



HB 1218
Testimony of Kurt Lysne
House Energy and Natural Resources Committee

Chairman Porter and members of the House Energy and Natural Resources Committee, my name is Kurt Lysne. I serve on the North Dakota Water Users board and am an engineer, working on a regular basis with water resource districts in the Red River valley. I rise today in support of SB 1218. The North Dakota Water Users Association is the statewide member organization that advocates for adequate water funding and sound policy at both the state and federal level. Our members oppose the economic analysis process mandated as a condition to cost-share for water conveyance and flood control projects, at least under the current process and implementation.

This process was initially sold as a tool for the state to determine what the state will get in return for its investment in drainage and flood protection projects. We absolutely do not object to that concept. Determining whether or not the state's investment is worthwhile is a rational and wise approach. However, in practice, the economic analysis process, modeled after federal procedures and regulations, results in less state funding for eligible drainage projects. Ag producers rely on drainage as a lifeline; less state support for drainage just shifts the burden for paying for these projects to producers through high special assessments. Because of the small population in these rural areas the local burden is often too great for producers and fewer projects get done. All of this costs the ag community greatly.

When the legislature first approved this economic analysis process in 2017, the process was only intended to apply to flood control and water conveyance projects over \$1 million. Please note that \$1M was a negotiated threshold. (The initial version of HB 1374 in 2017 set the threshold at \$750,000, which was amended to \$1,000,000 in the Senate). During the legislative process in 2017, the sponsors of the legislation assured water resource districts that there would not be delays or added costs to projects, and that SWC cost-share dollars would not be at risk for projects otherwise eligible for cost-share.

In 2019, the State Water Commission, via SWC policy, reduced the threshold from \$1M to \$200,000. The State Water Commission also enacted a policy to reduce funding for projects when the cost/benefit score is underneath 1. In practice, the implementation and application of the economic analysis process has resulted in cost-share delays, increased costs for drainage project sponsors and the state, and, ultimately, a reduction in overall cost-share for drainage projects, contrary to the assurances made during the legislative process.

I want to be clear, the SWC's economic analysis can be a useful tool to help inform good decision making. Requiring the E/A for only large-scale projects, to ensure the state's dollars will result in a meaningful return on investment, makes good sense in terms of protecting the state's investment.

The State Water Commission's cost-share policies allow cost-share for drainage and flood protection projects; yet the Commission's reduction in the E/A threshold to \$200K has created obstacles and resulted in substantial reductions in cost-share for drainage and flood control

projects for rural and ag communities. We know the North Dakota Legislature wants to support rural and ag communities, and HB 1218 presents an opportunity for the Legislature to do just that.

For these reasons, we ask for a do pass recommendation on HB 1218. I would be happy to stand for any questions you may have.