

**HOUSE BILL NO. 1374**

Introduced by

Representatives Schmidt, D. Anderson, J. Nelson, Sanford, Streyle, Zubke

Senators Bekkedahl, Kreun, G. Lee, Luick, Schaible, Sorvaag

1 A BILL for an Act to create and enact sections 61-02-14.3, 61-02-80, 61-02-81, and a new  
2 section to chapter 61-03 of the North Dakota Century Code, relating to contracts and financial  
3 assistance for water projects and duties of the state engineer; and to amend and reenact  
4 sections 61-02-01.3, 61-02-01.4, 61-02-02, 61-02-04, 61-02-07, and 61-02-08, ~~and 61-02-12,~~  
5 subsection 1 of section 61-02-14, and subsection 4 of section 61-02-62 of the North Dakota  
6 Century Code, relating to definitions of types of financial assistance for water projects and the  
7 composition and operation of the state water commission.

8 **BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:**

9 **SECTION 1. AMENDMENT.** Section 61-02-01.3 of the North Dakota Century Code is  
10 amended and reenacted as follows:

11 **61-02-01.3. Comprehensive water development plan.**

12 Biennially, the commission shall develop and maintain a comprehensive water development  
13 plan organized on a river basin perspective, including an inventory of future water projects for  
14 budgeting and planning purposes. As part of the commission's planning process, ~~in order to~~  
15 facilitate local project sponsor participation and project prioritization and to assist in ~~project-~~  
16 ~~cost-benefit analysis~~ education regarding life cycle analyses for municipal water supply projects,  
17 and economic analyses for flood control and water conveyance projects expected to cost more  
18 than ~~five~~seven hundred ~~fifty~~ thousand dollars, the commission shall develop a policy that  
19 outlines procedures for commissioner-hosted meetings within the Red River, James River,  
20 Mouse River, upper Missouri River, lower Missouri River, and Devils Lake drainage basins.

21 **SECTION 2. AMENDMENT.** Section 61-02-01.4 of the North Dakota Century Code is  
22 amended and reenacted as follows:

1       **61-02-01.4. State water commission cost-share policy.**

2       The state water commission shall adopt a cost-share policy for the financing of water  
3 projects. The policy:

- 4       1.    Must provide a water supply project is eligible for ~~grants~~a cost-share up to seventy-five  
5           percent of the total eligible project costs.
- 6       2.    May not determine program eligibility of water supply projects based on a population  
7           growth factor. However, a population growth factor may be used in prioritizing projects  
8           for that purpose.
- 9       3.    Must consider all project costs potentially eligible for reimbursement, except the  
10       commission shall exclude operations expense ~~and~~, regular maintenance, and  
11       improvements for water conveyance projects and may exclude operations expense  
12       and regular maintenance for other projects. The commission shall require a water  
13       project sponsor to maintain a capital improvement fund from the rates charged  
14       customers for future extraordinary maintenance projects as condition of funding an  
15       extraordinary maintenance project.
- 16      4.    May not determine program eligibility of water supply projects based on affordability.  
17           However, affordability may be used in prioritizing projects for that purpose.

18       **SECTION 3. AMENDMENT.** Section 61-02-02 of the North Dakota Century Code is  
19 amended and reenacted as follows:

20       **61-02-02. Definitions.**

21       In this chapter, unless the context or subject matter otherwise requires:

- 22      1.    "Commission" means the state water commission.
- 23      2.    "Cost of works" includes:
  - 24       a.    The cost of construction, the cost of all lands, property rights, water rights,  
25           easements, and franchises acquired which are deemed necessary for such  
26           construction;
  - 27       b.    The cost of all water rights acquired or exercised by the commission in  
28           connection with such works;
  - 29       c.    The cost of all machinery and equipment, financing charges, interest prior to and  
30           during construction and for a period not exceeding three years after the  
31           completion of construction;

- 1 d. The cost of engineering and legal expenses, plans, specifications, surveys,  
2 estimates of cost, and other expenses necessary or incident to determining the  
3 feasibility or practicability of any project;
- 4 e. Administrative expenses;
- 5 f. The construction of the works and the placing of the same in operation; and
- 6 g. Such other expenses as may be necessary or incident to the financing authorized  
7 in this chapter, including funding of debt service, repair and replacement  
8 reserves, capitalized interest, and the payment of bond issuance costs.
- 9 3. "Cost-share" means funds appropriated by the legislative assembly or otherwise  
10 transferred by the commission to a local entity under commission policy as  
11 reimbursement for a percentage of the total approved cost of a project approved by  
12 the commission.
- 13 4. "Economic analysis" means an estimate of economic benefits and direct costs that  
14 result from the development of a project.
- 15 5. "Grant" means a one-time sum of money appropriated by the legislative assembly and  
16 transferred by the commission to a local entity for a particular purpose. A grant is not  
17 dependent on the local entity providing a particular percentage of the cost of the  
18 project.
- 19 6. "Life cycle analysis" means the summation of all costs associated with the anticipated  
20 useful life of a project, including project development, land, construction, operation,  
21 maintenance, and disposal or decommissioning.
- 22 ~~5.7.~~ "Loan" means an amount of money lent to a sponsor of a project approved by the  
23 commission to assist with funding approved project components. A loan may be  
24 stand-alone financial assistance.
- 25 ~~6.8.~~ "Owner" includes all individuals, associations, corporations, limited liability companies,  
26 districts, municipalities, and other political subdivisions of this state having any title or  
27 interest in any properties, rights, water rights, easements, or franchises to be acquired.
- 28 ~~4.7.9.~~ "Project" means any one of the works defined in subsection 5, or any combination of  
29 such works, which are physically connected or jointly managed and operated as a  
30 single unit.

1 ~~5-8.10.~~ "Water conveyance project" means any surface or subsurface drainage works, bank  
2 stabilization, or snagging and clearing of water courses.

3 11. "Works" includes:

- 4 a. All property rights, easements, and franchises relating thereto and deemed  
5 necessary or convenient for their operation;
- 6 b. All water rights acquired and exercised by the commission in connection with  
7 such works;
- 8 c. All means of conserving and distributing water, including without limiting the  
9 generality of the foregoing two subdivisions, reservoirs, dams, diversion canals,  
10 distributing canals, channels, lateral ditches, pumping units, mains, pipelines,  
11 treatment plants, and waterworks systems; and
- 12 d. All works for the conservation, control, development, storage, treatment,  
13 distribution, and utilization of water, including without limiting the generality of the  
14 foregoing subdivisions, works for the purpose of irrigation, flood control, watering  
15 stock, supplying water for public, domestic, industrial, and recreational use, fire  
16 protection, and the draining of lands injured or in danger of injury as a result of  
17 such water utilization.

18 **SECTION 4. AMENDMENT.** Section 61-02-04 of the North Dakota Century Code is  
19 amended and reenacted as follows:

20 **61-02-04. State water commission - Members - Terms - Qualifications.**

21 The state water commission ~~shall consist~~consists of the governor, agriculture commissioner,  
22 and seven other members ~~to be~~ appointed by the governor ~~who shall take into account~~  
23 ~~reasonable geographic considerations in making such appointments. The governor or the~~  
24 ~~agriculture commissioner, or both, may appoint a representative to serve in that official's~~  
25 ~~capacity at such meetings as that official may be unable to attend. Each of the six major~~  
26 drainage basins in the state must be represented by at least one commissioner who resides in  
27 the basin. The major basins are the upper Missouri River basin, the lower Missouri River basin,  
28 the James River basin, the Red River basin, the Mouse River basin, and the Devils Lake basin.  
29 The seven appointive members of the commission must be appointed for a term of six years  
30 each with ~~their~~the terms of office so arranged that two terms and not more than three terms  
31 expire on the first day of July of each odd-numbered year. Each appointive member must be a

1 qualified elector of the state and is subject to removal by judicial procedure. In case of a  
2 vacancy, the vacancy must be filled by appointment by the governor for the remainder of the  
3 unexpired term. Before entering upon the discharge of official duties, each appointive member  
4 shall take, subscribe, and file with the secretary of state the oath prescribed for civil officers.

5 **SECTION 5. AMENDMENT.** Section 61-02-07 of the North Dakota Century Code is  
6 amended and reenacted as follows:

7 **61-02-07. Quorum - What constitutes.**

8 A majority of the members of the commission shall ~~constitute~~constitutes a quorum, and the  
9 affirmative or negative vote of five members shall ~~be~~is necessary to bind the commission except  
10 for adjournment.

11 **SECTION 6. AMENDMENT.** Section 61-02-08 of the North Dakota Century Code is  
12 amended and reenacted as follows:

13 **61-02-08. Meetings of commission.**

14 The commission may ~~hold meetings at such times and~~shall hold at least one meeting every  
15 two months at such places as it, by resolution, may provide. The chairman, or in the chairman's  
16 absence or disability, the vice chairman of the commission, may issue a call for any meeting at  
17 any time. The ~~governor, as chairman,~~ shall preside at all meetings of the commission and in  
18 case of the ~~governor's~~chairman's absence or disability, the vice chairman shall preside.

19 ~~— SECTION 7. AMENDMENT. Section 61-02-12 of the North Dakota Century Code is~~  
20 ~~amended and reenacted as follows:~~

21 ~~— 61-02-12. Compensation and expenses of appointive members of commission.~~

22 ~~— Each appointive member of the commission is entitled to receive compensation per day in~~  
23 ~~the amount provided for members of the legislative management under section 54-35-10 and~~  
24 ~~must be reimbursed for expenses in the amounts provided in sections 44-08-04 and 54-06-09~~  
25 ~~while attending meetings of the commission or, at the discretion of the member, may receive~~  
26 ~~either per diem compensation or expenses in those amounts while otherwise engaged in official~~  
27 ~~business of the commission, including time of travel between home and the place at which the~~  
28 ~~member performs such duties.~~

29 **SECTION 7. AMENDMENT.** Subsection 1 of section 61-02-14 of the North Dakota Century  
30 Code is amended and reenacted as follows:

- 1           1. To investigate, plan, regulate, undertake, construct, establish, maintain, control,  
2           operate, and supervise all works, dams, and projects, public and private, which in its  
3           judgment may be necessary or advisable:
- 4           a. To control the low-water flow of streams in the state.
- 5           b. To impound water for the improvement of municipal, industrial, and rural water  
6           supplies.
- 7           c. To control and regulate floodflow in the streams of the state to minimize the  
8           damage of such floodwaters.
- 9           d. To conserve and develop the waters within the natural watershed areas of the  
10          state and, subject to vested rights, to divert the waters within a watershed area to  
11          another watershed area and the waters of any river, lake, or stream into another  
12          river, lake, or stream.
- 13          e. To improve the channels of the streams for more efficient transportation of the  
14          available water in the streams.
- 15          f. To provide sufficient water flow for the abatement of stream pollution.
- 16          g. To develop, restore, and stabilize the waters of the state for domestic,  
17          agricultural, and municipal needs, irrigation, flood control, recreation, and wildlife  
18          conservation by the construction and maintenance of dams, reservoirs, and  
19          diversion canals.
- 20          h. To promote the maintenance of existing drainage channels in agricultural lands  
21          and to construct any needed channels.
- 22          i. To provide more satisfactory subsurface water supplies for the municipalities of  
23          the state.
- 24          j. To finance the construction, establishment, operation, and maintenance of public  
25          and private works, dams, and irrigation projects, which in its judgment may be  
26          necessary and advisable, except the commission may not provide a cost-share  
27          for the costs of operation and maintenance costs or improvement of a water  
28          conveyance project.
- 29          k. To provide for the storage, development, diversion, delivery, and distribution of  
30          water for the irrigation of agricultural land and supply water for municipal and  
31          industrial purposes.

- 1           l. To provide for the drainage of lands injured by or susceptible of injury from  
2           excessive rainfall or from the utilization of irrigation water, and subject to the  
3           limitations prescribed by law, to aid and cooperate with the United States and any  
4           department, agency, or officer thereof, and with any county, township, drainage  
5           district, or irrigation district of this state, or of other states, in the construction or  
6           improvement of such drains.
- 7           m. To provide water for stock.
- 8           n. To provide water for the generation of electric power and for mining and  
9           manufacturing purposes.

10        **SECTION 8.** Section 61-02-14.3 of the North Dakota Century Code is created and enacted  
11 as follows:

12        **61-02-14.3. Commission ~~contracts~~agreements - Terms, conditions, and reapplication.**  
13        ~~A contract~~An agreement for funding which is approved by the commission to fund a water  
14 project under this chapter may not have a term exceeding four years. If a water project is not  
15 completed when the ~~contract~~agreement for its funding terminates, the ~~contractor~~project sponsor  
16 responsible for the project may reapply to the commission for another ~~contract~~funding obligation  
17 to complete the project. The commission shall prioritize the timing of its review of the  
18 reapplication.

19        **SECTION 9. AMENDMENT.** Subsection 4 of section 61-02-62 of the North Dakota Century  
20 Code is amended and reenacted as follows:

- 21        4. Covenant to fix and establish such prices, rates, and charges for water and other  
22        services made available in connection with the works or project as to provide at all  
23        times funds together with other funds the commission may pledge which will be  
24        sufficient:
- 25        a. To pay all costs of operation and maintenance of the works or project, as  
26        permitted under this chapter, together with necessary repairs thereto;
- 27        b. To meet and pay the principal and interest of all the bonds as they severally  
28        become due and payable; and
- 29        c. To create such reserves for the principal and interest of all the bonds and for the  
30        meeting of contingencies in the operation, repair, replacement, and maintenance  
31        of the works or project as the commission shall determine.

1       **SECTION 10.** Section 61-02-80 of the North Dakota Century Code is created and enacted  
2 as follows:

3       **Flood control projects - Financial assistance limited.**

4       For flood control projects, the commission shall calculate the amount of its financial  
5 assistance, including loans, grants, cost-share, and issuance of bonds, based on the needs for  
6 protection of health, property, and enterprise against one hundred year flood events or the  
7 equivalent alternative to the national economic development alternative.

8       **SECTION 11.** Section 61-02-81 of the North Dakota Century Code is created and enacted  
9 as follows:

10       **Development in ~~flood~~breach inundation zones - No financial assistance for dam**  
11 **improvements.**

12       If a political subdivision permits building or development within a ~~flood~~breach inundation  
13 zone and the building or development causes a change in a dam's hazard classification  
14 necessitating ~~structural~~ improvements or upgrades to the dam, state loans, grants, cost-share,  
15 and other financial assistance may not be provided to pay for the dam improvements or  
16 upgrades.

17       **SECTION 12.** A new section to chapter 61-03 of the North Dakota Century Code is created  
18 and enacted as follows:

19       **Economic analysis process required for certain projects.**

20       The state engineer shall develop an economic analysis process for water conveyance  
21 projects and flood-related projects ~~expected to cost more than seven hundred fifty thousand~~  
22 dollars, and a life cycle analysis process for municipal water supply projects. When the state  
23 water commission is considering whether to fund a water conveyance project ~~or~~, flood-related  
24 project, ~~or water supply project~~, the state engineer shall ~~apply~~review the economic analysis  
25 ~~process to the projector~~ life cycle analysis, and inform the state water commission of the  
26 findings from the ~~proecess~~analysis and review.