

Testimony of Richard Johnson State Water Commission Vice Chairman
Presented to the Education and Environment Division of the House
Appropriation Committee

Good Morning Chairman Monson and committee members. My name is Richard (Dick) Johnson and I am currently serving as Vice Chairman of the State Water Commission. I will be providing you with some financial information and information on some of the project decisions the Commission has made and will have to make the remainder of this biennium and policy decisions that will be discussed at future State Water Commission meetings.

As I wrote in the quarterly newsletter of the State Water Commission "The Current", this has been a very trying year for the Commission. The original projection of deposits into the Resource Trust Fund was 433 million (rounded) which was reduced to 288.2 million or a reduction of 144.7 million due to the Oil Extraction Tax being reduced with the downturn of oil production. When we were anticipating a monthly deposit of 17 or 18 million and only received 2 million plus for a couple of months we knew we had to make serious changes and decisions. The RTF receives 20.5% of the Oil Extraction Tax. Heide Delorme, Director of Administration, for the State Water Commission will present much more information regarding the finances following my presentation.

Because of the uncertainty of funding and not knowing if the RTF would recover, the Commission made the very hard decision to not fund any project requests at our June and August meetings. This coincided with the guidance of the Water Topics Overview Committee which supported not to deficit spend and to take a strong hard look at prioritization and consider only critical projects. After oil extraction started picking up and based on new projections we were able to approve 85 Million for projects at our October meeting and 15 million for projects at our December meeting. Along with the 182.5 million that was approved through April we have funded 282.5 million in projects this biennium. Not too bad given the drastic decrease in funding.

Looking at what is left for the remainder of this biennium is what we now have to deal with. Currently there are 3 legislative intents left to fund that we have to consider. Fargo flood control has 22.5 million remaining, Minot has 33 million remaining and RRVWS 26.5 remaining on their intent. These intents total

82,080,000 million and there are 27.9 million in project requests for our February meeting, plus we will have 2 meeting left in this biennium. The total needed to fund the requests and intents is 109,980,000 with only 82,250,000 available for funding projects, this amount to about 27.7 million short. So more tough decisions will have to be considered and made by the Commission. Once again prioritization, critical needs and shovel ready projects will be given the strongest consideration.

As we look ahead to the 2021-23 biennium budget with a projected revenue of 254.7 million we can see that many needed projects will not be able to move ahead without some additional revenue. We have known for some time now, that the current cost share that is in place is not sustainable in the future. In reviewing the water development plan for the next biennium there are over 300 projects totaling 645 million dollars. The 10 year water development plan shows a need for 3,394,800,000 dollars. Aging infrastructure, expansion of regional water systems due to additional water needs, and flood control being some of the factors creating the need for more projects. Some discussion has been started and will continue to be discussed about changing the cost share. It has been brought up at meetings that we must start the discussion on a cost share adjustment. That discussion may have to be put on hold until the bonding bill being proposed is voted upon as it could greatly affect what a future cost share policy may look like. With the possibility of a cost share adjustment it would be most important that long term, low interest loans through various financial sources such as Public Finance Authority and State Revolving Fund be made available. If a bonding bill were to pass some of the large projects requiring big investments from the state could be bonded, that would free up a great deal of money for other projects across the state. Working on reducing the carry over funds so that more projects can be funded would help significantly. There is approximately 268.8 million in carry over funds that have been committed to projects and those funds are not immediately needed. There has been discussion about adjusting the prioritization guidance schedule which could also help to stretch Resource Trust Fund dollars. There are other options to be discussed, the above mentioned are just a couple. As many of you remember, there was an emergency clause provided for in SB 2020. That emergency clause made it possible to get out over 100 million dollars in projects immediately that would

have had to wait until the beginning of the next biennium to approve and get construction started, hopefully that emergency clause can be done again with funding this session.

This has just been a brief overview of some of the actions and thoughts that are or will be discussed at upcoming SWC meetings. I thank you for your time and for giving me the opportunity to give this brief update. Ms. Delorme will have much more detailed financial information in her presentation immediately after this discussion.