding will open in April; however, to date, no expedited projects have been funded. The MPCA and DNR plan to review project applications this summer and enter into funding agreements in the fall.

The graphic below shows more generally the timeline for achieving other Priority 1 goals.



Because of all the work ahead, we do not have a complete picture of everything needed to fulfill the goals of Priority 1. The legislative charge for this report was to explain how the spending will move from the first priority to the second priority and the second priority to the third priority outlined in the settlement. The 2018 3M Settlement notes spending on Priority 2 cannot occur (except for the specified \$20 million) until after MPCA and DNR, “have reasonably achieved the goal set forth” in Priority 1. Once the before mentioned needs are better understood, we can begin determining when moving from Priority 1 to Priority 2 is appropriate.

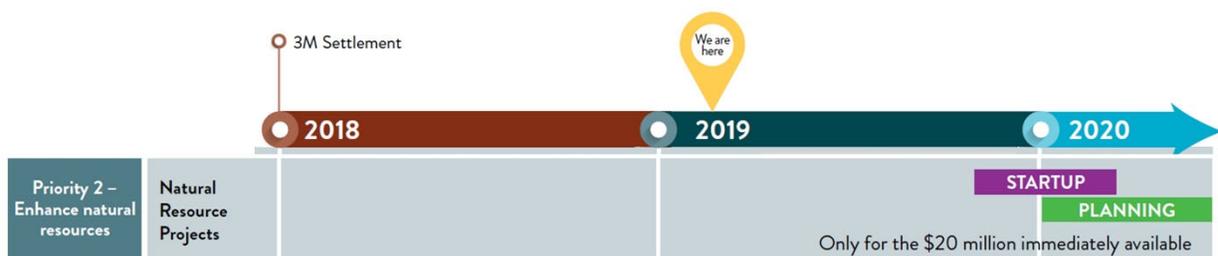
The agencies will inform the Legislature once we are able to determine those conditions and plan to transition from Priority 1 to additional Priority 2 projects beyond the \$20 million already allocated for these types of projects.

Priority 2

The terms of the 2018 3M Settlement Agreement specifies that \$20 million of the \$850 million settlement is available for Priority 2 projects. Because the Conceptual Drinking Water Supply Plan is the most critical piece of Priority 1 and limited resources, the MPCA and DNR are choosing to focus efforts on completing the Conceptual Drinking Water Supply Plan first.

When the Conceptual Drinking Water Supply Plan is completed and the costs of implementing it are better understood, the agencies will begin shifting their focus to projects that enhance water resources, wildlife habitat, and outdoor recreational opportunities in the East Metropolitan Area, or downstream of the area on the Mississippi and St. Croix Rivers.

The graphic below shows the general timeline for beginning Priority 2 activities.



As with Priority 1, we do not have information yet on needs for Priority 2 to be able to outline the conditions that will trigger moving from Priority 2 to Priority 3.

The agencies will inform the Legislature once we are able to determine those conditions in order to transition from Priority 2 to Priority 3 projects.

Priority 3

Once the goals of Priority 1 and Priority 2 have been reasonably achieved, we will then look to identify Priority 3 projects around the state, if funds remain. Potential project categories include statewide water resources, habitat restoration, open space preservation, outdoor recreation improvements, or other sustainability projects.

The graphic below shows the general timeline for beginning Priority 3 activities.

