

February 20, 2025



ENHANCED WATER RESOURCE MANAGEMENT FRAMEWORK

HB 1020

House Appropriations Committee | House Bill 1020 | 69th Legislative Assembly

NORTH
Dakota | Water Resources
Be Legendary.

MISSION AND PURPOSE



Mission of DWR

To responsibly manage North Dakota's water needs and risks for the people's benefit.



Water Development Priorities

Protection of citizens/businesses from flood-related impacts, new water supply connections, & low-head dam mitigation efforts.



Purpose of Resources Trust Fund

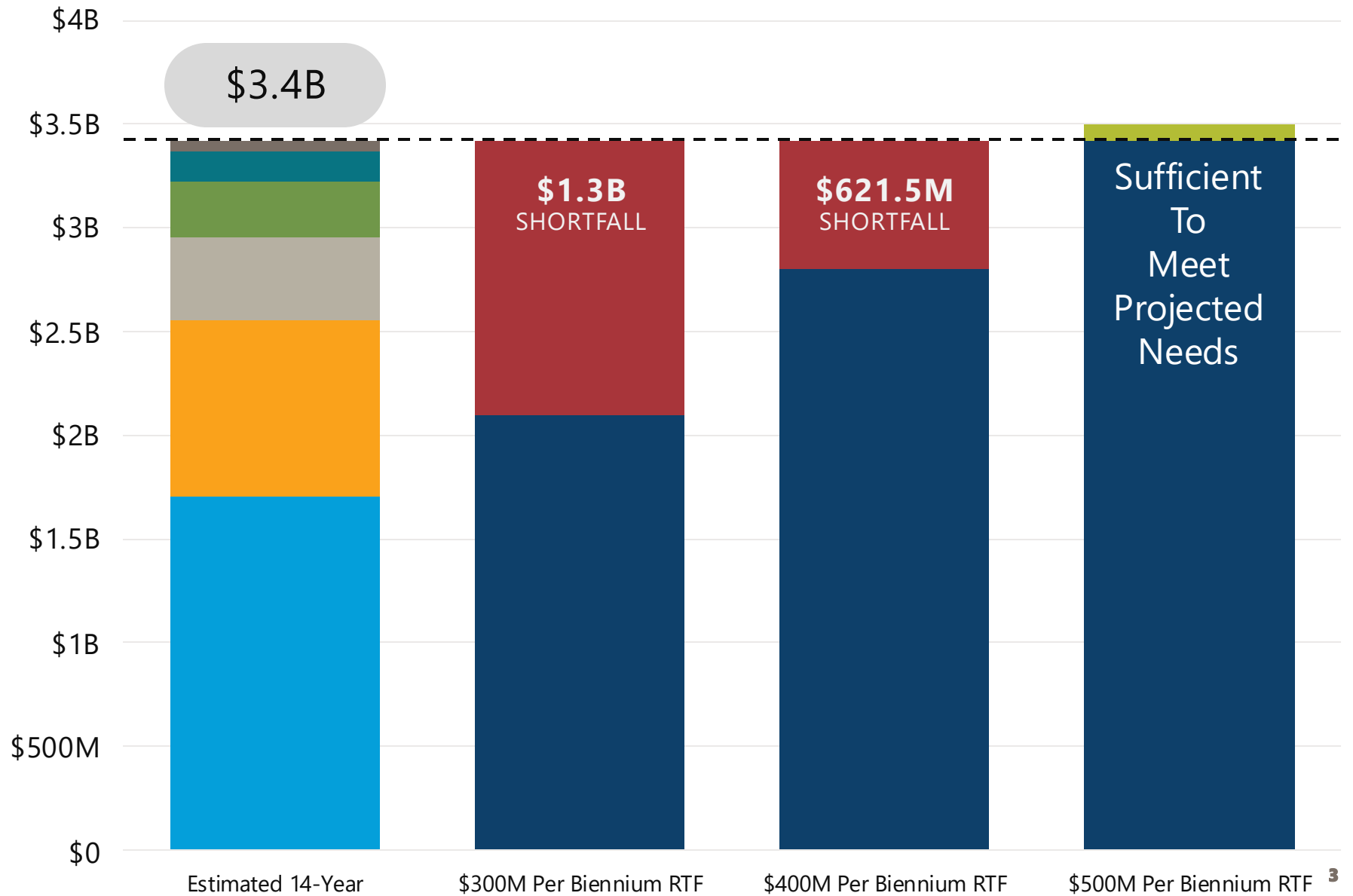
Fund construction of water-related projects, including rural water systems (Article X, § 22, ND Const.)



Source of Funding

20.5% of Oil Extraction Tax collections, interest income
(NDCC 57-51.1-07)

14-YEAR PLAN: \$500M/BIENNIUM MEETS NEEDS

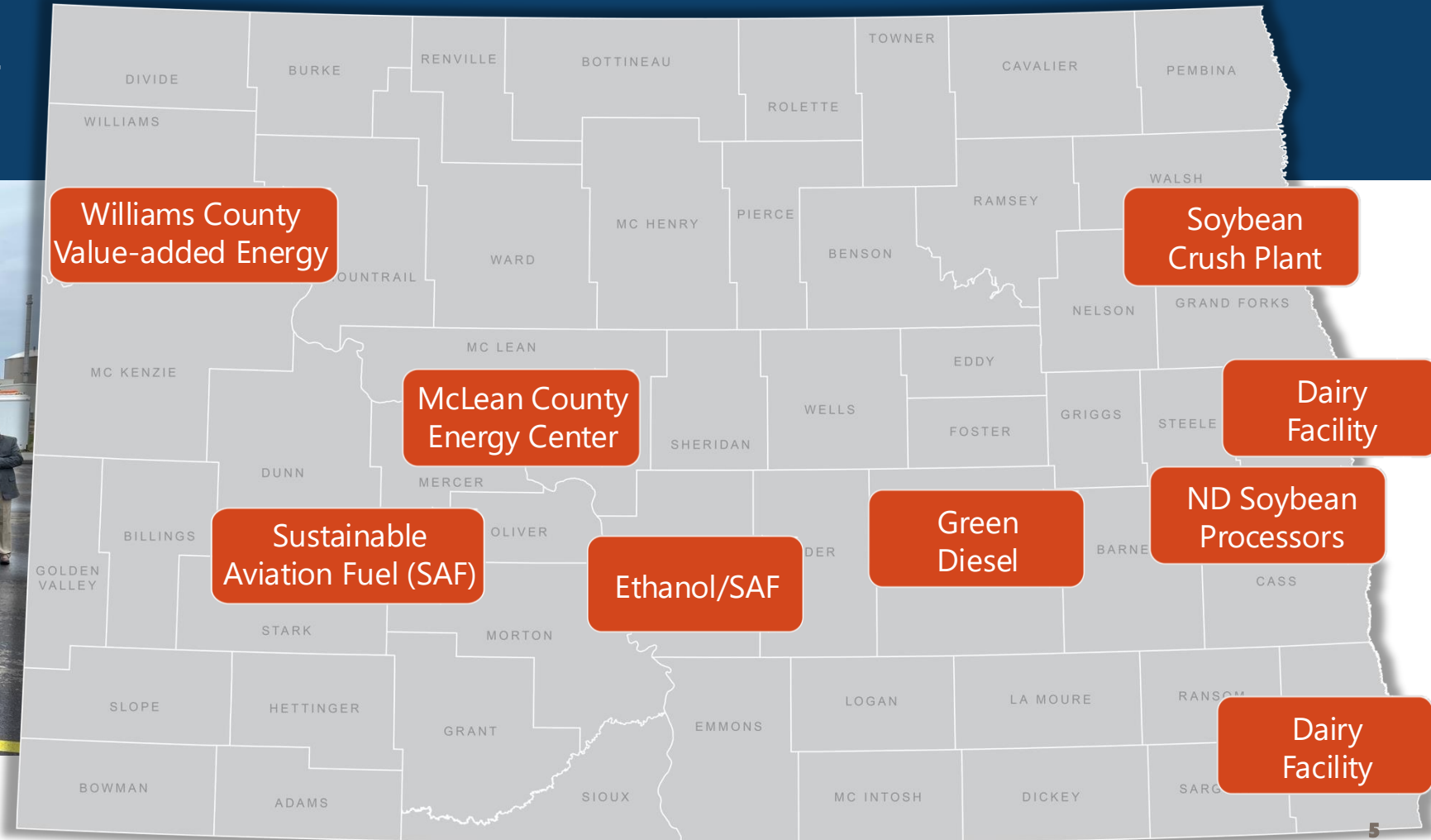


14-YEAR WATER PROJECT FUNDING NEEDS

| Project | State | Local | Federal | Total |
|---|----------------------|--------------------|--------------------|----------------------|
| Water Supply | 1,703,666,767 | 615,797,941 | 33,701,866 | 2,353,166,574 |
| Red River Valley Water Supply Project (RRVWS) | 773,000,000 | 257,000,000 | 0 | 1,030,000,000 |
| Southwest Pipeline Project (SWPP) | 313,000,000 | 0 | 0 | 313,000,000 |
| Western Area Water Supply (WAWS) | 177,700,000 | 60,000,000 | 0 | 237,700,000 |
| Northwest Area Water Supply (NAWS) | 71,700,000 | 52,100,000 | 0 | 123,800,000 |
| Municipal Water | 368,266,767 | 246,697,941 | 33,701,866 | 648,666,574 |
| Flood Control | 854,000,000 | 441,000,000 | 120,000,000 | 1,415,000,000 |
| Mouse River Enhanced Flood Protection | 733,000,000 | 380,000,000 | 70,000,000 | 1,183,000,000 |
| Valley City Permanent Flood Protection | 48,000,000 | 12,000,000 | 0 | 60,000,000 |
| Bismarck South Flood Protection | 73,000,000 | 49,000,000 | 50,000,000 | 172,000,000 |
| Rural Water | 267,866,781 | 91,904,300 | 73,395,550 | 433,166,631 |
| Other Flood Control and Conveyance | 144,300,000 | 167,500,000 | 93,200,000 | 405,000,000 |
| General Water | 51,728,927 | 38,483,898 | 59,412,700 | 149,625,525 |
| Agency Operations | 400,000,000 | 0 | 0 | 400,000,000 |
| Total | 3,421,562,475 | 1,354,686,139 | 379,710,116 | 5,155,958,730 |

FUTURE GROWTH INCREASES DEMAND FOR WATER

WATER INFRASTRUCTURE IS A KEY FACTOR



RRVWS AND MOUSE RIVER: OUR TWO LARGEST REMAINING PROJECTS

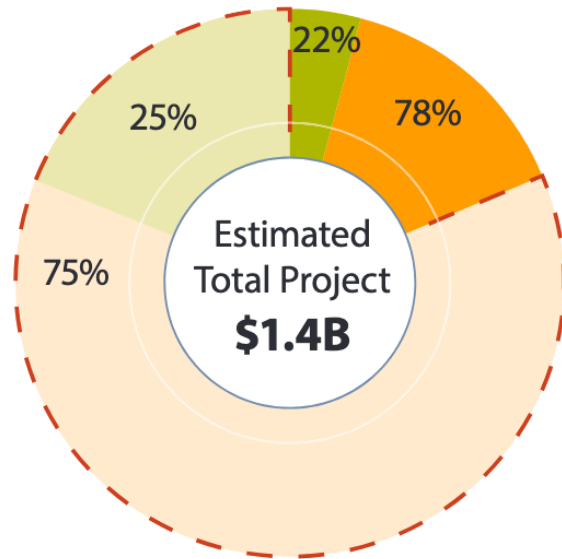
RRVWS

HISTORIC FUNDING

| | |
|-------|--------|
| Local | \$86M |
| State | \$297M |

FUTURE FUNDING

| | |
|--|---------|
| Main Transmission Est. Remaining Funds | \$1.03B |
| Local | \$257M |
| State | \$773M |



- Future Funding Represents Remaining Intent Of \$773M From State – SB 2020 (2023 Session).

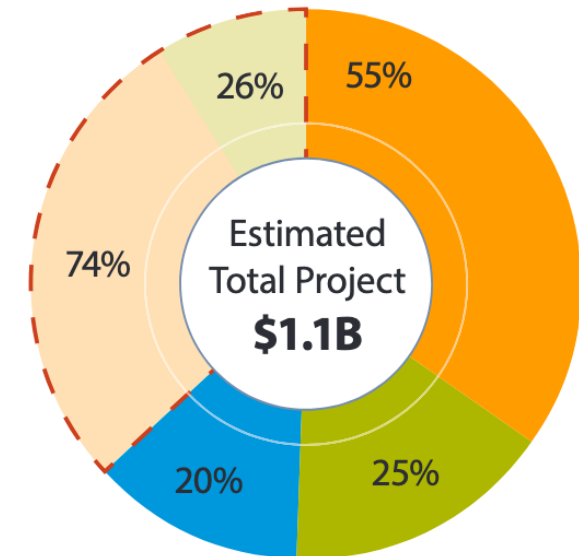
Mouse River

HISTORIC FUNDING

| | |
|---------|--------|
| Local | \$176M |
| State | \$389M |
| Federal | \$141M |

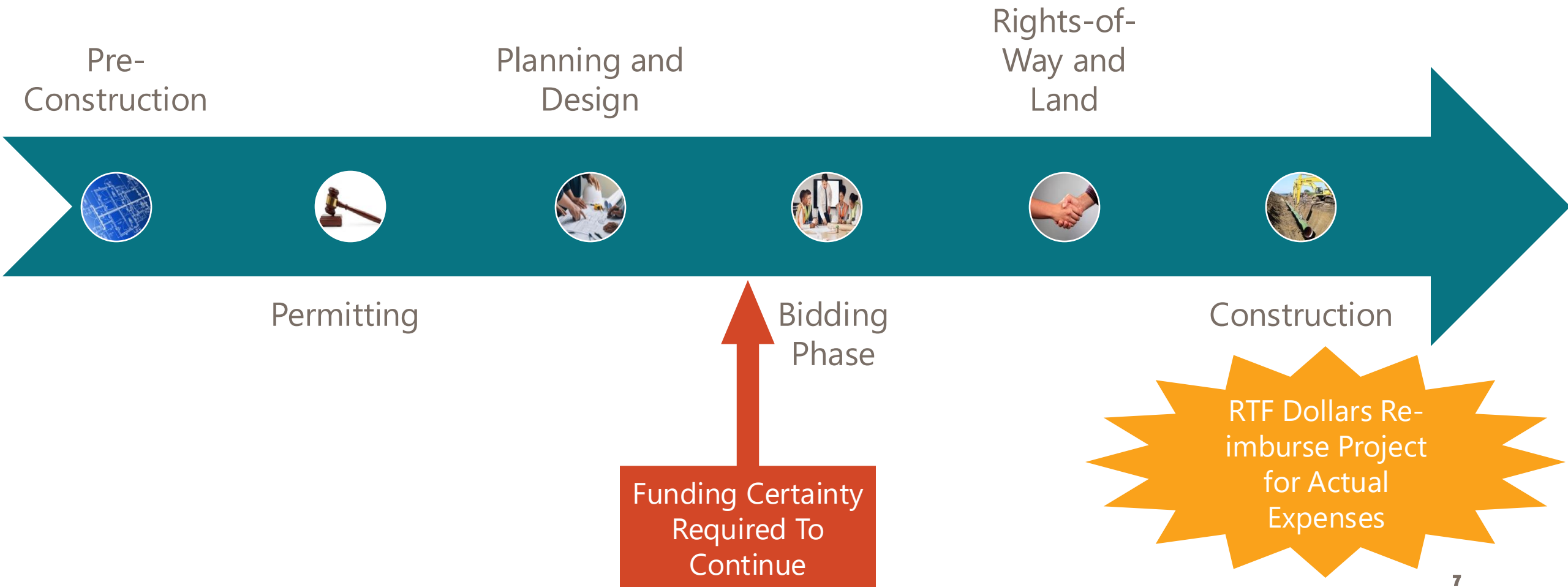
FUTURE FUNDING

| | |
|----------------------|----------|
| Est. Remaining Funds | \$409.4M |
| Local | \$150M |
| State | \$304M |



- Future Funding Represents Remaining Intent Of \$304M From State – SB 2020 (2023 Session).
- Additional Funding Of Approx. \$429M or \$733M Total Needed From The State (Scenario 4).
- New Estimated Total Cost = \$1.8B

WATER INFRASTRUCTURE MARATHON: PROJECTS DO NOT FOLLOW BIENNIAL SCHEDULES



| Project Types (Recently Completed Project Examples: DWR Cost-Share Database) | Average Construction Timeframe (Months) |
|---|--|
| Municipal Water Distribution Lines | 16 |
| Rural Water Distribution Lines | 19 |
| Storage Tanks | 24 |
| Rural Water Conveyance (Drains) | 18 |
| Dam Safety Improvements | 21 |
| Bank Stabilizations | 16 |
| Snagging and Clearing | 6 |

- Pre-construction (permitting, studies, & design) timelines can vary greatly from project to project depending on location & other unique circumstances.
- Large-scale projects are multi-biennial in nature, with several large projects ongoing.
 - NAWS Biota Water Treatment Plant: Ongoing since 2021 (Completion Est. 2025)
 - Mouse River Flood Protection: Ongoing since 2015 (Completion Est. 2039*)
 - FM Diversion/Flood Protection: Ongoing since 2016 (Completion Est. 2027)
 - Valley City Flood Protection: Ongoing since 2014 (Completion Est. 2035)
 - Red River Valley Water Supply: Ongoing since 2020 (Completion Est. 2032*)

WATER PROJECT TIMELINES

**Accelerated Timing*

RESOURCES TRUST FUND HISTORICAL SPENDING VS APPROPRIATIONS

| | Cash Balance | Oil Tax Transferred | Appropriated | *Spent | (%) Appropriation Spent |
|----------|--------------|---------------------|--------------|-------------|-------------------------|
| 2007-09 | 32,655,609 | 73,481,417 | 69,352,698 | 25,100,000 | 36% |
| 2009-11 | 87,378,167 | 148,886,433 | 135,806,609 | 86,000,000 | 63% |
| 2011-13 | 148,088,456 | 390,342,356 | 332,400,000 | 261,500,000 | 79% |
| 2013-15 | 292,961,846 | 564,521,002 | 754,806,094 | 284,750,000 | 38% |
| 2015-17 | 587,754,568 | 240,564,950 | 755,817,897 | 528,482,609 | 69% |
| 2017-19 | 314,851,501 | 357,504,569 | 584,215,358 | 359,653,467 | 62% |
| 2019-21 | 326,742,618 | 305,522,369 | 778,482,206 | 361,962,182 | 46% |
| 2021-23 | 287,678,660 | 505,222,761 | 752,548,989 | 317,315,350 | 42% |
| 2023-25* | 422,486,470 | 453,572,223 | 952,577,685 | 376,738,786 | 40% |

2015-17 Spending Was Primarily Completing WAWSA, Average Spending % Is **53% Biennially**

*Current Biennium Estimate

STRATEGIC USE OF LINES-OF-CREDIT & PROJECT SPECIFIC BONDING IN 2025-2027 WILL ACCELERATE PROJECTS & DECREASE INFLATIONARY COSTS

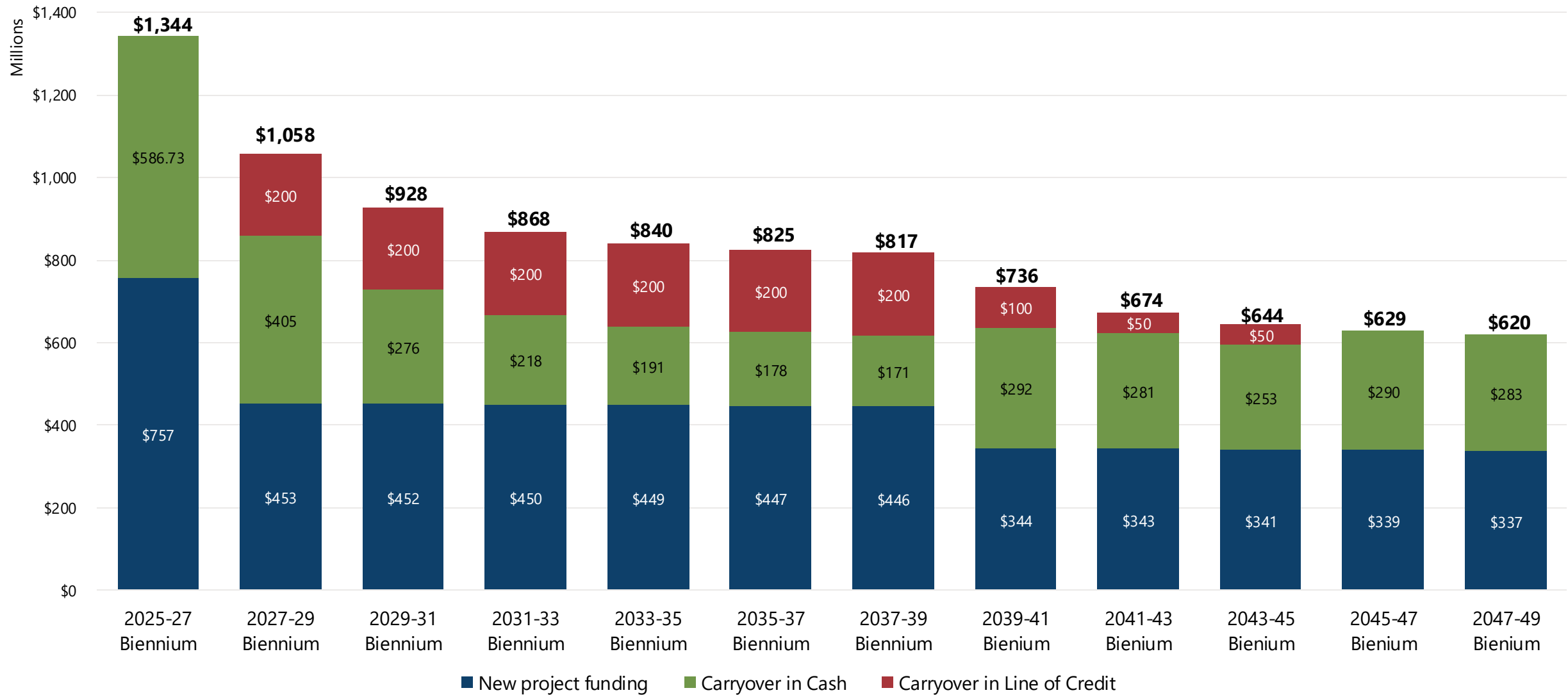
The 2025-2027 Proposal For Funding For Water Projects Includes Providing Additional Funding Through A \$200 Million Line Of Credit and \$100 Million From Bond Proceeds To Help Accelerate Water Projects.

\$200M Line Of Credit For Cash Management

A \$200 Million Line Of Credit Provides Authority For The SWC To Approve Water Projects And Provides A Source Of Cash If The Current Cash Balance and Revenues Are Insufficient To Cover Reimbursements.

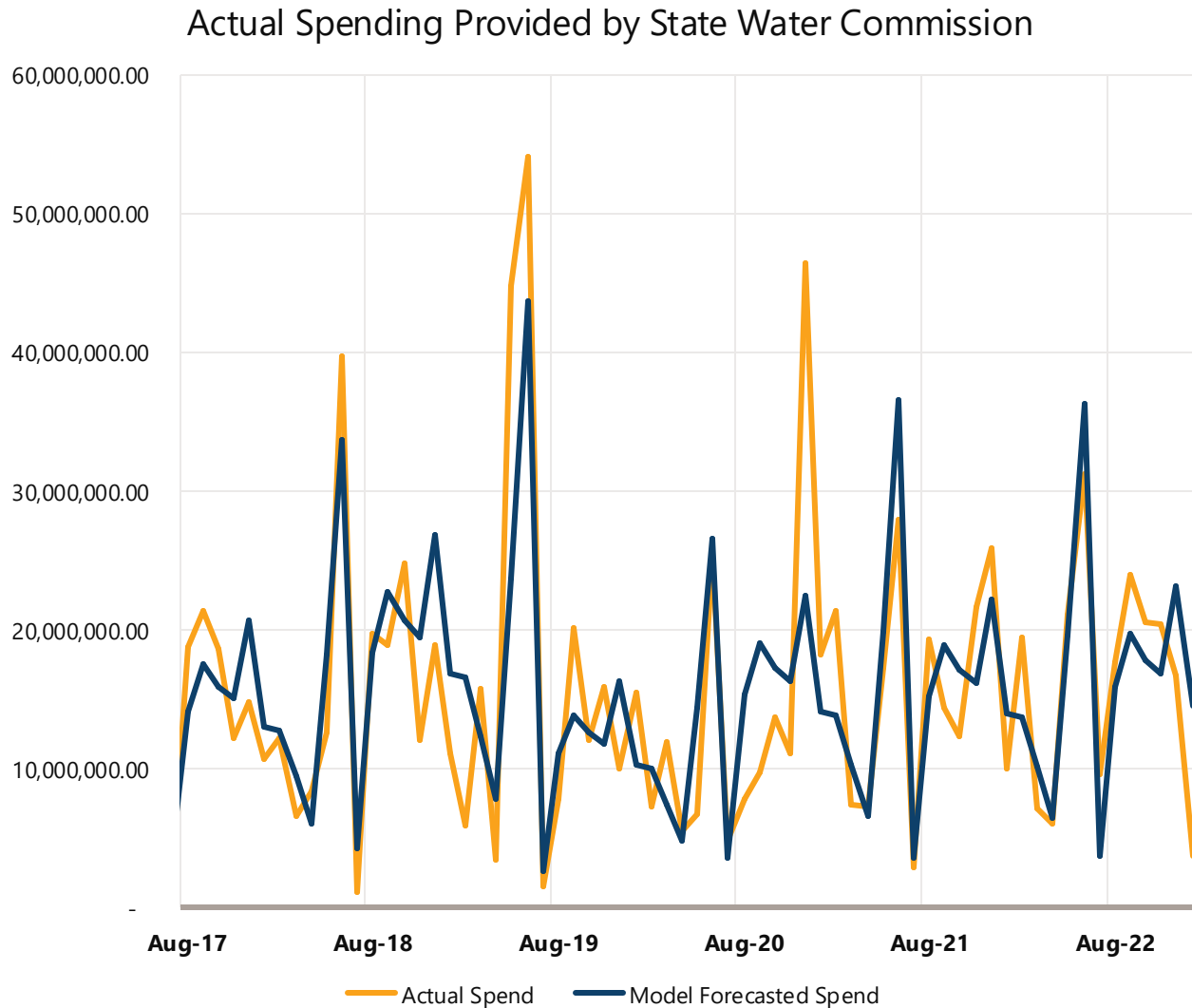
\$100M Bonding Package For SWPP

Utilizing SWPP Capital Repayments To Bond Up To \$100 Million For SWPP Project Construction Allows For Additional Funds To Be Utilized On Other Water Projects And To Provide A \$40 Million Transfer To The Water Infrastructure Revolving Loan Fund.



USING THIS APPROACH ACCELERATES PROJECTS WHILE REDUCING CARRIED-OVER CASH

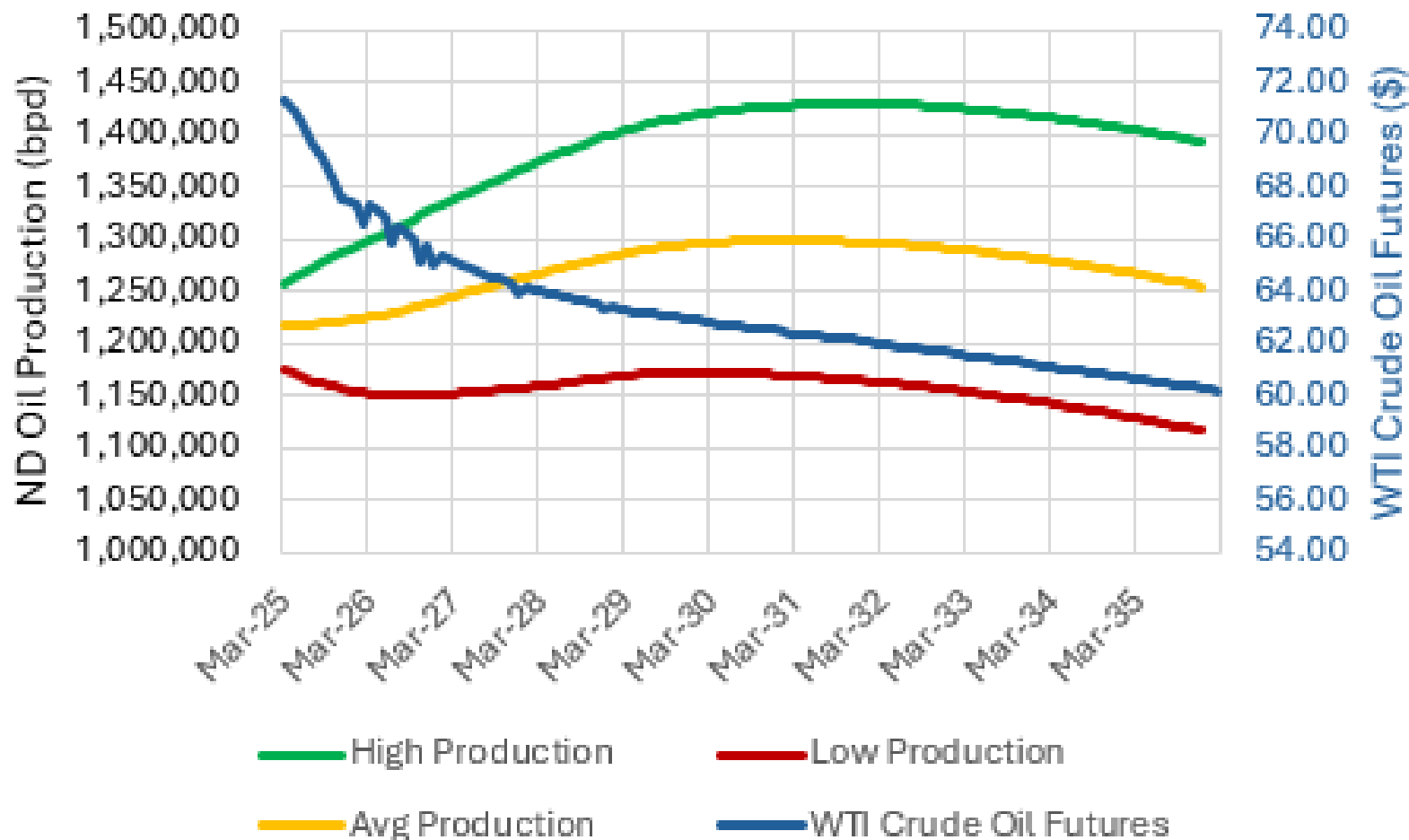
DEVELOPED WATER COMMISSION CASH FLOW MODEL, WAS TESTED VS. KNOWN PAST SPEND



- BND Developed A Model To Project Water's Spending By Analyzing Historical Spending Data
- Model Results Were Back Tested Relative To Actual Spending
- High Correlation Between The Model Prediction Vs Actual Spending Patterns
- Model Output Used To Project Future Water Net Cash Flows & Balances

MODEL RE-CALIBRATED USING PIPELINE AUTHORITY OIL PRODUCTION CURVE

Oil Assumptions

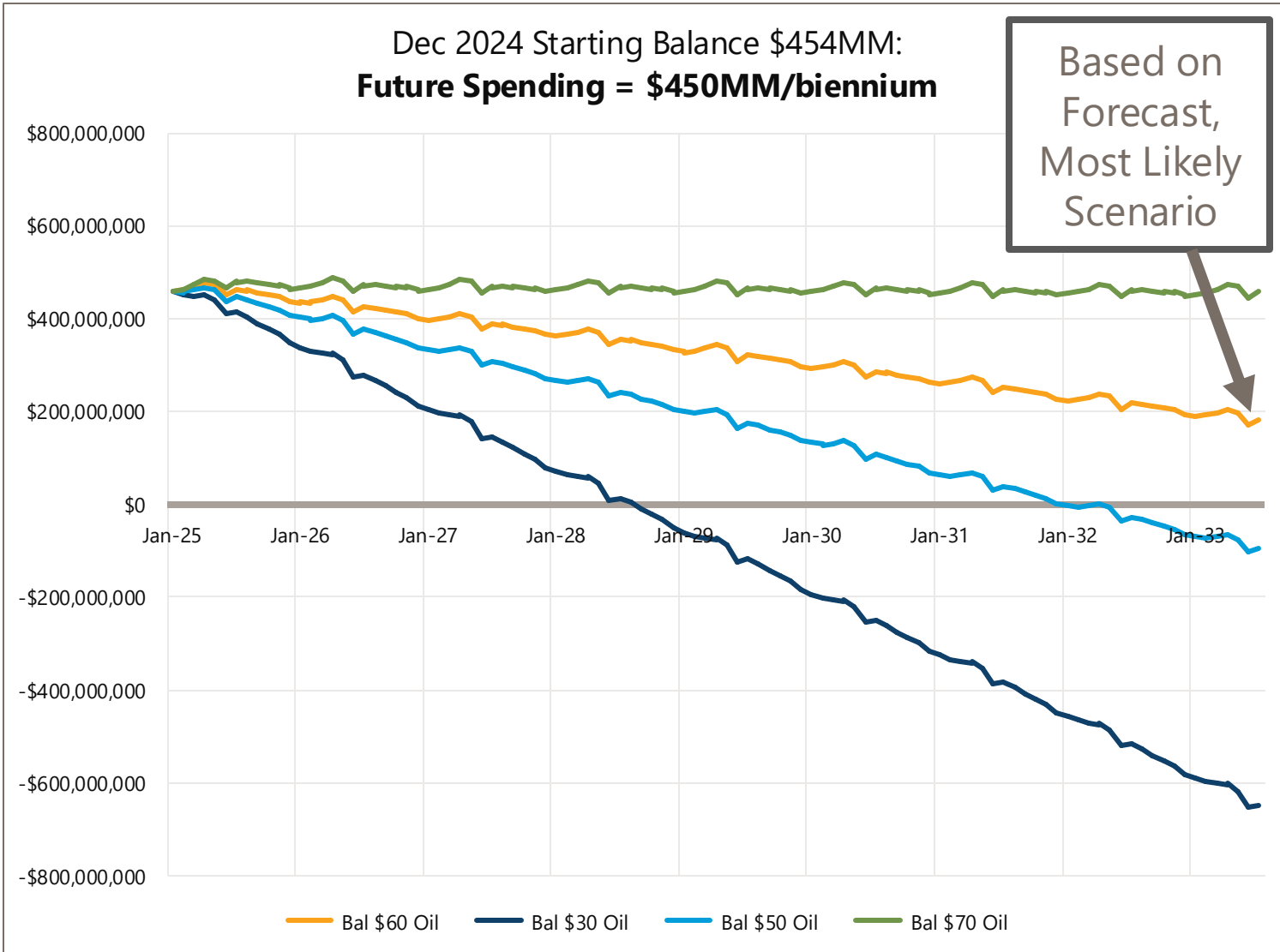


ND Oil Production
Assumption: Uses ND
Pipeline Authority Forecast

Oil Price Assumption:
Current WTIF Crude
Futures, -\$5/BRL Bakken
Discount Forecast Range:
\$66-\$55/BRL

RTF Revenues: 20.5% Of
Extraction Tax,
Minus Other Fund
Allocation In Waterfall

MOST LIKELY OIL PRODUCTION SCENARIO: ALLOWS FOR ACCELERATION OF BIENNIAL SPEND



This Graph Represents The Estimated Ending Balances Of The Fund Under Various Oil Price Scenarios, With Spending At **\$450MM/Biennium**

Assumes Oil Average Of \$60/BRL, Maintains A Balance Of \$200MM After 10-Years, With A \$450MM Biennial Projected Spend

It Would Take 3.5-Years To Spend The Current \$454MM Balance To \$0 With Oil Prices At \$30/BRL, With Spending At \$450MM/Biennium

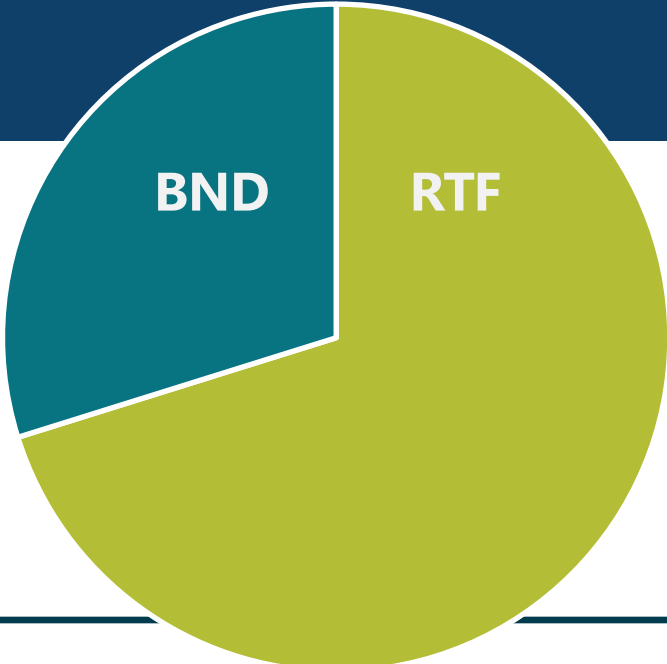
THIS STRATEGY ALLOWS FOR ENHANCED INVESTMENTS OF RTF DOLLARS

Resources Trust Fund CDs
\$500MM Laddered
4.00% Yield

Bank Of North Dakota

BND Loans 3-7 Year
6.50% Yield
\$19.5MM Income

BND Investments 3-7 Year
4.50% Yield
\$9MM Income



TOTAL STATE RETURN:
\$28.5MM = 5.70% YIELD
RTF = \$20MM
BND = \$8.5MM

ENHANCED INVESTMENTS YIELD HIGHER ROI FOR STATE

1yr = 3.25%

2yr = 3.50%

3yr = 3.75%

4yr = 4.00%

5yr = 4.25%

6yr = 4.50%

7yr = 4.75%

- A Laddered CD Maturity Approach, 1-7 Year
- CDs Price Relative To US Treasuries
 - 4.00% Average Yield
- A Better Understanding Of Future Net Cash Flows Allows RTF To Take More Duration
- Provide Consistent & Higher Returns
- BND Can Match Off Pools Of Loans (5-7 Year) With Longer Term CDs
- Average Biennial Interest in RTF: **>\$44 Million**
- Average Biennial Return for State: **>\$61 Million**

LEVERAGING WATER INFRASTRUCTURE REVOLVING LOAN FUND FOR LOCAL COST-SHARE

Community Water Facility Loan Fund

Matched USDA funded water projects
Primarily Rural Water Districts and Rural Cities
Up to 40 year terms – 3% interest rate

\$13 million loans outstanding
\$22 million cash available

Resources Trust Fund Infrastructure Loan Fund

Local share of SWC cost-share projects
Primarily flood control projects
Up to 30 year terms – 2% interest rate

\$22 million loans outstanding
\$4 million cash available

HB 1431 Water Infrastructure Revolving Loan Fund

Combined the Community Water and RTF
Infrastructure Loan Funds
NDCC is silent on term – 2% interest rate

PAYING DOWN \$45M YIELDS OVER \$73M AVAILABILITY FOR NEW LOANS

| Water Infrastructure Revolving Loan Fund | |
|---|----------------------|
| Cash Balance | 1,557,508.13 |
| BND Line of Credit Available | 100,000,000.00 |
| Available Funds | 101,557,508.13 |
| In Construction Commitments | 47,764,202.72 |
| Approved Commitments | 1,500,000.00 |
| Pending Applications | - |
| Minot Flood Control | 40,000,000.00 |
| Current Available | 12,293,305.41 |
| 2025 - 2027 Repayments | 6,605,020.94 |
| HB 1024 Deficiency Appropriation | 10,000,000.00 |
| HB 1020 Appropriation to WIRLF | 45,000,000.00 |
| Available for new loans 2025 - 2027 | 73,898,326.35 |
| Potential 2025 - 2027 Loan Requests | |
| RRVWSP 2025-2027 Local Share | 80,000,000.00 |
| Mouse River 2025-2027 Local Share | 40,000,000.00 |
| Lower Heart River WRD Local Share | 11,000,000.00 |

| Water Infrastructure Revolving Loan Fund - By Term | | | | |
|---|-------------------------|----------------------------|------------------------|----------------------|
| Term | Approved Amount | Outstanding Balance | Number of Loans | % of Approved |
| 10 Years | \$575,000.00 | \$408,540.11 | 2 | 0.44% |
| 15 Years | \$1,898,000.00 | \$412,645.52 | 5 | 1.46% |
| 20 Years | \$4,241,501.00 | \$2,171,564.36 | 8 | 3.27% |
| 25 Years | \$0.00 | \$0.00 | - | 0.00% |
| 30 Years | \$7,316,190.00 | \$4,441,840.71 | 14 | 5.64% |
| 40 Years | \$115,611,909.00 | \$57,777,063.10 | 27 | 89.18% |
| | \$129,642,600.00 | \$65,211,653.80 | 56 | |
| Water Infrastructure Revolving Loan Fund - By Population | | | | |
| Population | Approved Amount | Outstanding Balance | Number of Loans | % of Approved |
| Under 1,000 | \$6,714,501.00 | \$2,992,749.99 | 15 | 5.18% |
| 1,001 to 5,000 | \$19,666,985.00 | \$13,556,145.66 | 28 | 15.17% |
| 5,001 to 10,000 | \$15,046,114.00 | \$9,524,826.40 | 9 | 11.61% |
| 10,001 to 25,000 | \$0.00 | \$0.00 | - | 0.00% |
| Over 25,000 | \$88,215,000.00 | \$39,137,931.75 | 4 | 68.04% |
| | \$129,642,600.00 | \$65,211,653.80 | 56 | |

TOTAL = \$806.5M
Includes A \$200M Line Of Credit (LOC)

\$450.8M

\$170.2M

\$105M

\$25.5M

\$10M



LARGE REGIONAL

FLOOD CONTROL

WATER SUPPLY

GENERAL WATER

DISCRETIONARY

RRVWSP \$260M
WAWS \$46.5M
NAWS \$12.6M
SWPP* \$131.7M

SOUTH BISMARCK \$20M
MOUSE RIVER \$125M
VALLEY CITY \$16M
DEVILS LAKE \$1.7M
OTHER \$7.5M

RURAL \$80M
MUNICIPAL \$25M

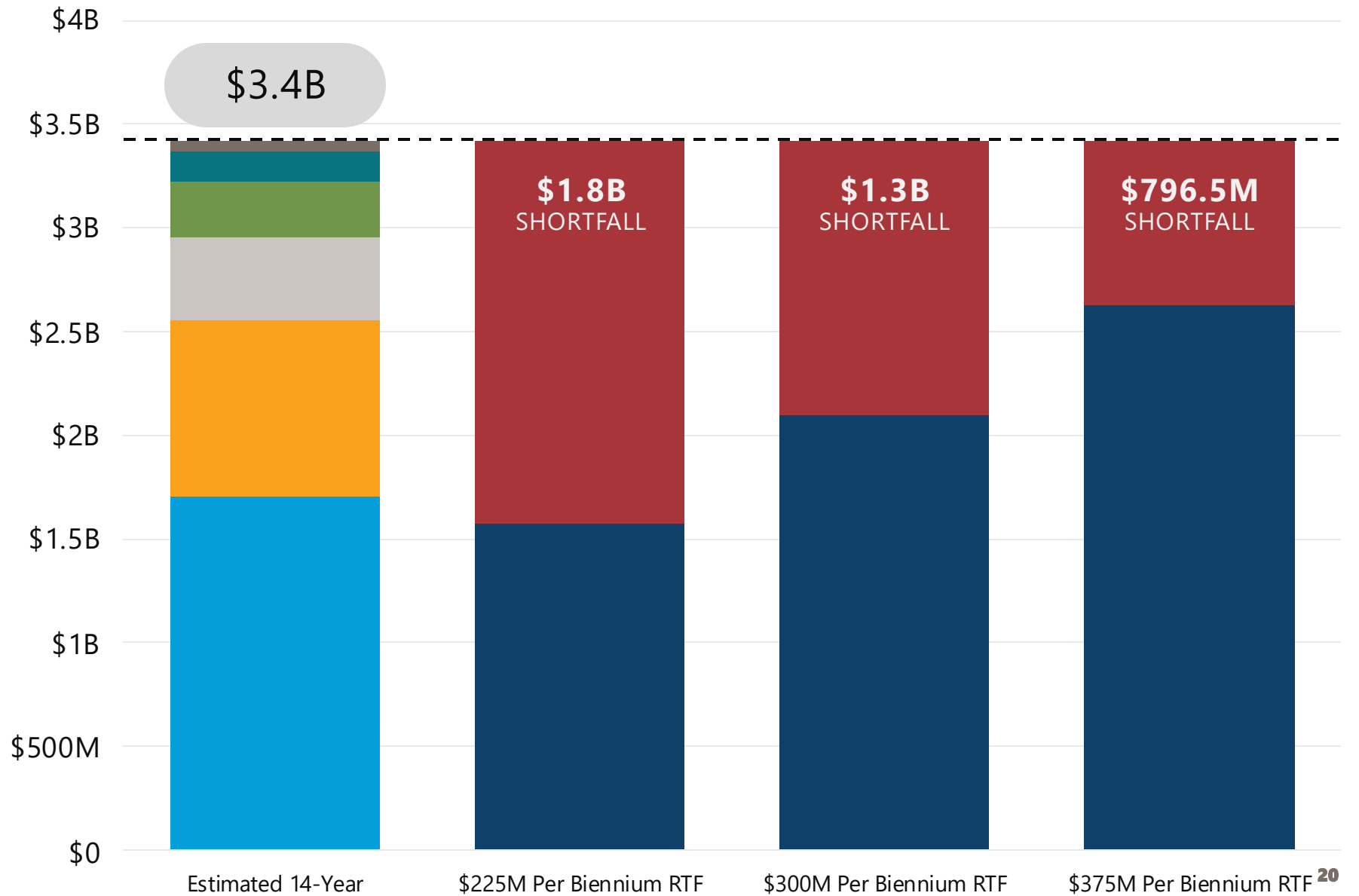
CONVEYANCE \$15M
OTHER \$8M
PARKS AND REC GRANT \$2.5M

\$45M Cash From RTF To Repay Water Infrastructure Revolving Loan Fund (WIRLF) LOC

*Includes \$100M from bonding

2025-2027 RESOURCES TRUST FUND (RTF) BUCKETS

IMPACT OF RTF REVENUE FROM 20.5% TO 15.5% (EXTRACTION TAX)



DWR 2025-2027 BUDGET: OPTIONAL REQUESTS

*Includes Operating Expenses
**Federal Funding

**6 Full Time
Equivalents (FTE)**

OPTIONAL REQUESTS

FTE Positions: Accountant, Deputy Director, NAWS Operator, Assistant NFIP Coordinator, RiskMap Specialist, Silver Jacket Conversion

\$1,796,588*

(One-Time) Emergency Pumps Replacement

\$480,000

(One Time) Excavator Replacement

\$400,000

(One Time) Data Logger Replacement

\$60,000

(One Time) Missouri River Intake Sites Field Investigation

\$600,000

Cost to Continue SWC Expenditure, Temp Salary, & Overtime Adjustments

\$305,914

Board of Water Well Contractors

\$66,023

Federal Spending Authority

\$2,051,788**

NAWS Biota Water Treatment Plant Operations**

TOTAL OPTIONAL REQUESTS

\$5,760,313

HOUSE VERSION - HB 1020

POLICY & OTHER LANGUAGE SECTIONS OF THE BILL

- Additional Income Appropriation;
- Funding Continued From Previous Biennia For Grants Or Water-Related Projects;
- Estimated Income Of \$42.5 Million From The Water Projects Stabilization Fund;
- Direct the SWC To Bond Up To \$100 Million For SWPP;
- Discretionary Funding Uses;
- Authorization To Transfer \$10 Million Between Line Items Except Salaries & Wages;
- Authorization Of A \$200 Million Line Of Credit From The Bank Of North Dakota;
- Project Funding Designations; and
- Continuing Appropriation For NAWS Biota WTP Operations.
- Appropriation to Parks & Recreation of \$2.5 Million for Sovereign Lands Grants

POLICY & OTHER LANGUAGE SECTIONS OF THE BILL

- Transfer \$45 Million to the Water Infrastructure Revolving Loan Fund;
- Legislative Intent For:
 - Funding For Red River Water Supply Project;
 - Funding For Mouse River Flood Control Project;
 - Funding For South Bismarck Stormwater Project;
 - The DWR To Continue To Support Efforts To Protect & Develop Beneficial Use Of The Missouri River System;
- Legislative Directive to Study:
 - The SWC To Study Its Cost-Share Policy;
 - The SWC To Study Regional Water Systems Governance & Finance; and
- Emergency Clause.



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THANK YOU



701.328.2750



dwr@nd.gov



dwr.nd.gov



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