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**Testimony of Lance Gaebe
North Dakota Farmers Union
In Opposition to HB 1537
House Political Subdivisions Committee
February 6, 2025**

Chairman Longmuir and members of the Political Subdivisions Committee,

Thank you for the opportunity to testify on behalf of the North Dakota Farmers Union (NDFU) in opposition to House Bill No. 1537. My name is Lance Gaebe.

NDFU strongly supports rural water systems, recognizing their vital role in providing affordable, clean, and safe drinking water. Our members understand that a reliable rural water supply is essential for both a thriving agricultural sector and vital rural communities.

NDFU opposes HB 1537 because it weakens the longstanding state policy protecting state lenders to rural water districts and the rural communities they serve. The bill reverses franchise protections, allowing municipalities to annex territory served by rural water districts. This protection is critical because:

- **Revenue Loss:** Annexation deprives rural water districts of customers and revenue, threatening loan repayment and financial stability.
- **Economies of Scale:** Current law promotes efficient service delivery by preventing unnecessary infrastructure duplication. HB 1537 undermines this.
- **Jeopardizing Territory Integrity:** HB 1537 allows "cherry-picking" of profitable areas, destabilizing service territories.

These principles mirror NDFU's long-standing support for rural electric cooperatives, ensuring service reliability, avoiding duplication, and protecting investments through territorial integrity.

HB 1537 negatively impacts rural water users by jeopardizing the financial stability of essential service providers. Current law rightly requires the rural water lending agency to be a party to agreements between a water district and a municipality, preventing deals that could impair loan repayment (like selling off the lender's collateral). HB 1537 removes this protection.

NDFU opposes HB 1537 and requests a Do Not Pass recommendation. Strong rural water systems are crucial for thriving rural communities and the future of North Dakota agriculture. We are deeply concerned about efforts to encroach on these vital state investments made in partnership with rural residents and small communities.

Thank you. I welcome your questions.