



February 6, 2025
House Political Subdivisions
HB 1537
Rep. Donald W. Longmuir, Chair

For the record, I am Stephanie Dassinger Engebretson. I am the deputy director and attorney for the North Dakota League of Cities (NDLC). The NDLC appears in support of HB 1537.

The goals of HB 1537 are simple:

1. Carry out the legislative intent when enacted it NDCC § 6-09.4-22;
2. Ensure the state interests remain protected when they are loaning money; and
3. Ensure agreements that were negotiated between cities and rural water districts for water districts are valid and that and the parties who negotiated and entered into the agreements will honor their promises and commitments

The reason HB 1537 is here is because it was recently discovered that a requirement in N.D.C.C. § 6-09.4-22 that requires that the Public Finance Authority, the Bank of North Dakota, or the other state agency (hereinafter, the State) to be a party to an agreement between a city and a rural water district to provide water in a territory when the State has outstanding debt associated with water service was overlooked in some agreements. A number of these agreements are over 20 years old.

This situation came to the NDLC's attention due to current litigation involving the East Central Rural Water District and the City of Grand Forks. The North Dakota Supreme Court recently held that the language in § 6-09.4-22 means that if the state was not a party to the agreement, the agreement never existed. In the case involving the city of Grand Forks, East Central Rural Water District's complaint seeks recovery and transfer of ownership of all of the city's water service infrastructure pipes in the ground in the area relating to over 130 subdivisions now part of the City of Grand Forks, and over \$62 million in damages.

Based on the legislative history from when NDCC § 6-09.4-22 was enacted, the statute was intended to protect the state when these agreements occur, not to allow one party to these agreements to invalidate the agreement after operating under it for many years. As such, HB 1537 provides that an action under this section may be initiated by the State and not by a political subdivision.

Additionally, HB 1537 has a retroactivity clause to July 31, 1997. This is the date that NDCC § 6-09.4-22 became effective. This is to ensure that no agreement is voided due to a technicality and the language in the statute.

The NDLC respectfully requests a Do Pass recommendation on HB 1537.