

MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION

SFN 2053 (2/85) 5M



ROLL NUMBER

DESCRIPTION

1153

2005 HOUSE APPROPRIATIONS

HB 1153

2005 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB1153

House Appropriations Full Committee

Conference Committee

Hearing Date January 11, 2005

Tape Number	Side A	Side B	Meter #
1	X	X	Ending 7.7

Committee Clerk Signature

Chris Alexander

Minutes:

Rep. Ken Svedjan, Chairman opened the hearing on HB1153.

Mr. Dale Frink, Chief Engineer - Secretary to the North Dakota State Water Commission, read written testimony from handout #6-6 in support of HB1153.

Rep. Al Carlson questioned the Water Commission's ability to make standing commitments that allow them to borrow from the Bank of North Dakota, and what are their repayment schedules?

Mr. Frink answered that the Water Commission could use a line of credit until they were given the authority to bond and the dollars raised from the selling of bonds would repay the line of credit.

Rep. Al Carlson asked how the Water Commission would repay the line of credit if the bonds were not marketable.

Mr. Frink answered that when the appropriation was passed two years ago, the Water Commission believed that they had the bonding authority up to \$60 million using a combination of 5 funds. When they found out that they didn't have access to these funds they considered

shutting the projects down. It was decided that the best approach was to introduce a bill during this session and bond after appropriations were approved.

Rep. Ken Svedjan, Chairman asked why couldn't the Water Commission bond for the \$40 million it needed under #61-02.1?

Mr. Frink answered that this section is limited to those 5 projects and the expiration for those 5 projects has passed.

Rep. Ken Svedjan, Chairman clarified that if the 5 projects were not named in 61-02.1 then all of your funding would have been under 61.02 and its that section that makes reference to the Water Development Fund which is really the tobacco money.

Mr. Frink confirmed this and continued that since 2002 bonding through this tobacco fund has been virtually unmarketable. (meter #7.4)

Rep. Al Carlson requested from Legislative Council, a list of all Agencies who have the ability to borrow from the Bank of North Dakota and information regarding the repayment schedule for each of these. And asked how you would cover the \$40 million that is out there when bonding is unmarketable.

Mr. Frink answered that if HB1153 passes the Water Commission would have the authority to bond for \$60 million and we would be able to market them under all 5 of the funds available of which the last source would be the Bank of North Dakota.

Rep. Mike Timm, Vice Chairman asked how an Agency can plan a project without selling the bonds first so that you are sure the bonds are marketable and have the dollars in place.

Mr. Frink answered that they did a review of the moneys that we have coming in revenues and made sure that all of the contracts for projects have stipulations in them saying that the project is based on available funds.

Rep. Mike Timm, Vice Chairman asked for the total amount the State of North Dakota is responsible for through bonds for water projects.

Mr. Frink referred to handout #6-7 for a listing, but stated that \$32 million are outstanding.

Rep. Mike Timm, Vice Chairman asked how many dollars were requested in water projects for this biennium? How many projects are out there?

Mr. Frink answered \$60 million and stated that there is over \$200 million worth of need out there but that all of these projects couldn't be accomplished in one biennium even if you had the money. (meter 12.1)

Rep. Mike Timm, Vice Chairman asked if the \$40 million above the \$60 million requested would come from the general fund.

Mr. Frink answered no, that all these funds would come from special funds. The Resources Trust Fund is not bonded out and the first priority in this fund is a repayment of the bonds. But if there are resources in the Water Development Trust Fund then all of the money available in the Resource Trust Fund would become available to do projects.

Rep. Jeff Delzer asked discussed the original intent of the Legislature regarding bonding and stated that it was his understanding that the line of credit was given because they didn't want to issue bonds in small amounts and that they had to have the possibility of issuing the bonds before they borrowed the money. We need to ask the Legislative Counsel research the history on this and to clarify this but to me it says that they have to issue the bonds before they can borrow the

money and now the Water Commission says that they can't market the bonds. We have troubles coming up regarding repaying some of their current bonds because the total payments are twice as much as what the original bond was and we have large payments from 2010 on. Do we even have the money to cover these already existing bonds even if we decide to quit bonding in the future. The money in the Tobacco Fund was for schools and not supposed to be used and reviewing the 5 lines of credit means the 4th line is the general fund. We as the Legislature need to be clear on all this and make sure that a non-elected board doesn't make a decision that the Legislature would be responsible for.

Mr. Frink responded saying the Southwest Pipeline bonds are revenue generating bonds that would be used to repay the outstanding bonds. These are 20 or 30 year bonds that would repay these bonds within the 20 to 30 years.

Rep. David Monson asked why the \$60 million in bonds expire before they were issued?

Mr. Frink answered that the original appropriations bill was reviewed by the Attorney General's Office and other attorneys who believed that the Water Commission could issue the bonds under 61-02.1. But our current bond counsel does not believe we have the authority.

Rep. David Monson continued by asking to see a full list of all bonding done by the Water Commission, especially the \$54.5 million in projects listed..

Mr. Frink answered that the spreadsheet that was distributed in the Overview testimony on January 6 included such a list.

Rep. David Monson Do you have any plans to set aside money for repairs and emergencies that may come up? Because it appears that The Water Commission is bonded to its limit and I'm wondering what the Agency will do if it has an emergency.

Mr. Frink we have a repair and replacement account with \$5 million.

Rep. Al Carlson commented that the real payments for repaying these bonds will kick in 2010 and I'm wondering why the bonds were issued this way.

Mr. Frink answered that it was just like a typical mortgage payment with all of the interest up front and the principal in the end.

Rep. Ken Svedjan, Chairman commented that Rep Carlson was questioning figures from a report done by the Legislative Counsel that had not yet been distributed to everyone and confusion concerning these figures will be defined in further hearings. (meter 23.1)

Rep. Bob Skarphol tried to explained the confusing figures by stating the repayment schedule listed was for 5 years worth of payments not just 1.

Rep. Francis J. Wald noted that the dollars listed in the budget for The Water Commission is for \$75 million. He asked where the difference of the \$75 million and the \$93 million going to come from?

Mr. Frink the difference is the carryover projects.

Rep. Ken Svedjan, Chairman asked how the Tobacco Funds have become such an issue since the revenues being generated from them are not significantly less than what was projected.

Mr. Frink answered that since there are so many law suits still pending concerning these funds, it is believed that the moneys coming into this fund is "soft" and may not be assured.

Rep. Bob Skarphol asked again for a list of the \$54 million in projects.

Mr. Frink said that he would provide it.

Mr. Jim Stewart, attorney representing the State Water Commission's Bond Council testified in support of HB1153 and distributed written testimony (handout #6-8). (meter #28.1)

Rep. Ken Svedjan, Chairman asked if the "other available revenues" mentioned in #3 on page 1 of the handout meant only the trust funds.

Mr. Stewart answered that it referred to all revenues approved by the Legislature, and finished reviewing his testimony by saying that he was looking for the ability to issue bonds as they were done in 2000, instead of issuing bonds based solely on the Tobacco Fund revenues which appear to be unmarketable.

Rep. Ole Aarsvold asked are there projections as to the Tobacco Settlement dollars into the future and if so would those protections allow us to cover most of the bonds that we have committed to at this point?

Mr. Stewart answered that the projections have been conservative.

Rep. Ken Svedjan, Chairman mentioned that it appeared that a continuation of bonding would essentially render the Water Development Fund useless.

Mr. Stewart The fund itself has value since there is still money flowing into it and the moneys there can still be used for debt service, but the problem is on the marketing side since there is only one fund listed for supporting repayment.

Rep. Bob Skarphol We must have two types of water projects since some generate revenues and others don't. Can you give us some background on these and explain those projects that do not generate revenues.

Mr. Stewart The non revenue projects are projects like flood control projects that would be funded through the bonds.

Rep. Bob Skarphol asked why it wasn't apparent at the time these projects were approved that general fund dollars would be needed to repay these bonds?

Mr. Stewart answered that when these bonds were issued The Resources Trust Fund was assumed to be three times more that what it would be required to pay for these services. The assumed worth is not in the projected amounts of dollars but in the perceived worth of these funds in the market.

Rep. Mike Timm, Vice Chairman what will happen in two years? Will the Water Commission come back and ask to bond again in 2 years?

Mr. Stewart answered that their wasn't any expectation of doing a second series of bonding on these funds. This bill would cover the \$32 million from 200 and then cover this series of new bonds and that would be the extent of borrowing against these funds.

Rep. Francis J. Wald asked if we are able to shift funds supporting the bonds so they would be marketing.

Mr. Stewart answered that this was originally how it was done with other funds supporting the repayments.

Rep. Ken Svedjan, Chairman mentioned that this would go to subcommittee and we would get more detail there.

Mr. Don Wyszynski, representing the firm doing the underwriting of these bonds, testified in support of HB1153. (meter #39) Mr. Wyszynski summarized the dilemma of the Water Commission by stating that because non of these fund sources listed for securing these bonds are legally pledged there is really no problem to issuing bonds. But when a change came up in the last Assembly as to how the Water Commission could issue the bonds there was a problem because contracts had already been issued, and now alternative sources are not solid enough to back these bonds. But there is enough money to start the projects and pay as you go.

Rep. Al Carlson asked what the bond rates are currently.

Mr. Wyszynski said that 20 year bonds at 4%.

Rep. Al Carlson asked if we could renegotiate these bonds to take advantage of these lower rates.

Mr. Wyszynski answered yes, but said there are limits to paying off the bond holders early. Even if you cannot repay the bonds early, you could put money aside to cover their repayment when they are due.

Rep. Al Carlson asked if as the underwriter for these bonds, is part of the service to monitor these rates and let us know when to refinance and how much money we could save.

Mr. Wyszynski answered yes and said that it was not his place to tell us whether or not to bond, but to help us if we decided to bond.

Mr. Frink (meter #53.7) stated that if HB1153 does not pass, The Water Commission can still bond up to \$20 million to cover the already existing projects and they would not enter into any new projects.

Rep. Francis J. Wald asked if it would be in our best interest to get a loan from the Bank of North Dakota to fund these projects.

Mr. Ed Sather, Senior Vice President of the Bank of North Dakota answered that the interests rates would be too high and with bonding you are getting tax exempt moneys.

Rep. Jeff Delzer asked if these bonds could be considered general obligation funds and thus fall under our statutory limit?

Ms Karlene Fine, from the Industrial Commission answered that because these are appropriation bonds they have to be re-appropriated every biennium so they would not fall under a statutory limit.

Rep. Jeff Delzer If we pass this even without appropriating, would we still be legally responsible for these bonds?

Ms Fine answered that the bondholders know that they are appropriated bonds and that they take the risk when they purchase the bonds, but in all honesty we would not be bonding ever again if the state did not honor these bonds, so that's the decision you have to make as Legislators.

Rep. Joe Kroeber asked the Office of Management and Budget why there seems to be such a projecting increase in the tobacco funds on the document developed by the Legislative Council.

Mr. Wyszynski answered that several groups of payments were mentioned in the tobacco settlement and that the strategic contribution payments are based on tobacco use per state. These payments were designed to reward those states who were most active in the settlement. It was this repayment plan that increased and is reflected in the document you see.

Rep. Ole Aarsvold noted that some states have sold off their portion of the tobacco settlement to cover funding in their budgets. He asked if this might be beneficial for us to consider.

Mr. Wyszynski answered that the states are no longer allowed to pledge the tobacco dollars straight to the trustees without also backing it up with annual appropriations, so it would essentially be doing the same thing as bonding.

Rep. Ken Svedjan, Chairman closed the hearing on HB1153. (meter #6.9).

2005 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB1153

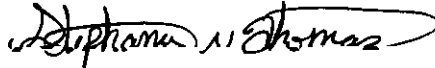
House Government Performance Division

Conference Committee

Hearing Date January 24, 2005

Tape Number	Side A	Side B	Meter #
1		X	3775-End
2	X		1-3525

Committee Clerk Signature



Minutes: **Chair Carlson** opened the hearing on HB 1153, relating to bond issuance amount limits; and to declare an emergency.

Dale Frink, Secretary to the Water Commission: The main thrust of this is we specifically add those four or five assurances for bond repayment to the issuance of bonds. Two years ago the legislature authorized us to bond up to 60 million dollars. We thought we had the assurances in at that time, for the pecking order of those five, but this specifically adds those.

Chair Carlson: The 60 million dollars was not issued?

Dale: Correct, the 60 million was not issued, because our bond council did not believe that the only revenue source that could support that bond issue was tobacco money.

Chair Carlson: This does not include the wish list of about 13 million dollars in projects that were discussed this morning?

Dale: That would be your determination.

Rep. Glassheim: I thought that at the beginning of next biennium you were going to have 40 to 50 million dollars put back into those trust funds. Why wouldn't that money be available to make 1.5 million dollars worth of payments a year on 13 million dollars worth of additional bonds?

Dale: The money that the 30 or 40 million dollars that your talking about is committed, and it's part of the 60 million dollars.

Rep. Glassheim: I understood you to say that you were going to have that money left in the two trust funds at the beginning of next biennium?

Dale: That money is already committed to various projects.

Rep. Skarphol: If we don't do the 60 million dollar bonds, what effect is that to the resources trust fund?

Dale: We do have the authority to bond for 20 million. We'd either bond for that 20, or we would still have that 25 million at the Bank of North Dakota.

Chair Carlson: What this is doing is re extending the authority of the 60 million, because you did not issue those bonds. It's clarifying the message of payment for the bonds, and it's repealing a limit.

Dave Lasavech, County Manager for Water Commission: The section that it is repealing, there is a section that allocated some very specific mounts for very specific projects.

Rep. Monson: Your taking out most of the Devils Lake language here, because Devils Lake is completed as far as the bonding necessary to complete it?

Dale: We're stripping out Devils Lake, primarily because it's over 80% completed.

Page 3

House Government Performance Division

Bill/Resolution Number HB1153

Hearing Date January 24, 2005

Rep. Monson: On page 4, line 4-6, you struck that language and that deals with the lawsuit.

Are you confident that your over that hurdle?

Dale: We've spent the money. The projects about done. Even if we do get sued, at this point we would not want to stop for that reason.

Rep. Monson: The danger of us getting sued to the point where the project was stopped, has passed?

Dale: Not necessarily, but when you've spent the money it's too late, you can't get it back.

Chair Carlson: Where is the federal government involved on any of this whole process on water project?

Dale: The federal government is way behind. Many of the problems we have today is related to the severe reduction in federal dollars.

Chair Carlson: So we've given up on the federal participation, or not?

Dale: We have not given it up what so ever. We continue to lobby Washington for additional dollars.

Rep. Monson: The language on page four with the other flood projects. Is this relevant only to Devils Lake, or is there a chance these other flood projects could end up in court too?

Dale: This is specific to Devils Lake.

Rep. Glassheim: So your taking 7.9 million for agency operations out of the water development trust fund. What's the history of the general funds in support for the water commission?

Dale: Up until 2001, we were funded out of the general fund. Starting in 01/03, and the current biennium, they took 9 or 10 million dollars.

Chair Carlson: That was basically for administration? They were funding your administration?

Dale: It was for the agency operations.

Rep. Skarphol: Is it become your policy that the bond payments, plus the cost of the bond payments, plus the agency operations would be where you anticipate the water development trust fund money to go?

Dale: I don't know. That was included in the Governor's budget.

Chair Carlson: What's the category that says other revenues of state water commission makes available during the than current biennium for that purpose?

Dale: It's a catch all that any money we can find, we can use.

Chair Swedjan: In the 03/05 biennium, you were authorized to issue 60 million dollars in bonds. You issued 20.

Dale: We did not issue any. We borrowed from the bank.

Chair Swedjan: In 05/07 your asking for new authority to issue 60 million dollars in bonds.

Dale: That's the same 60 million.

Chair Swedjan: If you get that authority , you would issue the bonds, and immediately repay the Bank of North Dakota , and the two trust funds?

Dale: That's correct.

Chair Swedjan: What's key in this bill, is that your asking for different authority to revert back to the five step pecking order, as to how those bonds would be repaid?

Dale: We are clarifying for our bond council that we do in fact have the authority to permit those five in that order.

Chair Swedjan: What about the 5 million that's in here? Your showing 5 million and 50,000 in carry over, that has to do with projects having spent less than what you projected they would spend.

Dave: In essence, that is an attempt to get to that bottom 52 and 24 million dollars of authority.

Chair Swedjan: The 5 million comes about as a carry over, because the projects you funded didn't require as much as you projected would be required.

Dave: Yes. It's also due to OMB is forecasting that we get 5 million dollars more in the resources trust this biennium that would have authority.

Chair Carlson: Your saying the bond council looks at 80% of that as being usable for payback?

Dave: They leave a safety margin.

Rep. Skarphol: Did the bond company resist utilizing the natural resources trust fund for purposes of paying off the bond?

Dave: No they would not resist that.

Rep. Skarphol: So it's the water commission's board that's made that decision to just limit it to the water resources trust fund?

Dave: That would be our intent, we don't want to bond against it. It may also be the opposite of OMB and the Governor.

Chair Carlson: When you have any bond issue come through, your involved in it, correct?

Karlene Fine, Industrial Commission: No, we don't deal with the water commission.

Chair Carlson: Is that typical to have multiple repayment sources like that?

Karlene: Yes, that is not unusual.

Chair Carlson: Is it logical to look at it and say the key payment, and repayment process is the tobacco dollars. The limit is kind of set by how much money we're going to receive from the tobacco folks?

Karlene: That's policy that the legislators set when the first water projects talked about how we were going to use the tobacco dollars.

Rep. Skarphol: Is there any of the bonding issues that you do through the industrial commission, that have the Bank of North Dakota as a potential member of the pecking order for repayment?

Karlene: The only role in the bonding issues I deal with is that perhaps, the Bank of North Dakota might provide a letter of credit on a reserved fund.

Rep. Monson: What are your pecking orders for funds to pay these back?

Karlene: The ones I deal with, basically the building authority, and that's appropriations.

Chair Swedjan: Your projecting revenues to the resources trust fund of 15.3 million for 05/07. Is that based on the projected 24 dollar per barrel oil?

Joe Morrissette, OMB: It's consistent with the general fund revenue forecast.

Rep. Glassheim: People are paying some of these things back, southwest pipeline, etc. Where does that income show up?

Dale: That's part of the 2 million dollars that you just lifted, for payments and reimbursement.

Chair Carlson: If we were to do a balance sheet of southwest pipeline, my guess would be that most of the money collected for buying the water would go back to pay for the maintenance and operation of the system.

Dave: That is correct. We actually do not operate southwest pipeline. The southwest water authority does.

Chair Carlson: So do they mail you back a check for the bond payments?

Dave: We actually make the bond payments.

Rep. Skarphol: Do we have a similar agreement in cases of northwest area water systems?

Dale: The situation with southwest pipeline and NAS are very different. With the pipeline, the state of North Dakota and the federal government paid for 100% of the cost up front.

Rep. Skarphol: So how is that different from NAS?

Dale: The city of Minot is making that 35%. They are actually paying up front.

Chair Swedjan: So if we give authority to go out and bond for 60 million, is there a chance there's going to end up being some bond proceeds there, that are going to have to be used within an 18 month period of time? How accurate are you on the 60 million your asking for?

Dave: If you look at what were estimating, it's spending is 68.9 million dollars.

Chair Carlson: So your saying there is no extra out of the 60 bond issues?

Dale: Yes, unless one of the projects gets tied up.

Rep. Skarphol: Is it conceivable that 55 million would be sufficient?

Dave: Maybe, however not quite is it as simple as you said, because 5 million dollars of these selected projects have to go away. The full 60 is plugged in there, that come up with our budget, and the list of projects and possible allocations.

Chair Carlson: I find it unusual, in code, that commits 6 ½ million dollars available funds out of the bank. How do you record that? Do you actually put it on the books, assuming that it could happen?

Ed Sather, Bank of North Dakota: No, we don't. What we have to do is foot note that as a contingent liability. Until the legislature makes that transfer of the 6 ½ million, it is a contingency. Once the transfer is made through the appropriation, then we book it as a liability.

Chair Carlson: So in other words that could not happen until the next biennium probably?

Ed: Correct.

Chair Carlson: If they came in and had to have the money, you would issue them a loan, and then come to us legislators and take care of that next session?

Ed: Under that 6 ½ million for repayment, we would make them the advance, because they don't have the transfer.

Rep. Skarphol: Does the bank have to rank their contingent liability that the likelihood of that happening at all in any kind of form?

Ed: I don't believe so. We do have to list what we consider contingents, for the benefit of investors, and proper accounting standards.

Closed Hearing.

Govt Performance 1153

General Discussion

- Committee on Committees
- Rules Committee
- Confirmation Hearings
- Delayed Bills Committee
- House Appropriations
- Senate Appropriations
- Other

Date February 2, 2005

Tape Number

1

Side A

X

B Side

X

Meter #

2660-End

1-4405

Committee Clerk Signature

Stephanie N Thomas

Minutes: **Vice Chairman Skarphol** opened general discussion hearing on HB 1153, relating to bond issuance amount limits; and to declare an emergency.

Review of HB 1153. (SEE HANDOUT)

Chair Carlson: What is this estimated coverage? I don't understand the ratio number, what that means?

Dave Lasavech, County Manager for Water Commission: That's the maximum that you can go to when your bonding is 1.2. The bonding company will never let you bond the full amount of the estimated revenue.

Rep. Skarphol: The higher the number the more attractive the scenario?

1153

Dave: Yes, and the more bonding capacity that you have for future.

Rep. Monson: You've got 60 million that you've bonded for now, and then an 8 million dollar biennium transfer for operations. That's all accounted for. Isn't that the base case?

Dave: Yes.

Rep. Skarphol: So the 66 would be bonded?

Dave: The 66 would then be bonded, that would assume there would be no biennial transfers.

Rep. Glasheim: The 74 million includes no general funds?

Dave: Correct.

Rep. Skarphol: Somewhere down the road there's an anticipated increase in tobacco dollars coming into the state. What's the year of that anticipated increase?

Dave: 2009, basically.

Rep. Skarphol: It jumps from what to what?

Dave: 20.6 is what's going in a biennium now, and it's anticipated to jump to about 33.

Rep. Skarphol: The capitalized interest, is that included in the repayment schedule?

Dave: It is factored in.

Chair Carlson: Was there another trust fund that was tied to this?

Dale Frink, Secretary to the State Water Commission: The Resources Trust Fund.

Chair Carlson: Should additional projects be funded, and how are we going to pay for them if they are?

Dale: If we do take the money out of the general fund and spend it, the state's kind of locking itself in to continuing that. If we do it, it's a commitment that we're going to start taking more money out of the general fund for agency operations in the future.

Ed Sather, Bank of North Dakota: If the legislation is changed where their going to get an appropriation from the general fund for their administrative expense, the bond market and the rating agencies will be looking at the state of North Dakota to continue that appropriation. If the state were to resend that and not appropriate their administrative expenses, basically the bonds would be in default. North Dakota's bond rating would be downgraded, and the state would not be issuing any bonds for any agency.

Rep. Glassheim: Future legislators could do what they want, but they would be in very bad shape in the bond market if they were to not pay off the bonds. They have an obligation to pay off the bonds.

Chair Carlson: Policy needs to be consistent. When the bond people look at it, they want to know that this is a ongoing revenue source to repay the bonds, correct?

Ed: The perception would be that this is a moral obligation of the legislator to appropriate that 8 million dollars annually for the administrative expenses, so that all the water development trust fund proceeds would be used to pay off the bonds.

Rep. Glassheim: What's the history, we used to pay out of general fund for the administration of the Water Commission. Is that correct?

Mike Duoyer: Every year since it was created, from 1937 until 1999.

Chair Carlson: I'm concerned about his comments that we need a consistent repayment.

Mike: I think what we should do is increase the bond authority from 60 million to 74 million. I think it's pretty clear that they do need to be funded. The Grand Forks flood control, the Fargo flood control, Southwest pipeline, and some of the MR&I needs are justified and critical.

Chair Carlson: Why would we take language out that deals with the Missouri River?

Dale: I do not know why we took that part out. This is just intent, I don't object to leaving that back in.

Rep. Monson: As I'm reading this it just says that there is a critical need to develop a comprehensive statewide water development program, which you've done.

Dave: The attorneys and bond council were trying to strike out anything that was project specific.

Rep. Monson: So you have a document that is a statewide water development program document strategy, and it included the need for the Missouri River in there?

Dave: Yes.

Chair Carlson: Where else in statute did we mention that though?

Dave: That was a little bit of our problem with the bonding. The projects that are specifically mentioned in statute are some of the reasons we're in trouble with the bonding.

Dave Collin, General Manager of Garrison's Diversion Conservancy District: The district was engaged in a study, jointly with the Bureau of Reclamation, looking at an environmental impact statement to look at the needs in the Red River Valley. It would be very premature for the legislator to make any indication that there's been a judgment made on how we're going to meet the needs in the Red River Valley. I would urge you to leave this language in the bill.

Rep. Skarphol: What your saying is that over striking it, we're implying that there's a reduced need to look at Missouri River water usage.

Dave: I think your implying that the state has made a decision not to use the Missouri River to meet the needs of the Red River Valley.

Chair Carlson: Are we all done in Devils lake, that we can strike language like this?

Dale: The problem that we would have is there is a significant chance that we are going to have additional lawsuits on Devils Lake.

Rep. Glassheim: In section B on page 5 that we're taking out has to do with the Garrison Diversion, does that need to stay in?

Dale: We struck out specific references to projects. It gives us the flexibility to not only fund and bond for those projects, but to fund and bond other projects. We're trying to be less specific.

Rep. Glassheim: Are there any water commission bonds, in which a local sponsor doesn't repay the entire nonfederal share?

Dale: Devils Lake is certainly one. The cities like Grand Forks doesn't repay us for the 52 million. There paying their 52 million directly to the corp.

Rep. Skarphol: What happens if you don't get the emergency clause on HB 1153?

Dale: If it passes 50%, then we would bond in August. We would use that 25 million dollars in the Bank of North Dakota credit to get to August. If it fails, then there's going to be cutbacks.

Ed: I think the Emergency Clause provides an advantage for the fund relative to the future trend of interest rates. The sooner they can go to the bond market, the cheaper their financing could be.

Chair Carlson: You have the ability to borrow how many million from the bank?

Ed: 25 million.

Chair Carlson: How are you going to fund any future water projects?

Dale: You'll be back to the Resources Trust Fund.

Rep. Monson: Do you really want us to go to the map this far, and start a few new projects, and just get started, and then 2 years from now you come back and say, we want to do a few more

1153

miles of pipeline in this project and that project. We won't be able to do it. What if you have an emergency of some kind? Do you think this is a wise thing to do?

Rep. Glasheim: You have 15 million a biennium in the Water Resources Trust Fund, which are available for other projects. Under several scenarios, even bonding for these additional projects you have between 2 and 5 million dollars in the Water Resources Trust Fund remaining that are still available per year. You have between 4 and 8 million dollars a biennium in the Tobacco Trust Fund even if you bond for other projects, to back smaller projects as you go. So you have 20 to 25 million a biennium remaining for smaller projects.

Dave: That is correct.

Chair Carlson: That money comes from where?

Dave: The Resources Trust Fund, which is Oil Extraction Tax, and what's left from the Tobacco money.

Chair Carlson: What's your spending authority?

Dave: It is projected in 2005 to be 15 million 384,000 dollars.

Chair Carlson: Do you have the authority to spend that however you want to spend it?

Dave: That is correct.

Chair Carlson: So the balances that we saw in there have about 15 million you have available to you this biennium for projects?

Dave: That is a projection of new revenues into the Resources Trust Fund. The balance today was 200,000 dollars in the Resources Trust Fund, and 300,000 dollars in the Water Development Trust Fund.

Rep. Monson: If we did some of these water projects, can we tie them together somehow?

Todd Sando, Director of Water Development: No, not without major modifications.

Rep. Skarphol: The dilemma that we face is that there not paid for. If they were completed and paid for, then the future would look relatively good. Next time we come back, and there might be 25 million in requests, and we don't have any mechanism to fund them. That's the question were asking? Are these the top four priorities for the future?

Mike: In 1999 when this system was set up, we had Grand Forks flood control, we had Devils Lake, Garrison, Fargo, we wanted to finish the Southwest pipeline, and we hadn't started NAS yet. The Governor and the legislator decided that the best policy would be to allocate 45% of the Tobacco settlement dollars and use a bonding mechanism, so that we have the cash. Then put it into these projects, and move our infrastructure forward towards completion.

Rep. Monson: I'm convinced that within about 4 years, your going to be building a major project at Devils Lake, at Stump Lake actually. When that water fills up Devils Lake, and runs into Stump Lake to the level where it's going to have an uncontrolled gush down the Cheyenne, your going to be back saying we got to put a dam in Stump Lake to control the flow out of Devils Lake, because the outlet isn't going to do squat. How much money is it going to cost you to put something in Stump Lake to control the flow going into the Cheyenne? Where are we going to get the money?

Chair Carlson: Are there any other incomes that you receive, that you can recycle back into projects?

Dave: There are other incomes that we receive, but no they're not recycled.

Chair Carlson: What are all funds available to you?

Dave: The general fund if we so chose, the Water Resources Trust Fund which is oil, and the Water Development which is tobacco money.

Rep. Skarphol: Are you required by the bonding company to keep any kind of reserve?

Dave: Yes. That is already built into all of these equations.

Rep. Skarphol: So the 20% in the Water Development Trust Fund that's left, amounts to how much?

Dave: Depending on your bonding scenarios, we'd have 800,000, and a million for each of 2007/2008.

Rep. Skarphol: What would you have available to spend in the Resources Trust Fund?

Dave: We're anticipating 15.3 million next biennium.

Rep. Skarphol: Why can't that money be the dollars that we commit to those alternative projects, for example?

Dave: They are already built into our budget, committed to the base level of the projects that we presented to you.

Mike: You've been talking about how are we going to take care of the projects in the future. One of the things we are doing on the Red River Valley is looking at straight revenue bonding, which would be a straight revenue bond based on the revenue that we can generate from that project.

Closed General Discussion Hearing.

*Govt Refurma
1153*

General Discussion

- Committee on Committees
- Rules Committee
- Confirmation Hearings
- Delayed Bills Committee
- House Appropriations
- Senate Appropriations
- Other

Date February 11, 2005

Tape Number

1

Side A

B Side

X

Meter #

1560-2180

Committee Clerk Signature

Stephanus Thomas

Minutes: **Chair Carlson** opened general discussion on HB 1153, relating to the water commission's authority to issue bonds for projects; to repeal section 61-02.1-02 of the North Dakota Century Code, relating to bond issuance amount limits; and to declare an emergency.

Discussion of Amendment. **(SEE AMENDMENT 58155.0102)**

Rep. Skarphol: I would move 0102 to HB 1153.

Rep. Glassheim: I second.

Chair Carlson: Voice vote on Amendment 0102.

Rep. Monson: Do pass, as amended.

Rep. Skarphol: I second.

General Discussion

Page 2

House Government Performance

February 11, 2005

153

Chair Carlson: Rep. Monson moves for do pass, as amended. Rep. Skarphol seconds.

Closed General Discussion Hearing

2005 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB1153
Devils Lake Outlet Construction

House Appropriations Full Committee

Conference Committee

Hearing Date February 15, 2005

Tape Number	Side A	Side B	Meter #
4	X		#23.8 - #28.5

Committee Clerk Signature

Chris Alexander

Minutes:

Rep. Ken Svedjan, Chairman opened the discussion on HB1153.

Rep. Al Carlson moved to adopt amendment #0102 to HB1153.

Rep. Mike Timm, Vice Chairman seconded.

Rep. Al Carlson explained that this is the bill that gives the water commission authority to issue bonds for projects. We changed the language in page 2 line 27-30 and put some language back in that had been taken out. We also changed the language that cleaned up the language concerning Devils Lake because that project has been completed. There is also a change on page 6 that deals with the money to be bonded not to exceed \$60 million. The authority to issue these bonds was issued in the last biennium and they are expected to be issued in this biennium.

Rep. Ken Svedjan, Chairman called for a voice vote for the motion to adopt amendment #0102 to HB1153. Motion carried.

Rep. Al Carlson moved a Do Pass As Amended motion to HB1153.

Rep. David Monson seconded.

Rep. Bob Skarphol commented that it is important to see that this bill has an emergency clause and that it is important to see that it happens. (meter Tape #4, side A, #26.4)

Rep. Al Carlson commented that the interest rates were good and it is important to have this happen in order to save us some money on these projects.

Rep. Ken Svedjan, Chairman called for a roll call vote for the Do Pass As Amended motion for HB1153. Motion carried with a vote of 21 yeas, 1 nay, and 1 absence. Rep Carlson will carry the bill to the house floor.

Rep. Ken Svedjan, Chairman closed the discussion on HB1153.

FISCAL NOTE
Requested by Legislative Council
01/03/2005

Bill/Resolution No.: HB 1153

1A. State fiscal effect: *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2003-2005 Biennium		2005-2007 Biennium		2007-2009 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues		\$0		\$0		\$0
Expenditures		\$0		\$0		\$0
Appropriations		\$0		\$0		\$0

1B. County, city, and school district fiscal effect: *Identify the fiscal effect on the appropriate political subdivision.*

2003-2005 Biennium			2005-2007 Biennium			2007-2009 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

2. Narrative: *Identify the aspects of the measure which cause fiscal impact and include any comments relevant to your analysis.*

Senate Bill 2022, the State Water Commission's 2003-2005 appropriation bill, authorized the Commission to issue up to \$60 million of bonds to be used for water related projects identified in the statewide water development plan. When soliciting proposals to select an underwriter for the agency's bond issue, it became apparent that it would be advantageous to the agency and the State of North Dakota to identify sources of repayment in addition to the Water Development Trust Fund. Bonds issued using only tobacco proceeds for repayment have become increasingly difficult to sell, and when saleable command substantially higher interest rates. Replicating the source of repayment identified for our previously issued 2000 Series Statewide Water Development bonds would make the bonds more marketable. These sources are: first, the Water Development Trust Fund, second, the Resources Trust Fund, third other revenues appropriated to the State Water Commission and fourth, an amount necessary to make one biennium's payments from proceeds of the Bank of North Dakota.

Working with the Commission's Bond Council, Underwriter, and the North Dakota Attorney General's office, we have drafted House Bill 1153 to clarify and optimize the agency's bonding authority.

3. State fiscal effect detail: *For information shown under state fiscal effect in 1A, please:*

A. Revenues: *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

Senate Bill 2022, the State Water Commission's 2003-2005 appropriation bill, authorized the Commission to issue up to \$60 million of bonds. This bill, House Bill 1153, does not increase that amount and thus has no fiscal effect on revenue.

B. Expenditures: *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

Under current law it was anticipated that bond payments would total \$8.9 million in the 2005-07 biennium and \$13.9 million in the 2007-2009 biennium. These estimates were prepared using a sliding scale interest rate starting at 3.6 percent. House Bill 1153 is necessary for the agency to issue bonds with the most economical interest rates.

C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, of the effect on the biennial appropriation for each agency and fund affected and any amounts included in the executive budget. Indicate the relationship between the amounts shown for expenditures and appropriations.*

Name: David Laschkewisch
Phone Number: 328-1956

Agency: ND State Water Commission
Date Prepared: 01/05/2005

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1153

Page 2, line 27, remove the overstrike over "The legislative assembly finds that there is a critical need to develop a"

Page 2, remove the overstrike over lines 28 through 30

Page 3, line 1, remove the overstrike over "5."

Page 4, line 22, remove the overstrike over "6." and remove "5."

Page 5, line 5, remove the overstrike over "7.", remove "6.", remove the overstrike over "purposes", remove "purpose", remove the overstrike over "subsections", and remove "subsection"

Page 5, line 6, remove the overstrike over "and 4"

Page 5, line 7, remove the overstrike over "one or more of the projects identified in this" and remove "the Devils Lake"

Page 5, line 8, remove "outlet identified in", overstrike "subsection", and remove "3."

Page 5, line 31, after "River" insert "section" and remove the overstrike over the overstruck period

Page 6, line 1, remove the overstrike over "8." and remove "7."

Page 6, line 3, remove the overstrike over "9." and remove "8."

Page 6, line 4, remove the overstrike over "5" and remove "4"

Page 7, line 6, remove the overstrike over "7" and remove "6"

Re-number accordingly

Date: 2-11-05
Roll Call Vote #:

2005 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. HB 1153

House Government Performance Committee

Check here for Conference Committee

Legislative Council Amendment Number SB155.0102

Action Taken Do Pass As Amended

Motion Made By Rep. Monson Seconded By Rep. Skarphol

Representatives	Yes	No	Representatives	Yes	No
Chairman Carlson	X		Rep. Glasheim		X
Vice Chairman Skarphol	X				
Rep. Monson	X				

Total (Yes) 3 No 1

Absent 0

Floor Assignment Rep. Monson.

If the vote is on an amendment, briefly indicate intent:

Date: February 15, 2005
Roll Call Vote #: 1

2005 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. HB1153

House Appropriations - Full Committee

Check here for Conference Committee

Legislative Council Amendment Number **58155.0102**

Action Taken **DO PASS AS AMENDED**

Motion Made By **Rep Carlson** Seconded By **Rep Monson**

Representatives	Yes	No	Representatives	Yes	No
Rep. Ken Svedjan, Chairman	X		Rep. Bob Skarphol	X	
Rep. Mike Timm, Vice Chairman	X		Rep. David Monson	X	
Rep. Bob Martinson	X		Rep. Eliot Glassheim	X	
Rep. Tom Brusegaard	X		Rep. Jeff Delzer		X
Rep. Earl Rennerfeldt	X		Rep. Chet Pollert	X	
Rep. Francis J. Wald	X		Rep. Larry Bellew	X	
Rep. Ole Aarsvold	X		Rep. Alon C. Wieland	X	
Rep. Pam Gulleson	X		Rep. James Kerzman	X	
Rep. Ron Carlisle	X		Rep. Ralph Metcalf	X	
Rep. Keith Kempenich	X				
Rep. Blair Thoreson	AB				
Rep. Joe Kroeber	X				
Rep. Clark Williams	X				
Rep. Al Carlson	X				

Total Yes **21** No **1**

Absent **1**

Floor Assignment **Rep Monson**

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE

HB 1153: Appropriations Committee (Rep. Svedjan, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (21 YEAS, 1 NAY, 1 ABSENT AND NOT VOTING). HB 1153 was placed on the Sixth order on the calendar.

Page 1, line 4, remove the third "and"

Page 1, line 5, remove "subsection 3 of section 61-02.1-04"

Page 2, line 27, remove the overstrike over "The legislative assembly finds that there is a critical need to develop a"

Page 2, remove the overstrike over lines 28 through 30

Page 3, line 1, remove the overstrike over "5."

Page 4, line 22, remove the overstrike over "6." and remove "5."

Page 5, line 5, remove the overstrike over "7.", remove "6.", remove the overstrike over "purposes", remove "purpose", remove the overstrike over "subsections", and remove "subsection"

Page 5, line 6, remove the overstrike over "and 4"

Page 5, line 7, remove the overstrike over "one or more of the projects identified in this" and remove "the Devils Lake"

Page 5, line 8, remove "outlet identified in", overstrike "subsection", and remove "3."

Page 5, line 31, after "River" insert "section" and remove the overstrike over the overstruck period

Page 6, line 1, remove the overstrike over "8-" and remove "7."

Page 6, line 3, remove the overstrike over "9-" and remove "8."

Page 6, line 4, remove the overstrike over "5" and remove "4"

Page 7, remove lines 4 through 23

Renumber accordingly

2005 SENATE APPROPRIATIONS

HB 1153

2005 SENATE STANDING COMMITTEE MINUTES
are
BILL/RESOLUTION NO. 1153

Senate Appropriations Committee

Conference Committee

Hearing Date March 8, 2003

Tape Number	Side A	Side B	Meter #
1	1		3,301

Committee Clerk Signature



Minutes:

Vice Chairman Bowman called the hearing to order on HB 1153.

Dale Frink, ND State Engineer and Chief Engineer/Secretary to ND State Water

Commission, provided written testimony and **testified on HB 1153**. He indicated that HB 1153 clarifies five sources of funding, the need to have this funding with the emergency clause. The project is 80 percent done and need the money to complete. The bill broadens the cap to include a variety of projects, not just those listed.

James Stuart, Attorney, Arntson & Stewart, PC, Fargo, representing the State Water

Commission as bond counsel, provided written testimony and **testified on HB 1153**

Senator Andrist asked about clarifying the third party repayment of bonds. The response was that yes.

Mike Dwyer (#3635), representing ND Water Coalition, testified on HB 1153, stressing the need to increase bonding ability from \$60 million to \$74 million and all other portions of this bill

Page 2

Senate Appropriations Committee

Bill/Resolution Number 1153

Hearing Date March 8, 2005

are approved and if HB 1021 could wait until the final general fund issues are approved at. If the entire water commission fund is funded by the general fund, the total amount of bonding that could be done would be probably about \$30-\$40 million dollars in excess of the \$74 million, so the bonding is not maxed out. There being no further questions or testimony

Vice Chairman Bowman closed the hearing on HB 1153.

2005 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. 1021 and 1153

Senate Appropriations Committee

Conference Committee

Hearing Date March 9, 2003

Tape Number	Side A	Side B	Meter #
1	x	x	3,052 To 204

Committee Clerk Signature



Minutes:

Chairman Holmberg called to order the sub committee pre discussion on HB 1021 and 1153.

Senator Fischer indicated both bills should be discussed at this time but the bonding bill HB 1153 request is for an increase and there may be some problems there.

Senator Andrist discussed an article from Fortune magazine which showed how mushy the MSA master settlement is. There are many court challenges and he would be happy to forward a copy of the article. To summarize, the author of this article didn't feel that the master settlement had legs that it would stand up for 20-25 years like it was supposed to. Dale Frink told me that bonds cannot be sold with just the master settlement agreement to back it up. It makes me think that anything we do with bonding will become general obligation bonds.

Senator Fischer indicated if we don't bond, we essentially close the doors of the water commission. This is the only agency that asked to feed on itself. I was told if we can find the money, we can fund the Water Commission which is the general fund. If we went back to the

1153

old way of doing business and didn't have the tobacco, the disasters at Devils Lake and Grand Forks, the pipeline or NAWS wouldn't be there.

Senator Andrist indicated he didn't mean to sound like he was opposing it, but he is struggling with it, because is a dilemma.

Senator Fischer indicated, on the positive side, if the revenues and the resources trust fund grow from oil we would need less bonding because 20 percent is dedicated to water. Once the \$60 or \$74 million is bonded, there is no more tobacco money. Then we are committed to 20 years of paying back the bonds out of the receipts of the tobacco money. After this session and the bonds, they will have to tighten their belts by several notches because they won't have the bonding.

Senator Bowman indicated one thing that stood out in the testimony is the cost, the longer we wait to complete these projects, the higher the projects. Some projects will be done with this new bonding. The Southwest water is a revenue bond.

Senator Krauter indicated two sessions ago we were told they would rob the tobacco bond once but it was turned around because the revenues weren't there and the revenues are there now. I believe we have to get the fund back to the general fund. The coalition has worked on these things that it was a commitment we all believe in on the water projects across the state. The other issue I have is the weather radar after you see that video, I will pose more questions.

Senator Robinson indicated he wants a copy of the article. When we look at economic vitality of ND, it hinges on having adequate water throughout the state. We need to move the funding source back to where it was.

153

Senator Christmann indicated this has been a well organized machine that I have admired but how much longer they hold any credibility. In my area waiting for the Southwest Pipeline, most of the people who signed up for it are retiring soon and the people who are there were too young to sign up for it. Wonder if too many things being done at once.

Senator Fischer indicated the biggest problem in water projects in getting permits or the federal government .

Senator Krauter indicated it is almost as though they slow down just before the projects are finished. He indicated there are some interests that think the Southwest Pipeline was put on later then it should have been. If we look back far enough to when the coalition was developed it proceeded to move forward.

Senator Andrist don't understand the pressure.

Senator Fischer indicated there is a big arsenic problem in the water and some have to haul water.

Senator Andrist indicated Fortuna has probably only 15 people, maybe the coalition isn't prioritizing the needs.

Senator Robinson asked how many people would put up with lack of water for that long.

Senator Fischer has an issue on the east having too much or not enough. It is imperative that Grand Forks have their project completed.

Senator Holmberg indicated the flood insurance rates are extremely expensive.

Senator Fischer indicated there is a big variance, it is important to buy before the map is changed.

157

Senator Kringstad indicated we all look at the water system wherever it is. I think we need to continue the support. I think we should finish up on what we are doing right now and raise the bonding limit to \$74 million.

Senator Krauter indicated that when we work on HB 1153 we really need to crunch the numbers so we don't miss something in the next two years.

Senator Fischer indicated he had no problem going to \$74 million if we have to.

Senator Kilzer indicated he favored the \$74 million bonding. As far as the softness of the tobacco money that is holding up, they are not going to go bankrupt and I think it will be available for the full duration of the 25 years.

Senator Krauter indicated there was a memo handed out in the house appropriations which talks about the tobacco settlement monies. In two years, the payments to ND double because of some settlement made and ND being one of the 16 states that initiated it. He was asked to get this to the entire committee.

Senator Mathern indicated another issue is that it looks like we are at an all time low for the cost of borrowing and we need to take that into consideration.

Chairman Holmberg closed the discussion on this.

2005 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. 1153

Senate Appropriations Committee

Conference Committee

Hearing Date March 11, 2005

Tape Number	Side A	Side B	Meter #
2	a		1,207

Committee Clerk Signature



Minutes:

Chairman Holmberg called the discussion to order on HB 1153 which is the companion bill to the Water Commission which has the same subcommittee.

Senator Grindberg as he was away he indicated he is trying to get a sense of the \$10 million more in bonding authority. What was that for and whether or not that is replaced with some obligations back to the general fund or the trust fund and operations. I would like to get a flavor for what happened in the committee particularly the \$10 million transfer issue has a significant impact as to how we finalize this biannual budget. At this point in time there are many requests out there.

Senator Robinson indicated there was a very good discussion on that proposal and there was support here for taking that \$10 million and moving it back to the general fund and there was support for moving the bonding from \$60 to \$74 million so we could take on some more projects sooner rather than later.

Senator Grindberg indicated his concerns about the other requests and the decisions we are going to make \$10 million is a big if and there are other things DD providers, human services budget, and others across the board. Senator Krauter put some very important information in front of us with the increases coming in the next biennium, there is never enough. We have the commissioner saying this is our plan and the other groups wanting more money.

Senator Fischer indicated he does not agree, but the Water Coalition brings projects in. If we bond heavily this session, we will have a bunch of projects drop off; Fargo, Grand Forks, Devils Lake and those projects left to do will require federal money. There will always be general flood plain management. My concern of the \$10 million transfer is that it was taken out in 2001 budget. It was improper then and it is improper now. It is the only agency whose agency is not funded by general fund. What concerns me is that we allow one entity because of the tobacco money to feed off that project money, therefore, it has a \$20 million effect on projects. At the same time we have already taken \$21 which is one of the 50/50 matches, then it is \$40 million.

Senator Krauter indicated this is a good discussion and goes to the other memo we were given talking about the budget stabilization fund and how we hit the trigger at \$65 million and project to put \$63 million into budget stabilization. That is just one thing and then you project \$83 million in oil revenues into the permanent oil trust fund and \$28 million identified into revenue growth. There is money out there and majority leader comes with his idea of what to do, there is money to address some of these things. I understand Senator Grindberg's concerns. I strongly believe in 2001 we were made to believe this is a one-time funding by the Water Commission and last session, they didn't have the revenue, and this session, let's fix that and move on.

Senator Andrist indicated there is a lot of things we won't have the money for this session also, which is the point Senator Grindberg is making.

Senator Grindberg indicated we need to look at the big picture. This is a lot of money going into water development. They said the total request was \$300 million. I don't think we are doing bad job its just where are all the pieces fitting. I won't support a \$10 million change until I know the fit.

Senator Fischer, indicated, I agree we need to get everything in a row. One of the things on the bonding issue is that the bonds were sold with a \$60 million authority last session and ability to bond is at \$20 million. In the meantime, there is a \$25 million line of credit at the Bank of ND because they were not able to sell the bonds on the soft tobacco money.

Senator Robinson indicated he had everyone of the same concerns and we are to the point that in the minority, you are really lost. At some point through here, we need to hear from the majority on a direction. The House is still looking at cutting and I wonder if we are going the opposite direction. As a credit, I think there are some things we can agree on within the political parties in terms of general direction. I am pretty hard pressed to accept what is happening on some of the budgets on the House side. Given history, we do have to be concerned about stabilization but simply passing the buck is not what we were sent here to do.

Chairman Holmberg indicated one of the things that will occur is that it ends up being a prioritization. The reason no priorities have come from the majority party is 1) we want to make sure subcommittees have had a good fight as to various bills they have which allows the minority to have a larger say in what happens vs. Coming out and saying this is what we are

going to do on these budgets. Until we go through the first line of subcommittee process, it makes little difference. Prioritization will happen.

Senator Mathern asked if we should get another report on oil prices. Perhaps someone from the Industrial Commission input some indication of what they think. There may be more revenue than we have heard about.

Senator Holmberg indicated at some point you have to decide that these are the budget numbers we will utilize. Oil price is our moving target and you reach a point that oil is sustained at a designated price and we may gain in oil but it comes out of other streams that are fluctuating.

Senator Christmann elaborated indicating Monday Econ. Com did to into that very issue that if the projections are raised a sustained high oil price would bring in more money but if it was sustained at these levels, just as much would come off the other end. So, it would not be a big impact on our budget.

Senator Mathern indicated he got the impression that the negative impact would be in the biennium beyond the biennium 07-09.

Senator Christmann, indicated he didn't understand that. As we look at spending desires and how much we can pull out of the trust funds. Before the \$8.8 million was found, law changes to make the trust fund available were defeated. Until we are certain that we know how it can be gotten out of there we need to be focused on a spending plan on what is available. If more comes available, it won't take us long to get it plugged into high priority places.

Senator Fischer indicated he thinks we don't control oil, OPEC decides where they want it whether they want to play short term or long term. I am skeptical, I don't think we can even forecast.

Senator Andrist indicated he didn't think we had done bonding with the Water Commission until we had the tobacco settlement money. It is so mushy you can't even bond on the back of that. We have to understand that ultimately any bonding we do for the Water Commission is going to become general obligation to the general fund one way or another. When we have an improved revenue forecast, all of us are guilty, of looking to see where we can add. Senator Freeborg indicated he is putting \$5 million back into the K-12 education and he will fight for it. There isn't going to be as much money as we wish.

Chairman Holmberg reviewed what happened in 1997 by taking 45% throwing it in the budget to take care of schools and health at 10% and we didn't use those kind of forecasts. Many states have sold the rights to the tobacco for quick cash and ND has resolved to continue getting that money in.

The discussion closed.

2005 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1153

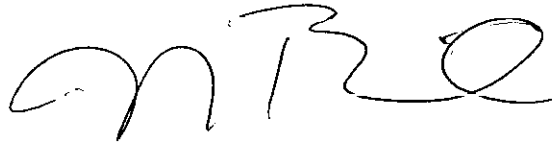
Senate Appropriations Committee

Conference Committee

Hearing Date 03/30/05

Tape Number	Side A	Side B	Meter #
1 x			1628-2100

Committee Clerk Signature



Minutes:

Chairman Holmberg opened discussion of HB ¹¹⁵³~~1053~~.

Sen. Fischer made a **DO PASS** motion, seconded by **Sen. Krauter**.

Sen. Fischer if we put 14 million in HB 1153, the house will kill it. If we put the 14 million in HB 1021 which is a budget bill, they will not kill it.

Sen. Lindaas: is the funding for the water commission coming out of the General Fund?

Sen. Fischer: That is the other bill.

Sen. Christmann: Do water board people know that there is an alternative or are we gonna get a bunch of e-mail?

Sen. Fischer: They will stop.

A roll call vote was taken, 14 yeas, 1 nay, and zero absent and not voting reports were recorded.

The bill will be carried by **Sen. Robinson**.

Chairman Holmberg closed meeting of HB 1153.

Date 3/30/05
Roll Call Vote #: 7

2005 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. ~~SB~~ HB 1153

Senate SENATE APPROPRIATIONS Committee

Check here for Conference Committee

Legislative Council Amendment Number

Action Taken Do Pass

Motion Made By Fisch

Seconded By Kraut

Senators	Yes	No	Senators	Yes	No
CHAIRMAN HOLMBERG	/		SENATOR KRAUTER	/	
VICE CHAIRMAN BOWMAN	/		SENATOR LINDAAS	/	
VICE CHAIRMAN GRINDBERG	/		SENATOR MATHERN	/	
SENATOR ANDRIST		/	SENATOR ROBINSON	/	
SENATOR CHRISTMANN	/		SEN. TALLACKSON	/	
SENATOR FISCHER	/				
SENATOR KILZER	/				
SENATOR KRINGSTAD	/				
SENATOR SCHOBINGER	/				
SENATOR THANE	/				

Total (Yes) 14 No 1

Absent 0

Floor Assignment Fischer Robinson

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE (410)
March 30, 2005 3:14 p.m.

Module No: SR-58-6695
Carrier: Robinson
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE

HB 1153, as engrossed: Appropriations Committee (Sen. Holmberg, Chairman)
recommends **DO PASS** (14 YEAS, 1 NAY, 0 ABSENT AND NOT VOTING).
Engrossed HB 1153 was placed on the Fourteenth order on the calendar.

2005 TESTIMONY

HB 1153

LC Document
referred to

STATE WATER COMMISSION BOND ISSUANCES AND PROJECT AUTHORITY

BOND ISSUANCES

This memorandum provides a summary of bond issuances by the State Water Commission. A total of \$46,111,602 was owed as of June 30, 2004. The bonds issued for the Southwest Pipeline Project were made on behalf of and paid for by the Southwest Water Authority from user fees. The bond issuance for the Northwest Area Water Supply Project is being repaid by the cities of Rugby and Minot.

On September 1, 2004, the city of Minot placed sufficient funding in an escrow account to make the remaining payments on their share of the issuance. The Series 2000 A issuance for Grand Forks and the Southwest Pipeline Project is being repaid with proceeds from the tobacco settlement trust fund.

The information from the State Water Commission audit report relating to the bond, including the bond payment schedule is attached as Appendix A.

Issuance	Original Principal Amount	Amount Outstanding on June 30, 2004	Page Reference in Appendix A
Southwest Pipeline Project			
Series 1997 A	\$6,830,000	\$6,215,000	1 and 2
Series 1997 B	3,400,000	3,264,960	2 and 3
Series 1999 A	1,000,000	978,000	5
Series 2000 A - SRF	1,500,000	1,350,000	7
Series 2000 B	400,000	392,500	7 and 8
Series 2001 A	500,000	495,100	8 and 9
Series 2002 A	1,864,000	1,864,000	9 and 10
Series 2003 A ¹	1,540,000	1,282,042	10 and 11
Total Southwest Pipeline Project	\$17,034,000	\$15,841,602	
Northwest Area Water Supply Project			
Series 1998 A ²	1,220,000	1,110,000	3 and 4
Grand Forks and Southwest Pipeline Projects			
Series 2000 A	32,095,000	29,160,000	6
Total all bond issuances	\$50,349,000	\$46,111,602	12

¹The remaining authorized amount of \$257,958 was issued on September 7, 2004.

²The remaining payments were defeased by the city of Minot on September 1, 2004.

PENDING BOND ISSUE

The 2003 Legislative Assembly approved Senate Bill No. 2022 which authorized the State Water Commission to issue up to \$60 million of bonds for funding of state water-related projects. House Bill No. 1153 (2005) makes the statutory changes necessary for the State Water Commission to sell by July 1, 2005, the \$60 million of bonds authorized by the 2003 Legislative Assembly. The bond proceeds will be used to replenish the water development trust and resources trust funds for expenditures during the 2003-05 biennium in order to make available money in these funds for the 2005-07 biennium water projects. The State Water Commission has not requested authority to issue any additional bonds during the 2005-07 biennium.

AUTHORITY FOR WATER PROJECTS

North Dakota Century Code Section 61-02-04 provides for the State Water Commission to consist of the Governor, Agriculture Commissioner, and seven other members to be appointed by the Governor who

shall take into account reasonable geographic considerations in making such appointments. The seven appointive members of the commission must be appointed for a term of six years each with their terms of office so arranged that two terms and not more than three terms expire on the first day of July of each odd-numbered year. Each appointive member must be a qualified elector of the state and is subject to removal by judicial procedure. In case of vacancy, the vacancy must be filled by appointment by the Governor for the remainder of the unexpired term.

North Dakota Century Code Section 61-02-14 provides for the powers and duties of the nine-member State Water Commission. These duties were established pursuant to House Bill No. 125 (1937) which created the State Water Commission. The duties of the State Water Commission are to investigate, plan, regulate, undertake, construct, establish, maintain, control, operate, and supervise all works, dams, and projects, public and private, which in its judgment may be necessary or advisable.

ATTACH:1

**NORTH DAKOTA WATER COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2004**

Note: Long-term Debt

Series 1997 A

Principal Due: *Serial Bonds*: \$1,870,000 due July 1, 1998-2011

Term Bonds: \$1,370,000 due July 1, 2017

\$3,590,000 due July 1, 2027

Interest is payable semi-annually on January 1 and July 1 of each year. The bonds are subject to an optional redemption clause and a sinking fund redemption clause.

The optional redemption clause states that the bonds are subject to redemption at the option of the Water Commission, as a whole on any date or in part on any interest payment date on or after July 1, 2007 from any amounts available to the Water Commission for that purpose at a redemption price or par, plus accrued interest.

1997 Series A Bonds maturing on July 1, 2017 (the A2017 Term Bond@) are subject to mandatory redemption at par plus accrued interest on July 1 in the years and amounts as follows:

<u>Due July 1</u>	Principal Amount
2012	\$200,000
2013	\$210,000
2014	\$220,000
2015	\$235,000
2016	\$245,000
2017	\$260,000

The 1997 Series A Bonds maturing on July 1, 2027 (the >2027 Term Bond=) are subject to mandatory redemption at par plus accrued interest on July 1 in the years and amounts as follows:

<u>Due July 1</u>	Principal Amount
2018	\$275,000
2019	\$290,000
2020	\$310,000
2021	\$325,000
2022	\$345,000
2023	\$365,000
2024	\$385,000
2025	\$410,000
2026	\$430,000
2027	\$455,000

**NORTH DAKOTA WATER COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2004**

A summary of the maturity date, interest rate and balance as of June 30, 2004 follows: on the outstanding \$1,255,000 Serial Bonds the interest rate ranges from 5.00% to 5.50%; on the outstanding \$1,370,000 Term Bonds the interest rate is 5.70%; on the outstanding \$3,590,000 Term Bonds the interest rate is 5.75%.

Year Ended June 30	Principal	Interest	Total
2005	\$ 130,000	\$ 347,905	\$ 477,905
2006	\$ 135,000	\$ 341,114	\$ 476,114
2007	\$ 145,000	\$ 333,831	\$ 478,831
2008	\$ 150,000	\$ 326,050	\$ 476,050
2009	\$ 160,000	\$ 317,835	\$ 477,835
2010-2014	\$ 945,000	\$1,444,190	\$ 2,389,190
2015-2019	\$1,235,000	\$1,137,364	\$ 2,372,364
2020-2024	\$1,635,000	\$ 728,669	\$ 2,363,669
2025-2028	\$1,680,000	\$ 199,813	\$ 1,879,813
	\$6,215,000	\$5,176,770	\$11,391,770

Series 1997 B - USDA

**Principal Due: Serial Bonds: \$ 1,000 due July 1, 2037
\$ 3,399,000 due July 1, 2037**

Interest is payable annually on each July 1 after the date of issuance. Principal installments commence July 1, 2000. The bonds are subject to an optional redemption clause.

The optional redemption clause states the bonds shall be subject to redemption and prepayment prior to maturity at the option of the Commission, without limitation, on any day if all of the Outstanding 1997 Series B Bonds are to be redeemed and on any Interest Payment Date if less than all of the Outstanding 1997 Series B Bonds are to be redeemed, upon such notice as is require in Article 3 of General Resolution. The 1997 Series B Bonds may be called at the option of the Commission prior to the stated maturities thereof, in whole or in part at the principal amount thereof, plus accrued interest to the date of redemption pursuant to 7 C.F.R.

'1942.19(h)7.

**NORTH DAKOTA WATER COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2004**

A summary of the maturity date, interest rate and balance as of June 30, 2004 follows: on the outstanding \$3,264,960 Serial Bonds the interest rate is 5.00%.

Year Ended June 30	Principal	Interest	Total
2005	\$ 39,010	\$ 163,248	\$ 202,258
2006	\$ 40,010	\$ 161,298	\$ 201,308
2007	\$ 42,010	\$ 159,297	\$ 201,307
2008	\$ 45,010	\$ 157,197	\$ 202,207
2009	\$ 46,010	\$ 154,946	\$ 200,956
2010-2014	\$ 270,090	\$ 737,520	\$ 1,007,610
2015-2019	\$ 344,100	\$ 662,945	\$ 1,007,045
2020-2024	\$ 440,140	\$ 567,717	\$ 1,007,857
2025-2029	\$ 560,170	\$ 446,280	\$ 1,006,450
2030-2034	\$ 718,210	\$ 291,283	\$ 1,009,493
2035-2038	\$ 720,200	\$ 92,775	\$ 812,975
	\$3,264,960	\$3,594,504	\$ 6,859,464

Series 1998 A

Principal Due: *Serial Bonds:* \$765,000 due September 1, 2000 - 2018

***Term Bonds:* \$455,000 due September 1, 2024**

Interest is payable semi-annually on March 1 and September 1 of each year. The bonds are subject to an optional redemption clause and a sinking fund redemption clause.

The optional redemption clause states that the bonds are subject to redemption at the option of the Water Commission, as a whole on any date or in part on any interest payment date on or after September 1, 2008 from any amounts available to the Water Commission for that purpose at a redemption price of par, plus accrued interest.

**NORTH DAKOTA WATER COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2004**

The 1998 Series A Bonds maturing on September 1, 2024 (the >2024 Term Bond=) are subject to mandatory redemption at a par plus accrued interest on September 1 in the years and amounts as follows:

Due September 1	Principal Amount
2019	\$65,000
2020	\$70,000
2021	\$75,000
2022	\$80,000
2023	\$80,000
2024(maturity)	\$85,000

A summary of the maturity date, interest rate and balance as of June 30, 2004 follows: on the outstanding \$655,000 Serial Bonds the interest rate ranges from 4.60% to 5.75%; on the outstanding \$455,000 Term Bonds the interest rate is 5.875%.

Year Ended June 30	Principal	Interest	Total
2005	\$ 30,000	\$ 61,129	\$ 91,129
2006	\$ 30,000	\$ 59,704	\$ 89,704
2007	\$ 35,000	\$ 58,126	\$ 93,126
2008	\$ 35,000	\$ 56,394	\$ 91,394
2009	\$ 35,000	\$ 54,626	\$ 89,626
2010-2014	\$ 215,000	\$ 241,204	\$ 456,204
2015-2019	\$ 275,000	\$ 174,508	\$ 449,508
2020-2024	\$ 370,000	\$ 81,663	\$ 451,663
2025	\$ 85,000	\$ 2,497	\$ 87,497
	\$1,110,000	\$ 789,849	\$1,899,849

**NORTH DAKOTA WATER COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2004**

Series 1999 A - USDA

Principal Due: *Term Bond* \$1,000,000 due July 1, 2039

Interest is payable annually on each July 1 after the date of issuance. Principal installments commence July 1, 2002. The bonds are subject to an optional redemption clause.

The optional redemption clause states the bond shall be subject to redemption and prepayment prior to maturity at the option of the Commission, without limitation, on any day if all of the outstanding principal of the 1999 Series A Bond is to be redeemed and on any interest payment date if less than all of the outstanding principal of the 1999 Series A Bond is to be redeemed, upon such notice as is required in Article 3 of the General Resolution, at par plus accrued interest to the date of redemption.

A summary of the maturity date, interest rate and balance as of June 30, 2004 follows: on the outstanding \$978,000 Term Bonds the interest rate is 4.375%.

Year Ended June 30	Principal	Interest	Total
2005	\$ 11,500	\$ 42,788	\$ 54,288
2006	\$ 12,000	\$ 42,284	\$ 54,284
2007	\$ 13,000	\$ 41,759	\$ 54,759
2008	\$ 13,000	\$ 41,191	\$ 54,191
2009	\$ 14,000	\$ 40,622	\$ 54,622
2010-2014	\$ 79,000	\$ 193,419	\$ 272,419
2015-2019	\$ 97,500	\$ 174,584	\$ 272,084
2020-2024	\$ 121,000	\$ 151,266	\$ 272,266
2025-2029	\$ 149,500	\$ 122,434	\$ 271,934
2030-2034	\$ 185,500	\$ 86,734	\$ 272,234
2035-2039	\$ 230,000	\$ 42,438	\$ 272,438
2040	\$ 52,000	\$ 2,275	\$ 54,275
	\$ 978,000	\$ 981,794	\$ 1,959,794

**NORTH DAKOTA WATER COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2004**

Series 2000 A

Principal Due: Serial Bonds: \$32,095,000 due August 1, 2001-2020

Interest is initially payable on August 1, 2000 and semi-annually thereafter on February 1 and August 1 of each year. Principal installments commence August 1, 2001. The bonds are subject to an optional redemption clause.

The optional redemption clause states the 2000 Series A Bonds maturing August 1, 2011 and thereafter are subject to redemption and prepayment prior to maturity at the option of the Commission, in whole or in part and if in part in integral multiples of \$5,000 on any day so long as the 2000 Series A Bonds are book entry bonds in accordance with Section 2.4 hereof and if not so held, on any day if all of the Outstanding 2000 Series A Bonds are to be redeemed and on any Interest Payment Date if less than all of the Outstanding 2000 Series A Bonds are to be redeemed, on or after August 1, 2010, upon such notice as is required in Article 3 of the General Bond Resolution, at a redemption price of par plus accrued interest to the date of redemption. The 2000 Series A bonds subject to redemption in whole or in part prior to maturity at the option of the Commission shall be redeemed by the Trustee in such order of maturities as directed by the Commission.

A summary of the maturity date, interest rate and balance as of June 30, 2004 follows: on the outstanding \$29,160,000 Serial Bonds the interest rate ranges from 5.00% to 6.00%.

Year Ended June 30	Principal	Interest	Total
2005	\$ 1,080,000	\$ 1,633,574	\$ 2,713,574
2006	\$ 1,130,000	\$ 1,578,324	\$ 2,708,324
2007	\$ 1,190,000	\$ 1,518,836	\$ 2,708,836
2008	\$ 1,250,000	\$ 1,454,786	\$ 2,704,786
2009	\$ 1,315,000	\$ 1,385,811	\$ 2,700,811
2010-2014	\$ 7,780,000	\$ 5,690,656	\$13,470,656
2015-2019	\$10,375,000	\$ 3,016,588	\$13,391,588
2020-2021	\$ 5,040,000	\$ 293,825	\$ 5,333,825
	\$29,160,000	\$16,572,401	\$45,732,401

**NORTH DAKOTA WATER COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2004**

Series 2000 A - SRF

Principal Due: *Term Bond* \$1,500,000 due July 1, 2021

Interest is payable semi-annually on January 1 and July 1 of each year after the date of issuance. Principal installments commence July 1, 2002. The bonds are subject to an optional redemption clause.

The optional redemption clause states the bond shall be subject to redemption and prepayment prior to maturity on any interest date with the consent of the Bond Bank at a price equal to the principal amount thereof plus accrued interest upon such notice as is required in Article 3 of the General Resolution.

A summary of the maturity date, interest rate and balance as of June 30, 2004 follows: on the outstanding \$1,350,000 Term Bonds the interest rate is 2.50%.

Year Ended June 30	Principal	Interest	Total
2005	\$ 75,000	\$ 32,813	\$ 107,813
2006	\$ 75,000	\$ 30,938	\$ 105,938
2007	\$ 75,000	\$ 29,063	\$ 104,063
2008	\$ 75,000	\$ 27,188	\$ 102,188
2009	\$ 75,000	\$ 25,313	\$ 100,313
2010-2014	\$ 375,000	\$ 98,438	\$ 473,438
2015-2019	\$ 375,000	\$ 51,563	\$ 426,563
2020-2022	\$ 225,000	\$ 8,438	\$ 233,438
	\$1,350,000	\$ 303,750	\$1,653,750

Series 2000 B - USDA

Principal Due: *Term Bond* \$400,000 due July 1, 2039

Interest is payable annually on each July 1 after the date of issuance. Principal installments commence July 1, 2002. The bonds are subject to an optional redemption clause.

**NORTH DAKOTA WATER COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2004**

The optional redemption clause states the bond shall be subject to redemption and prepayment prior to maturity at the option of the Commission, without limitation, on any day if all of the outstanding principal of the 2000 Series B Bond is to be redeemed and on any interest payment date if less than all of the outstanding principal of the 2000 Series B Bond is to be redeemed, upon such notice as is required in Article 3 of the General Resolution, at par plus accrued interest to the date of redemption.

A summary of the maturity date, interest rate and balance as of June 30, 2004 follows: on the outstanding \$392,500 Term Bonds the interest rate is 5.125%.

Year Ended June 30	Principal	Interest	Total
2005	\$ 4,000	\$ 20,116	\$ 24,116
2006	\$ 4,200	\$ 19,911	\$ 24,111
2007	\$ 4,400	\$ 19,695	\$ 24,095
2008	\$ 4,600	\$ 19,470	\$ 24,070
2009	\$ 4,900	\$ 19,234	\$ 24,134
2010-2014	\$ 28,600	\$ 92,133	\$ 120,733
2015-2019	\$ 36,500	\$ 84,034	\$ 120,534
2020-2024	\$ 46,800	\$ 73,667	\$ 120,467
2025-2029	\$ 60,000	\$ 60,383	\$ 120,383
2030-2034	\$ 76,900	\$ 43,378	\$ 120,278
2035-2039	\$ 98,600	\$ 21,556	\$ 120,156
2040-2041	\$ 23,000	\$ 1,179	\$ 24,179
	\$ 392,500	\$ 474,756	\$ 867,256

Series 2001A - USDA

Principal Due: Term Bond \$500,000 due July 1, 2040

Interest is payable annually on each July 1 after the date of issuance. Principal installments commence July 1, 2003. The bonds are subject to an optional redemption clause.

**NORTH DAKOTA WATER COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2004**

The optional redemption clause states the bond shall be subject to redemption and prepayment prior to maturity at the option of the Commission, without limitation, on any day if all of the outstanding principal of the 2001 Series A Bond is to be redeemed and on any interest payment date if less than all of the outstanding principal of the 2001 Series A Bond is to be redeemed, upon such notice as is required in Article 3 of the General Resolution, at par plus accrued interest to the date of redemption.

A summary of the maturity date, interest rate and balance as of June 30, 2004 follows: on the outstanding \$495,100 Term Bonds the interest rate is 4.75%.

Year Ended June 30	Principal	Interest	Total
2005	\$ 5,100	\$ 23,517	\$ 28,617
2006	\$ 5,400	\$ 23,275	\$ 28,675
2007	\$ 5,600	\$ 23,019	\$ 28,619
2008	\$ 5,900	\$ 22,753	\$ 28,653
2009	\$ 6,200	\$ 22,473	\$ 28,673
2010-2014	\$ 35,700	\$ 107,655	\$ 143,355
2015-2019	\$ 45,100	\$ 98,331	\$ 143,431
2020-2024	\$ 56,700	\$ 86,567	\$ 143,267
2025-2029	\$ 71,600	\$ 71,757	\$ 143,357
2030-2034	\$ 90,300	\$ 53,060	\$ 143,360
2035-2039	\$ 113,800	\$ 29,472	\$ 143,272
2040-2041	\$ 53,700	\$ 3,861	\$ 57,561
	\$ 495,100	\$ 565,740	\$1,060,840

Series 2002A - USDA

Principal Due: Term Bond \$1,864,000 due July 1, 2041

Interest is payable annually on each July 1 after the date of issuance. Principal installments commence July 1, 2004. The bonds are subject to an optional redemption clause.

**NORTH DAKOTA WATER COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2004**

The optional redemption clause states the bond shall be subject to redemption and prepayment prior to maturity at the option of the Commission, without limitation, on any day if all of the outstanding principal of the 2002 Series A Bond is to be redeemed and on any interest payment date if less than all of the outstanding principal of the 2002 Series A Bond is to be redeemed, upon such notice as is required in Article 3 of the General Resolution, at par plus accrued interest to the date of redemption.

A summary of the maturity date, interest rate and balance as of June 30, 2004 follows: on the outstanding \$1,864,000 Term Bonds the interest rate is 4.75%.

Year Ended June 30	Principal	Interest	Total
2005	\$ 18,000	\$ 86,084	\$ 104,084
2006	\$ 19,100	\$ 89,376	\$ 108,476
2007	\$ 20,000	\$ 88,450	\$ 108,450
2008	\$ 21,100	\$ 87,480	\$ 108,580
2009	\$ 22,000	\$ 86,460	\$ 108,460
2010-2014	\$ 126,100	\$ 415,295	\$ 541,395
2015-2019	\$ 158,700	\$ 381,685	\$ 540,385
2020-2024	\$ 201,200	\$ 339,216	\$ 540,416
2025-2029	\$ 253,700	\$ 285,653	\$ 539,353
2030-2034	\$ 320,039	\$ 217,992	\$ 538,031
2035-2039	\$ 403,000	\$ 132,776	\$ 535,776
2040-2042	\$ 301,061	\$ 29,719	\$ 330,780
	\$1,864,000	\$2,240,183	\$4,104,183

Series 2003A - USDA

Principal Due: Term Bond \$1,282,042 due July 1, 2043

Interest is payable annually on each July 1 after the date of issuance. Principal installments commence July 1, 2006. The bonds are subject to an optional redemption clause.

**NORTH DAKOTA WATER COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2004**

The optional redemption clause states the bond shall be subject to redemption and prepayment prior to maturity at the option of the Commission, without limitation, on any day if all of the outstanding principal of the 2003 Series A Bond is to be redeemed and on any interest payment date if less than all of the outstanding principal of the 2003 Series A Bond is to be redeemed, upon such notice as is required in Article 3 of the General Resolution, at par plus accrued interest to the date of redemption.

A summary of the maturity date, interest rate and balance as of June 30, 2004 follows: on the outstanding \$1,282,042 Term Bonds the interest rate is 4.50%.

Year Ended June 30	Principal	Interest	Total
2005	\$ 0	\$ 363	\$ 363
2006	\$ 0	\$ 55,273	\$ 55,273
2007	\$ 13,600	\$ 57,693	\$ 71,293
2008	\$ 13,600	\$ 57,082	\$ 70,682
2009	\$ 14,600	\$ 56,469	\$ 71,069
2010-2014	\$ 83,500	\$ 271,860	\$ 355,360
2015-2019	\$ 104,500	\$ 251,251	\$ 355,751
2020-2024	\$ 129,300	\$ 225,656	\$ 354,956
2025-2029	\$ 161,000	\$ 193,855	\$ 354,855
2030-2034	\$ 200,700	\$ 154,184	\$ 354,884
2035-2039	\$ 251,000	\$ 104,710	\$ 355,710
2040-2044	\$ 310,242	\$ 42,942	\$ 353,184
	\$1,282,042	\$1,471,335	\$2,753,377

Summary of All Bond Series

A summary of the maturity date and balance as of June 30, 2004 follows:

**NORTH DAKOTA WATER COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2004**

Year Ended June 30	Principal	Interest	Total
2005	\$ 1,392,610	\$ 2,411,535	\$ 3,804,145
2006	\$ 1,450,710	\$ 2,401,495	\$ 3,852,205
2007	\$ 1,543,610	\$ 2,329,769	\$ 3,873,379
2008	\$ 1,613,210	\$ 2,249,589	\$ 3,862,799
2009	\$ 1,692,710	\$ 2,163,788	\$ 3,856,498
2010-2014	\$ 9,937,990	\$ 9,292,368	\$19,230,358
2015-2019	\$13,046,400	\$ 6,032,852	\$19,079,252
2020-2024	\$ 8,265,140	\$ 2,556,682	\$10,821,822
2025-2029	\$ 3,020,970	\$ 1,382,671	\$ 4,403,641
2030-2034	\$ 1,591,649	\$ 846,631	\$ 2,438,280
2035-2039	\$ 1,816,600	\$ 423,727	\$ 2,240,327
2040-2044	\$ 740,003	\$ 79,976	\$ 819,979
	\$46,111,602	\$32,171,081	\$78,282,683

Note 2: Authorized Unissued Debt

The ND State Water Commission has moral obligation bonds authorized and unissued at June 30, 2004 totaling \$60,257,958. The purpose of the bonds is to provide funding for the Southwest Pipeline (SWPP) and Statewide Water Development Projects (WDP.)

<u>Issue</u>	<u>Amount</u>
2003 A (SWPP)	257,958
Not Determined (WDP)	60,000,000

The unissued \$257,958 of the 2003 A Series was issued September 7, 2004.

Handout 6-6
-1-11-05

TESTIMONY ON HOUSE BILL 1153

House Appropriations Committee *-Full*

Same given to senate appropriations

Dale L. Frink
North Dakota State Engineer, and
Chief Engineer-Secretary to the
North Dakota State Water Commission

January 11, 2005

Mr. Chairman and Members of the House Appropriations Committee, I am Dale Frink, North Dakota State Engineer, and Chief Engineer-Secretary to the North Dakota State Water Commission.

It is my pleasure to appear before you today regarding House Bill 1153.

Senate Bill 2022, the State Water Commission's 2003-2005 appropriation bill, authorized the Commission to issue up to \$60 million of bonds to be used for water projects identified in the statewide water development plan. Our current appropriation bill allows bonding under section 61-02, which would secure the bonds with only the Water Development Trust Fund (tobacco settlement funds) and section 61-02.1. Our intention was to issue the bonds under section 61-02.1 as we did with the 2000 Series bonds. Section 61-02.1 includes five sources: first, the Water Development Trust Fund; second, the Resources Trust Fund; third, other available revenues during the then current biennium; fourth, moneys made available by the State Water Commission; and fifth, available current biennial earnings of the Bank of North Dakota (up to \$6.5 million). When discussing this with our bond counsel, we found that the only bonds that could be issued under section 61-02.1 were for the specific projects listed - Grand Forks, Wahpeton, Grafton, Devils Lake, and Southwest Pipeline. In addition, the bonding authority for these projects had expired except for Devils Lake and, therefore, only the \$20 million authorized for Devils Lake could be issued under section 61-02.1. The remaining \$40 million would have to be issued under section 61-02. Bonds issued under section 61-02 would only be secured using the Water Development Trust Fund and, in the opinion of our bond counsel, would be very difficult, if not impossible, to market.

The State Water Commission has committed \$54.5 million of the \$60 million to various water projects. Although we have approved the projects that will utilize these bond proceeds, not all of the projects will expend the full amount that they have been approved for this biennium. Because of this, the agency has been able to use a line of credit with the Bank of North Dakota to fund these projects in the interim. The agency's appropriation bill authorized a \$25 million line of credit, of which we have drawn \$11 million to date.

Working with the Commission's bond counsel, underwriter, and the North Dakota Attorney General's office, we have drafted House Bill 1153 to clarify and optimize the agency's bonding authority. House Bill 1153 updates several of the sections established in the 1999 Senate Bill 2188. For example, House Bill 1153 reflects the fact that the Devils Lake outlet is now 80 percent complete and under full contract with completion scheduled this summer.

In order to repay the Bank of North Dakota and bond in the 2003-2005 biennium, we have asked that this bill be passed with an emergency clause.

Thank you for your time, and I will respond to any questions that you have.

Handout
6-8
1-11-05

TESTIMONY RELATIVE TO HOUSE BILL 1153

Same
served to
the senate

Presented to the House Appropriations Committee - Full Cmtee
January 11, 2005

INTRODUCTION

Mr. Chairman, members of the House Appropriations Committee, my name is James Stewart. I am an attorney with the law firm of Arntson & Stewart, P.C. in Fargo and we represent the State Water Commission as bond counsel.

House Bill 1153 amends Chapter 61-02.1 of the North Dakota Century Code to, among other things, identify the sources of revenue available to pay the principal of and interest on water development revenue bonds.

BACKGROUND INFORMATION

In 1999, the Legislature enacted a new Chapter 61-02.1 of the North Dakota Century Code which authorized the State Water Commission to issue bonds for the following purposes: (i) flood control and reduction projects for Grand Forks, Grafton and Wahpeton; (ii) continuing construction of the Southwest Pipeline Project; and (iii) construction of an outlet from Devils Lake. In March of 2000, the Water Commission issued \$32,095,000 of bonds to finance the projects. The Series 2000 Bonds are limited obligations of the Water Commission payable from moneys appropriated by the Legislature from the following sources:

- (i) Water Development Trust Fund (representing tobacco settlement receipts);
- (ii) Resources Trust Fund (representing oil extraction tax revenues);
- (iii) other available revenues during the then current biennium;
- (iv) moneys made available by the Water Commission; and
- (v) available current biennial earnings of the Bank of North Dakota (up to \$6,500,000).

At the time the Series 2000 Bonds were issued, it was estimated that the tobacco settlement receipts allocated to the Water Development Trust Fund would be three times (3x) the amount required to pay debt service. Because of the security provided for the payment of the Series 2000 Bonds, the Water Commission was able to obtain bond insurance from MBIA and the Series 2000 Bonds received a "AAA" rating.

The authority to issue bonds under Chapter 61-02.1 initially expired on June 30, 2001. In 2001, the Legislature extended the authorization to issue bonds to June 30, 2003. In 2003, the Legislature further extended the authorization, but only for bonds to finance the Devils Lake outlet, until June 30, 2005.

In 2003, the Legislature also passed Senate Bill 2022 which authorized the Water Commission to issue up to \$60,000,000 in bonds under Chapters 61-02 and 61-02.1 to finance water-related projects during the 2003-2005 biennium.

SOURCES OF REVENUES TO PAY WATER DEVELOPMENT BONDS UNDER 61-02.1 VS 61-02

The Water Commission began working on the issuance of the bonds last summer with the intention of issuing the bonds under Chapter 61-02.1 on a parity basis with the outstanding Series 2000 Bonds and payable from the same sources of revenue. However, 2003 extension provisions indicated the authority to issue bonds under Chapter 61-02.1 was no longer effective for any purpose other than the Devils Lake outlet. We concluded that the only bonds that could be issued under Chapter 61-02.1 were \$20,000,000 for the Devils Lake outlet. The remaining \$40,000,000 of bond authorization for other projects could not be issued under Chapter 61-02.1.

The Water Commission is also authorized to issue revenue bonds under Chapter 61-02. This Chapter includes general provisions for state water development revenue bonds, but unlike 61-02.1, limits the sources of funds for payment of the bonds to: (i) revenues from the operation of projects financed with the bonds; and (ii) any other revenues available to the Water Commission. The additional back-up sources of payment specified in Chapter 61-02.1 are not available for bonds issued under Chapter 61-02. Most of the proposed projects will not produce any revenues. Although moneys in the Water Development Trust Fund may be considered to be "revenues available to the commission" that fund alone is not perceived by the bond market as providing a sufficiently secure source of revenue to permit bonds to be issued at reasonable rates.

There has been a substantial change in the bond market's view of tobacco settlement revenues since 2000. The rating agencies, bond insurers and bond investors no longer favor bonds backed solely by tobacco settlement revenues. The continuing litigation risks facing the U.S. tobacco industry have resulted in downgrading of municipal tobacco transactions by the rating agencies. In order to be marketable, bonds must be payable from other sources in addition to tobacco settlement receipts.

CONCLUSION

House Bill No. 1153 will permit bonds to be issued to finance projects on the state-wide water development plan which are payable from the same sources as the Series 2000 Bonds. The State's commitment to provide for debt service from other sources, if tobacco settlement moneys are insufficient, should enable the Water Commission to obtain a favorable rating and issue bonds at a lower interest rate.

I will be happy to respond to any questions you may have. Thank you.

Indont 6-7.
 The Commission
 Dale Frink
 1-11-05
 HB1153

Water Development Projects (3)

Year	1997 Series A			1998 Series B			1999 Series A			2000 Series B			2001 Series A			2002 Series A			2003 Series A			1998 Series A			2000 Series A				
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total		
1998	40,000	379,860	419,860																										
1999	105,000	376,061	481,061																										
2000	110,000	376,061	486,061																										
2001	110,000	376,061	486,061																										
2002	120,000	381,199	501,199																										
2003	120,000	381,199	501,199																										
2004	120,000	381,199	501,199																										
2005	130,000	341,895	471,895																										
2006	130,000	341,895	471,895																										
2007	145,000	333,831	478,831																										
2008	150,000	328,025	478,025																										
2009	150,000	328,025	478,025																										
2010	170,000	300,048	470,048																										
2011	180,000	299,593	479,593																										
2012	185,000	289,633	474,633																										
2013	200,000	278,915	478,915																										
2014	210,000	267,130	477,130																										
2015	220,000	254,875	474,875																										
2016	235,000	241,908	476,908																										
2017	245,000	228,228	473,228																										
2018	250,000	213,835	463,835																										
2019	275,000	198,578	473,578																										
2020	280,000	182,275	462,275																										
2021	310,000	165,025	475,025																										
2022	325,000	149,789	474,789																										
2023	340,000	134,553	474,553																										
2024	365,000	107,300	472,300																										
2025	385,000	82,057	467,057																										
2026	410,000	62,814	472,814																										
2027	430,000	38,575	468,575																										
2028	455,000	13,081	468,081																										
2029																													
2030																													
2031																													
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2044																													

6,830,000 7,639,635 3,400,000 4,396,043 101,000 21,281 1,000,000 1,106,704 1,500,000 413,343 400,000 529,896 500,000 612,680 1,884,000 2,249,248 1,262,042 1,471,335 15,841,602 14,808,631 30,650,433 1,220,000 1,169,902 2,389,902 32,095,000 23,435,710 55,530,710

1. Southwest Pipeline bond payments are made by the Southwest Water Authority from water user fees collected by the Southwest Water Authority.
2. The Northwest Area Water bond issue was released on September 1, 2004 by the City of Minot. There will be no additional bond payments, all funds needed to retire the debt have been deposited in an escrow account.
3. The Water Development bond payments are made by the State Water Commission and are appropriated by the Legislature.

Laschkewitsch, David A.

From: Laschkewitsch, David A.
Sent: Wednesday, January 26, 2005 3:00 PM
To: Skarphol, Bob J.
Cc: Wolf, Donald J.; Morrissette, Joe R.; Frink, Dale L.
Subject: Resources Trust Fund Revenues

Representative Skarphol,

At the State Water Commission's hearing you asked for a history of revenues into the Resources Trust Fund. I have gone back to the 1993 biennium (July 1, 1993 – June 30, 1995.)

1993 Biennium	\$ 4,837,094.81
1995 Biennium	9,744,192.35
1997 Biennium	8,141,011.22
1999 Biennium	12,505,004.27
2001 Biennium	10,665,622.87

2003 Biennium	
Through Dec. 31	9,557,652.17
Est. Jan. - June	7,805,252.83
Total 2003	17,362,905.00

2005 Biennium – Est. 15,384,487.00

It is possible to go back further, but it requires OMB to retrieve and print reports from microfiche. If you require additional history, please let me know how far back you would like to go and I will request it from OMB.

Dave Laschkewitsch
Accounting Manager,
ND State Water Commission
328-1956

Laschkewitsch, David A.

From: Jennifer Wade [WADEJ@pfm.com]
Sent: Friday, January 28, 2005 10:40 AM
To: dalaschk@swc.state.nd.us
Cc: Katherine KARDELL
Subject: Water Development & Management Program Bonds - New Money

Dave,

Please find attached the following scenarios which include a summary debt service coverage table for each:

- Base Case: Funding \$60 million in projects with an \$8 million biennial transfer. Coverage = 1.43x in later years.
- Scenario A: Funding \$66 million in projects with no biennial transfer. Coverage = 1.83x in later years.
- Scenario B: Funding \$70 million in projects with \$4 million biennial transfer. Coverage = 1.52x in later years.
- Scenario C: Funding \$74 million in projects with \$8 million biennial transfer. Coverage = 1.20x.
- Scenario D: Funding maximum amount of projects with no biennial transfer resulting in minimum coverage (results in funding \$113.3 million in projects). Coverage = 1.20x.

Assumptions:

- Dated/Delivery Date: May 1, 2005
- First Interest: February 1, 2006
- Maturities (Base Case, Scenarios A-C): August 1, 2008/2025
- Maturities (Scenario D): August 1, 2006/2025
- COI: \$175,000
- U/W Discount: \$5/bond
- Insurance Premium: 50 basis points on total debt service
- DSRF: Lesser of max. annual debt service, 10% of par, or 125% of average annual debt service
- Capitalized Interest: Interest was capitalized where needed to bring coverage up to the necessary 1.20x.
 - Base Case - capitalized through 2/1/08
 - Scenario A - capitalized through 2/1/06
 - Scenario B - capitalized through 2/1/06
 - Scenario C - capitalized through 2/1/08
 - Scenario D - capitalized through 2/1/06
 - In all cases, I did not capitalize for the entire debt service amount as the Commission has some revenues to contribute towards debt service in these early years. I only capitalized enough interest to bring coverage to 1.20x.

In computing net debt service in the coverage tables, I did not decrease the debt service by any DSRF earnings.

After reviewing, please let me know if you have questions as I know there is quite a bit of information here. Also, please let me know if you would like me to make any changes in the assumptions. Thanks Dave.

Sincerely,

Jenny Wade, Consultant
Public Financial Management
45 South Seventh Street, Suite 2800
Minneapolis, MN 55402
P: 612.371.3758
F: 612.338.7264
wadej@pfm.com

2/1/2005

North Dakota State Water Commission
Water Development Trust Fund
Base Case Scenario: \$68,135,000
Water Development and Management Program Bonds, 2005 Series A
(\$60M in Projects/\$8M Biennial Transfer)

<u>Fiscal Year</u>	<u>Proposed 2005 Debt Service</u>	<u>Capitalized Interest⁽¹⁾</u>	<u>Proposed 2005 Net Debt Service</u>	<u>2000 Series A Existing Debt Service⁽²⁾</u>	<u>Combined Debt Service</u>	<u>Net Revenues Available⁽³⁾</u>	<u>Estimated Coverage</u>	<u>Excess Revenues</u>
6/30/2006	2,144,043.75	438,026.68	1,706,017.07	2,708,323.76	4,414,340.83	5,297,209 ⁽⁴⁾	1.20	882,867.91
6/30/2007	2,858,725.00	286,369.60	2,572,355.40	2,708,836.26	5,281,191.66	6,337,430	1.20	1,056,238.49
6/30/2008	2,858,725.00	282,319.60	2,576,405.40	2,704,786.26	5,281,191.66	6,337,430	1.20	1,056,238.49
6/30/2009	6,102,652.50		6,102,652.50	2,700,811.26	8,803,463.76	12,579,635	1.43	3,776,171.09
6/30/2010	6,100,480.00		6,100,480.00	2,701,423.76	8,801,903.76	12,579,635	1.43	3,777,731.09
6/30/2011	6,103,660.00		6,103,660.00	2,697,911.26	8,801,571.26	12,579,635	1.43	3,778,063.59
6/30/2012	6,111,236.25		6,111,236.25	2,691,273.76	8,802,510.01	12,579,635	1.43	3,777,124.84
6/30/2013	6,112,427.50		6,112,427.50	2,690,723.76	8,803,151.26	12,579,635	1.43	3,776,483.59
6/30/2014	6,112,408.75		6,112,408.75	2,689,323.76	8,801,732.51	12,579,635	1.43	3,777,902.34
6/30/2015	6,121,166.25		6,121,166.25	2,681,923.76	8,803,090.01	12,579,635	1.43	3,776,544.84
6/30/2016	6,118,923.75		6,118,923.75	2,683,073.76	8,801,997.51	12,579,635	1.43	3,777,637.34
6/30/2017	6,124,916.25		6,124,916.25	2,677,323.76	8,802,240.01	12,579,635	1.43	3,777,394.84
6/30/2018	6,123,250.00		6,123,250.00	2,678,489.38	8,801,739.38	12,579,635	1.43	3,777,895.47
6/30/2019	2,794,227.50		2,794,227.50	2,670,777.50	5,465,005.00	7,813,362	1.43	2,348,357.20
6/30/2020	2,797,401.25		2,797,401.25	2,669,362.50	5,466,763.75	7,813,362	1.43	2,346,598.45
6/30/2021	2,801,575.00		2,801,575.00	2,664,462.50	5,466,037.50	7,813,362	1.43	2,347,324.70
6/30/2022	5,468,350.00		5,468,350.00	-	5,468,350.00	7,813,362	1.43	2,345,012.20
6/30/2023	5,463,927.50		5,463,927.50	-	5,463,927.50	7,813,362	1.43	2,349,434.70
6/30/2024	5,467,187.50		5,467,187.50	-	5,467,187.50	7,813,362	1.43	2,346,174.70
6/30/2025	5,467,207.50		5,467,207.50	-	5,467,207.50	7,813,362	1.43	2,346,154.70
6/30/2026	5,468,160.00		5,468,160.00	-	5,468,160.00	7,813,362	1.43	2,345,202.20

⁽¹⁾ Debt service shown is net of capitalized interest funded from bond proceeds.

⁽²⁾ As of the issuance of the 2005 Series Bonds.

⁽³⁾ 45% tobacco settlement receipts less an estimated \$8 million general fund operating transfer per biennium.

Settlement receipts are primarily received in April of each year; current year collections pay the following fiscal year's debt service.

⁽⁴⁾ Receipts in this year reflect a budgeted 2003-2005 biennial transfer.

North Dakota State Water Commission
Water Development Trust Fund
Scenario A: \$74,215,000
Water Development and Management Program Bonds, 2005 Series A
(\$66M in Projects/No Biennial Transfer)

<u>Fiscal Year</u>	<u>Proposed 2005 Debt Service</u>	<u>Capitalized Interest⁽¹⁾</u>	<u>Proposed 2005 Net Debt Service</u>	<u>2000 Series A Existing Debt Service⁽²⁾</u>	<u>Combined Debt Service</u>	<u>Net Revenues Available⁽³⁾</u>	<u>Estimated Coverage</u>	<u>Excess Revenues</u>
6/30/2006	2,357,420.63	651,403.56	1,706,017.07	2,708,323.76	4,414,340.83	5,297,209 ⁽⁴⁾	1.20	882,867.91
6/30/2007	3,143,227.50		3,143,227.50	2,708,836.26	5,852,063.76	10,337,430	1.77	4,485,366.39
6/30/2008	3,143,227.50		3,143,227.50	2,704,786.26	5,848,013.76	10,337,430	1.77	4,489,416.39
6/30/2009	6,347,775.00		6,347,775.00	2,700,811.26	9,048,586.26	16,579,635	1.83	7,531,048.59
6/30/2010	6,346,882.50		6,346,882.50	2,701,423.76	9,048,306.26	16,579,635	1.83	7,531,328.59
6/30/2011	6,351,412.50		6,351,412.50	2,697,911.26	9,049,323.76	16,579,635	1.83	7,530,311.09
6/30/2012	6,355,500.00		6,355,500.00	2,691,273.76	9,046,773.76	16,579,635	1.83	7,532,861.09
6/30/2013	6,358,367.50		6,358,367.50	2,690,723.76	9,049,091.26	16,579,635	1.83	7,530,543.59
6/30/2014	6,360,092.50		6,360,092.50	2,689,323.76	9,049,416.26	16,579,635	1.83	7,530,218.59
6/30/2015	6,365,751.25		6,365,751.25	2,681,923.76	9,047,675.01	16,579,635	1.83	7,531,959.84
6/30/2016	6,365,558.75		6,365,558.75	2,683,073.76	9,048,632.51	16,579,635	1.83	7,531,002.34
6/30/2017	6,368,757.50		6,368,757.50	2,677,323.76	9,046,081.26	16,579,635	1.83	7,533,553.59
6/30/2018	6,369,456.25		6,369,456.25	2,678,489.38	9,047,945.63	16,579,635	1.83	7,531,689.22
6/30/2019	3,776,340.00		3,776,340.00	2,670,777.50	6,447,117.50	11,813,362	1.83	5,366,244.70
6/30/2020	3,778,092.50		3,778,092.50	2,669,362.50	6,447,455.00	11,813,362	1.83	5,365,907.20
6/30/2021	3,784,035.00		3,784,035.00	2,664,462.50	6,448,497.50	11,813,362	1.83	5,364,864.70
6/30/2022	6,445,540.00		6,445,540.00	-	6,445,540.00	11,813,362	1.83	5,367,822.20
6/30/2023	6,448,533.75		6,448,533.75	-	6,448,533.75	11,813,362	1.83	5,364,828.45
6/30/2024	6,446,935.00		6,446,935.00	-	6,446,935.00	11,813,362	1.83	5,366,427.20
6/30/2025	6,449,778.75		6,449,778.75	-	6,449,778.75	11,813,362	1.83	5,363,583.45
6/30/2026	6,446,080.00		6,446,080.00	-	6,446,080.00	11,813,362	1.83	5,367,282.20

(1) Debt service shown is net of capitalized interest funded from bond proceeds.

(2) As of the issuance of the 2005 Series Bonds.

(3) 45% tobacco settlement receipts. Settlement receipts are primarily received in April of each year; current year collections pay the following fiscal year's debt service.

(4) Receipts in this year reflect a budgeted 2003-2005 biennial transfer.

North Dakota State Water Commission
Water Development Trust Fund
Scenario B: \$78,880,000
Water Development and Management Program Bonds, 2005 Series A
(\$70M in Projects/\$4M Biennial Transfer)

<u>Fiscal Year</u>	<u>Proposed 2005 Debt Service</u>	<u>Capitalized Interest⁽¹⁾</u>	<u>Proposed 2005 Net Debt Service</u>	<u>2000 Series A Existing Debt Service⁽²⁾</u>	<u>Combined Debt Service</u>	<u>Net Revenues Available⁽³⁾</u>	<u>Estimated Coverage</u>	<u>Excess Revenues</u>
6/30/2006	2,492,763.75	786,746.68	1,706,017.07	2,708,323.76	4,414,340.83	5,297,209 ⁽⁴⁾	1.20	882,867.91
6/30/2007	3,323,685.00		3,323,685.00	2,708,836.26	6,032,521.26	8,337,430	1.38	2,304,908.89
6/30/2008	3,323,685.00		3,323,685.00	2,704,786.26	6,028,471.26	8,337,430	1.38	2,308,958.89
6/30/2009	6,907,265.00		6,907,265.00	2,700,811.26	9,608,076.26	14,579,635	1.52	4,971,558.59
6/30/2010	6,903,887.50		6,903,887.50	2,701,423.76	9,605,311.26	14,579,635	1.52	4,974,323.59
6/30/2011	6,909,827.50		6,909,827.50	2,697,911.26	9,607,738.76	14,579,635	1.52	4,971,896.09
6/30/2012	6,914,086.25		6,914,086.25	2,691,273.76	9,605,360.01	14,579,635	1.52	4,974,274.84
6/30/2013	6,915,837.50		6,915,837.50	2,690,723.76	9,606,561.26	14,579,635	1.52	4,973,073.59
6/30/2014	6,915,216.25		6,915,216.25	2,689,323.76	9,604,540.01	14,579,635	1.52	4,975,094.84
6/30/2015	6,922,270.00		6,922,270.00	2,681,923.76	9,604,193.76	14,579,635	1.52	4,975,441.09
6/30/2016	6,922,187.50		6,922,187.50	2,683,073.76	9,605,261.26	14,579,635	1.52	4,974,373.59
6/30/2017	6,929,065.00		6,929,065.00	2,677,323.76	9,606,388.76	14,579,635	1.52	4,973,246.09
6/30/2018	6,926,968.75		6,926,968.75	2,678,489.38	9,605,458.13	14,579,635	1.52	4,974,176.72
6/30/2019	3,796,777.50		3,796,777.50	2,670,777.50	6,467,555.00	9,813,362	1.52	3,345,807.20
6/30/2020	3,797,866.25		3,797,866.25	2,669,362.50	6,467,228.75	9,813,362	1.52	3,346,133.45
6/30/2021	3,803,137.50		3,803,137.50	2,664,462.50	6,467,600.00	9,813,362	1.52	3,345,762.20
6/30/2022	6,463,960.00		6,463,960.00	-	6,463,960.00	9,813,362	1.52	3,349,402.20
6/30/2023	6,466,260.00		6,466,260.00	-	6,466,260.00	9,813,362	1.52	3,347,102.20
6/30/2024	6,463,960.00		6,463,960.00	-	6,463,960.00	9,813,362	1.52	3,349,402.20
6/30/2025	6,466,095.00		6,466,095.00	-	6,466,095.00	9,813,362	1.52	3,347,267.20
6/30/2026	6,466,560.00		6,466,560.00	-	6,466,560.00	9,813,362	1.52	3,346,802.20

(1) Debt service shown is net of capitalized interest funded from bond proceeds.

(2) As of the issuance of the 2005 Series Bonds.

(3) 45% tobacco settlement receipts less an estimated \$4 million general fund operating transfer per biennium.

Settlement receipts are primarily received in April of each year; current year collections pay the following fiscal year's debt service.

(4) Receipts in this year reflect a budgeted 2003-2005 biennial transfer.

North Dakota State Water Commission
Water Development Trust Fund
Scenario C: \$85,950,000
Water Development and Management Program Bonds, 2005 Series A
(\$74M in Projects/\$8M Biennial Transfer)

<u>Fiscal Year</u>	<u>Proposed 2005 Debt Service</u>	<u>Capitalized Interest⁽¹⁾</u>	<u>Proposed 2005 Net Debt Service</u>	<u>2000 Series A Existing Debt Service⁽²⁾</u>	<u>Combined Debt Service</u>	<u>Net Revenues Available⁽³⁾</u>	<u>Estimated Coverage</u>	<u>Excess Revenues</u>
6/30/2006	2,697,847.50	991,830.43	1,706,017.07	2,708,323.76	4,414,340.83	5,297,209 ⁽⁴⁾	1.20	882,867.91
6/30/2007	3,597,130.00	1,024,774.60	2,572,355.40	2,708,836.26	5,281,191.66	6,337,430	1.20	1,056,238.49
6/30/2008	3,597,130.00	1,020,724.60	2,576,405.40	2,704,786.26	5,281,191.66	6,337,430	1.20	1,056,238.49
6/30/2009	7,751,720.00		7,751,720.00	2,700,811.26	10,452,531.26	12,579,635	1.20	2,127,103.59
6/30/2010	7,749,452.50		7,749,452.50	2,701,423.76	10,450,876.26	12,579,635	1.20	2,128,758.59
6/30/2011	7,754,797.50		7,754,797.50	2,697,911.26	10,452,708.76	12,579,635	1.20	2,126,926.09
6/30/2012	7,761,590.00		7,761,590.00	2,691,273.76	10,452,863.76	12,579,635	1.20	2,126,771.09
6/30/2013	7,763,840.00		7,763,840.00	2,690,723.76	10,454,563.76	12,579,635	1.20	2,125,071.09
6/30/2014	7,761,762.50		7,761,762.50	2,689,323.76	10,451,086.26	12,579,635	1.20	2,128,548.59
6/30/2015	7,770,408.75		7,770,408.75	2,681,923.76	10,452,332.51	12,579,635	1.20	2,127,302.34
6/30/2016	7,769,978.75		7,769,978.75	2,683,073.76	10,453,052.51	12,579,635	1.20	2,126,582.34
6/30/2017	7,774,508.75		7,774,508.75	2,677,323.76	10,451,832.51	12,579,635	1.20	2,127,802.34
6/30/2018	7,772,896.25		7,772,896.25	2,678,489.38	10,451,385.63	12,579,635	1.20	2,128,249.22
6/30/2019	3,819,540.00		3,819,540.00	2,670,777.50	6,490,317.50	7,813,362	1.20	1,323,044.70
6/30/2020	3,824,853.75		3,824,853.75	2,669,362.50	6,494,216.25	7,813,362	1.20	1,319,145.95
6/30/2021	3,829,230.00		3,829,230.00	2,664,462.50	6,493,692.50	7,813,362	1.20	1,319,669.70
6/30/2022	6,494,027.50		6,494,027.50	-	6,494,027.50	7,813,362	1.20	1,319,334.70
6/30/2023	6,490,287.50		6,490,287.50	-	6,490,287.50	7,813,362	1.20	1,323,074.70
6/30/2024	6,491,935.00		6,491,935.00	-	6,491,935.00	7,813,362	1.20	1,321,427.20
6/30/2025	6,492,888.75		6,492,888.75	-	6,492,888.75	7,813,362	1.20	1,320,473.45
6/30/2026	6,492,160.00		6,492,160.00	-	6,492,160.00	7,813,362	1.20	1,321,202.20

⁽¹⁾ Debt service shown is net of capitalized interest funded from bond proceeds.

⁽²⁾ As of the issuance of the 2005 Series Bonds.

⁽³⁾ 45% tobacco settlement receipts less an estimated \$8 million general fund operating transfer per biennium.

• Settlement receipts are primarily received in April of each year; current year collections pay the following fiscal year's debt service.

⁽⁴⁾ Receipts in this year reflect a budgeted 2003-2005 biennial transfer.

North Dakota State Water Commission
Water Development Trust Fund
Scenario D: \$128,500,000
Water Development and Management Program Bonds, 2005 Series A
(Maximum Projects/No Biennial Transfer/Minimum Coverage)

<u>Fiscal Year</u>	<u>Proposed 2005 Debt Service</u>	<u>Capitalized Interest⁽¹⁾</u>	<u>Proposed 2005 Net Debt Service</u>	<u>2000 Series A Existing Debt Service⁽²⁾</u>	<u>Combined Debt Service</u>	<u>Net Revenues Available⁽³⁾</u>	<u>Estimated Coverage</u>	<u>Excess Revenues</u>
6/30/2006	4,047,553.13	2,341,536.06	1,706,017.07	2,708,323.76	4,414,340.83	5,297,209 ⁽⁴⁾	1.20	882,867.91
6/30/2007	5,904,656.25		5,904,656.25	2,708,836.26	8,613,492.51	10,337,430	1.20	1,723,937.64
6/30/2008	5,904,757.50		5,904,757.50	2,704,786.26	8,609,543.76	10,337,430	1.20	1,727,886.39
6/30/2009	11,111,497.50		11,111,497.50	2,700,811.26	13,812,308.76	16,579,635	1.20	2,767,326.09
6/30/2010	11,111,642.50		11,111,642.50	2,701,423.76	13,813,066.26	16,579,635	1.20	2,766,568.59
6/30/2011	11,114,676.25		11,114,676.25	2,697,911.26	13,812,587.51	16,579,635	1.20	2,767,047.34
6/30/2012	11,124,045.00		11,124,045.00	2,691,273.76	13,815,318.76	16,579,635	1.20	2,764,316.09
6/30/2013	11,123,382.50		11,123,382.50	2,690,723.76	13,814,106.26	16,579,635	1.20	2,765,528.59
6/30/2014	11,122,942.50		11,122,942.50	2,689,323.76	13,812,266.26	16,579,635	1.20	2,767,368.59
6/30/2015	11,132,768.75		11,132,768.75	2,681,923.76	13,814,692.51	16,579,635	1.20	2,764,942.34
6/30/2016	11,133,165.00		11,133,165.00	2,683,073.76	13,816,238.76	16,579,635	1.20	2,763,396.09
6/30/2017	11,137,792.50		11,137,792.50	2,677,323.76	13,815,116.26	16,579,635	1.20	2,764,518.59
6/30/2018	11,135,158.75		11,135,158.75	2,678,489.38	13,813,648.13	16,579,635	1.20	2,765,986.72
6/30/2019	7,170,072.50		7,170,072.50	2,670,777.50	9,840,850.00	11,813,362	1.20	1,972,512.20
6/30/2020	7,173,177.50		7,173,177.50	2,669,362.50	9,842,540.00	11,813,362	1.20	1,970,822.20
6/30/2021	7,179,210.00		7,179,210.00	2,664,462.50	9,843,672.50	11,813,362	1.20	1,969,689.70
6/30/2022	9,843,402.50		9,843,402.50	-	9,843,402.50	11,813,362	1.20	1,969,959.70
6/30/2023	9,841,302.50		9,841,302.50	-	9,841,302.50	11,813,362	1.20	1,972,059.70
6/30/2024	9,842,007.50		9,842,007.50	-	9,842,007.50	11,813,362	1.20	1,971,354.70
6/30/2025	9,843,948.75		9,843,948.75	-	9,843,948.75	11,813,362	1.20	1,969,413.45
6/30/2026	9,840,640.00		9,840,640.00	-	9,840,640.00	11,813,362	1.20	1,972,722.20

⁽¹⁾ Debt service shown is net of capitalized interest funded from bond proceeds.

⁽²⁾ As of the issuance of the 2005 Series Bonds.

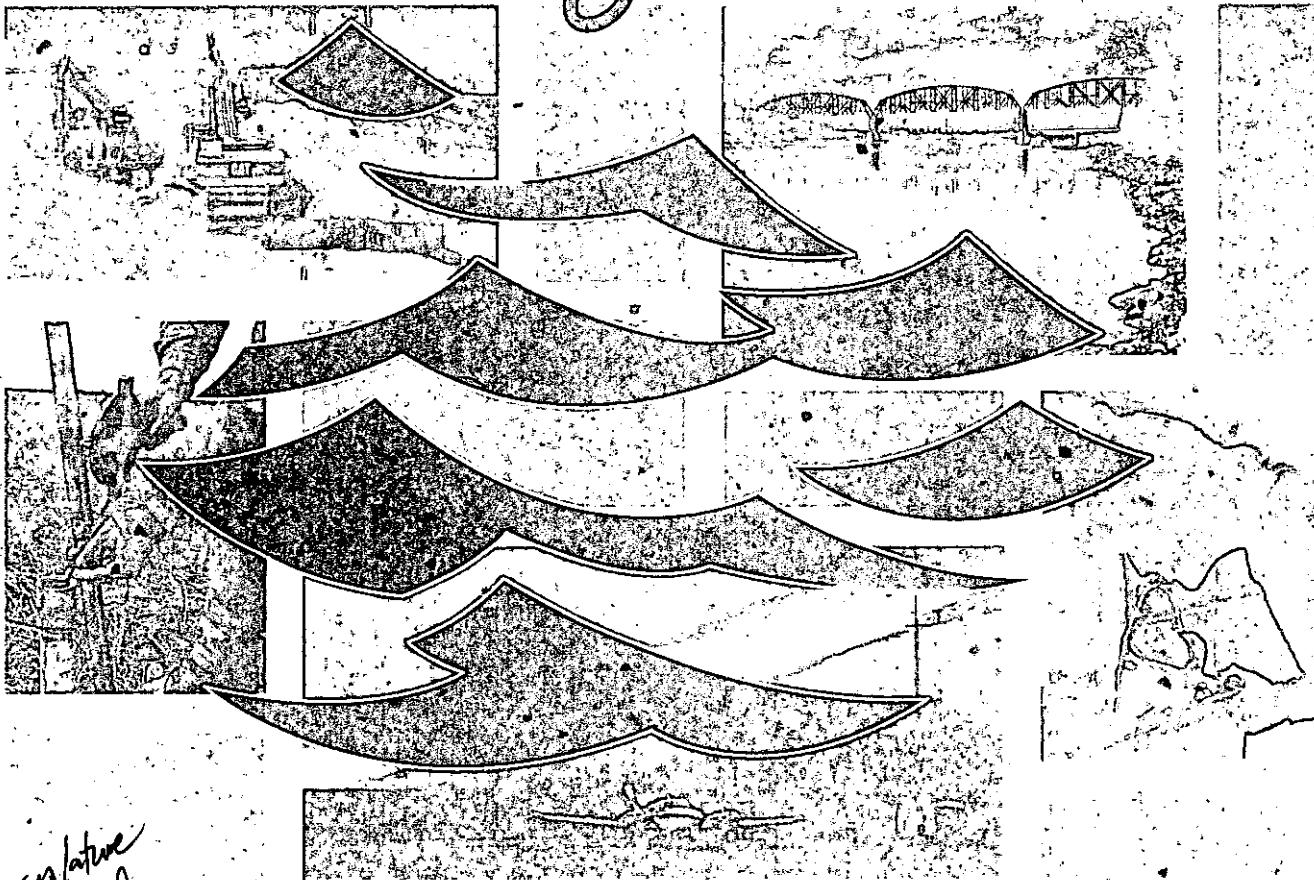
⁽³⁾ 45% tobacco settlement receipts. Settlement receipts are primarily received in April of each year; current year collections pay the following fiscal year's debt service.

⁽⁴⁾ Receipts in this year reflect a budgeted 2003-2005 biennial transfer.

*Contact
Water
Commission
for a
copy*

North Dakota
State Water Commission
and
Office of the State Engineer

Strategic Plan



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2004 - 2007