

House Appropriations – Education and Environment Division
Chairman – Representative Mike Nathe
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Joint Testimony of:

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SB 2020

SLIDE 1 – Tom Ross

Chairman Nathe and members of the House Appropriations Education and Environment Division, my name is Tom Ross. I am the mayor of Minot. I am here today to speak in support of Senate Bill 2020 and the allocation needed to continue progress on the Mouse River Enhanced Flood Protection Project.

With me today, is David Ashley, Chairman of the Souris River Joint Board. We will be presenting jointly today.

This summer will mark 12 years since the 2011 flood devastated Minot and the surrounding region. We have come a long way as a community and as a basin, and much of that progress is a result of the support from the North Dakota Legislature. For that, we are very grateful.

We have uploaded this joint testimony along with a series of slides and a supplemental handout. Our intent is to cover three topics with you today.

First, we wish to update you regarding the status of the current biennium appropriations and how that funding is being utilized.

Second, we want to share good news regarding the overall budget of the project and how our work to secure federal funding has reduced the anticipated State share of the project.

Finally, we want to talk about a financial plan to finish this project by 2035 and how we would utilize this upcoming biennium's appropriation, if approved.

David Ashley is going to say a few words and cover slides 2 through 19, and then I will be back at the podium to wrap up with slides 20 through 24.

SLIDE 2 – David Ashley

On behalf of the Souris River Joint Board, let me also say ‘thank you’ for your support for this regional flood protection project.

The information shown on this slide illustrates the sources and uses for the current biennium’s appropriation to the Mouse River project. A total of \$84.5 million was appropriated, with \$74.5 million coming through House Bill 1431 (also known as the bonding bill) and the balance of \$10 million coming through House Bill 1020, the Department of Water Resources budget bill.

The appropriated funding was then allocated by the State Water Commission, with \$71.35 million going to the Souris River Joint Board for construction, engineering and acquisitions generally outside Minot city limits, and the balance of \$13.15 million going to the City of Minot for acquisitions within Minot city limits.

SLIDE 3 – David Ashley

The table on this slide indicates the individual activities included in the original work plan for the current biennium. Generally, we had approximately \$22.5 million total in acquisitions, \$12 million total in engineering and permitting, and \$92 million in construction, for a total program of \$126.5 million. The State share of that total was \$84.5 million.

SLIDE 4 – David Ashley

This slide shows graphically where the activities were located in Minot, with design activities shown in maroon and construction activities shown in orange. The bulk of the construction funding is being used to construct the Northeast Tieback Floodwall in northeast Minot.

SLIDE 5 – David Ashley

We have split the Minot system into three separate milestones, with each having the ability to function independently. Thanks to your previous support, we have been able to make significant progress towards Minot Milestone 1. The fully funded portions are shown in the solid green lines and the portion yet to be funded is shown with a dashed green line. This dashed area is known as the Maple Diversion, and is the portion of the project which has a federal interest and a federal funding partner through the US Army Corps of Engineers. In January 2022, an announcement was made by Senator Hoeven that \$61.45 million was appropriated for this portion of the project.

SLIDE 6 – David Ashley

This slide shows FEMA’s proposed regulatory floodplain through Minot. As you can see, there are thousands of homes within their proposed floodplain. The owners of these homes would generally be required to purchase high risk flood insurance if they have any type of mortgage or debt on their property. This is a major economic hardship, with projected premiums exceeding \$10,000 annually for some of the lowest-lying homes.

SLIDE 7 – David Ashley

This is how the completion of Minot Milestone 1 will affect that regulatory floodplain. Approximately 60% of the homes within the regulatory floodplain in Minot would be mapped out, once the Maple Diversion is completed. While this is a significant improvement within Minot, it's important to point out that two additional milestones will still remain to be achieved.

SLIDE 8 – David Ashley

We've also been completing work outside of Minot. Our work plan includes the replacement of three bridges to eliminate bottlenecks along the river at Mouse River Park in Renville County and also at Sawyer and Velva, downstream of Minot. In addition, the design of the levee at Robinwood, located west of Minot, is included in the current biennium work plan.

SLIDE 9 – David Ashley

Levee work in Burlington is substantially complete. Final cleanup, paving, and landscaping will be completed this spring. But if Burlington were to see a flood of similar magnitude to what was experienced in 2011, the community would be safe without much emergency effort. We look forward to celebrating this milestone in Burlington next spring, and we hope that you would be able to join us in that celebration.

SLIDE 10 – David Ashley

During the last legislative session, House Bill 1020 included legislative intent related to the anticipated State share necessary to complete the project. That figure was estimated to be \$604 million, with the final appropriation being made in the 39-41 Biennium. With the current biennium appropriation of \$84.5 million, the remaining State share, per the legislative intent, would be \$519.5 million. We have done some significant work to improve upon that remaining commitment.

SLIDE 11 – David Ashley

Since the 2021 legislative session, the Souris River Joint Board and the City of Minot have secured approximately \$71 million in federal funding for the project – with \$61.5 million through the US Army Corps of Engineers and \$9.8 million through the Department of Defense.

The federal grants are used to reduce both the State and local shares of the project. For every \$1.00 of federal funding secured for construction of the project, it reduces the projected State share by \$0.65.

We have been working diligently with the City of Minot on the local funding related to the project, and they have been exceptional partners. With the legislature's generosity in the last session and the federal funding injection into the project, we are in an excellent position to complete this project.

SLIDE 12 – David Ashley

We want this project done by 2035, and we think it is absolutely achievable. To get this done by 2035, the average appropriation level would be about \$8 million less per biennium than what we are working with currently. We have developed three funding scenarios to illustrate the benefit to the State and to local stakeholders of expediting the completion of the project.

SLIDE 13 – David Ashley

The average appropriation level for the project since 2011 has been approximately \$52 million per biennium. If we were to continue at that rate, the project would be complete by around 2041. There would be \$687 million of improvements remaining with this approach.

SLIDE 14 – David Ashley

This slide shows a second scenario which would allow us to complete this project sooner and at a lower cost to the taxpayer. At a levelized appropriation of \$76.1 million per biennium, the final appropriation would be made in the 31-33 biennium and we would be able to have the project complete by 2035. With this approach, the total cost of the work remaining would be \$640 million. Total cost savings would be \$47 million as compared to Scenario 1, with the State's share being approximately \$32 million of the total.

SLIDE 15 – David Ashley

A third scenario has been developed which would front-load the appropriation with \$100 million for the next biennium, with the amount tailing off to approximately \$64 million in the 31-33 biennium. With this approach, the total cost of the work remaining would be \$632 million. Total cost savings would be \$55 million as compared to Scenario 1, with the State's share being approximately \$37 million of the total.

SLIDE 16 – David Ashley

The Senate put legislative intent language within Senate Bill 2020 which defines the appropriation level for the upcoming biennium, as well as a cap on the total appropriation to the project from today through the completion. The downside of this language is that it does not lay out an intended plan for the future. In general, the language is consistent with what we have proposed in Scenario 2, but we are asking the House to strengthen that language.

SLIDE 17 – David Ashley

We are suggesting two alternatives for legislative intent language, based on Scenarios 2 and 3 that we have referenced previously. The difference with our suggested language is that it is specific for this biennium while laying out the legislature's plan to finish this project with a final appropriation in the 2031-33 biennium.

SLIDE 18 – David Ashley

We understand that this legislature can not bind the next, and we aren't asking this legislature to do that. But we feel that this language communicates a schedule to completing this project that is absent in the current Senate version. The language also gives the project sponsor a basis for planning and execution of project phases in the future. We understand that the appropriation levels may change in the future depending on revenues, but having a plan to finish this project gives the project sponsor a solid-enough footing to get phases of a certain size or type ready for construction in the upcoming biennium if there is an indication of what that funding level is expected to be. Our suggested legislative intent language is based on previous language included for the Fargo Diversion, so we don't feel these are uncharted or perilous waters for this Legislature.

SLIDE 19 – David Ashley

If Scenario 3 was supported by the Legislature, this chart depicts our proposed work plan for the upcoming biennium. Generally, acquisitions would total approximately \$26 million, design and permitting would total \$3 million, and construction would represent the bulk of the investment at approximately \$182 million. The total program for the next biennium would be approximately \$211 million, with the State share being \$100 million of the total. As I mentioned previously, the City of Minot has been a steadfast supporter of the work of the Souris River Joint Board. Mayor Ross will speak to Minot's perspectives on funding scenarios and fast-tracking the completion of this project.

SLIDE 20 – Tom Ross

We are asking for your support of either Scenario 2 or Scenario 3. We have coordinated both of these approaches with our ability to finance the required local match and feel confident moving forward with either of these scenarios. Because Scenario 3 offers an \$8 million overall savings as compared to Scenario 2, we would prefer Scenario 3.

SLIDE 21 – Tom Ross

If the Legislature supports Scenario 3, it could reduce the amount pledged by the State during the last session by up to \$143.5 million. How is this possible? The influx of federal funding that we mentioned combined with shortening the implementation schedule to combat the effects of inflation.

SLIDE 22 – Tom Ross

Savings for North Dakota residents go beyond the capital cost savings. As Dave Ashley mentioned previously, flood insurance reforms will continue to affect Mouse River valley residents as a result of two factors: (1) Congressional reforms of the National Flood Insurance Program which will phase out the federal subsidy of the program, and (2) revised Flood Insurance Rate Maps for the valley which will place approximately 3,000 properties in the regulatory floodplain.

SLIDE 23 – Tom Ross

The rough economics associated with these two factors are that Minot residents will be paying about \$9 million per year in mandatory flood insurance premiums. In addition to impacting a family's bottom line, the flood insurance requirements will significantly devalue properties within the valley. Many of these properties carry multiple debt instruments, including a mortgage and disaster assistance loans provided through the Small Business Administration following the flood.

Additionally, the 2011 flood caused \$1 billion in damage to public and private property. Construction of the project prevents those damages from occurring in the future, should we experience another flood similar to 2011.

SLIDE 24 – Tom Ross

Once again, thank you for your leadership and your steadfast support of Minot and the basin as we continue to recover from the 2011 flood and rebuild the community for future generations of North Dakotans.