

***Presentation To
North Dakota Legislative Council
Natural Resources Committee
Bismarck, North Dakota***

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

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Mr. Chairman, Mr. Nelson's November 30, 2007 letter to me indicated that your committee had several topics related to the State Water Commission's operations and procedures that they wished to discuss. As a starting point, I developed this brief presentation. I am also prepared to elaborate in response to questions from committee members. The first two bulleted items in Mr. Nelson's letter deal with the State Water Commission's budget and project priorities and I will address those first.

Developing the State Water Commission's budget is a complex process beginning several months before a legislative session. The budget request submitted to the Governor is developed with input from many sources. Projected revenues by the Office of Management and Budget (OMB) are the basis for much of the budget. The revenues include general funds, Resources Trust Funds, Water Development Trust Funds, federal funds, local funds, and miscellaneous revenues. A combination of these funds make up the base budget, and the funds available to water projects are often a subtraction of the cost of agency operations from total revenues. Funds for individual projects are normally not listed by line item, but the larger projects are detailed in a narrative.

Part of the budget process includes contacts with the water stakeholders by our staff for funding needs during the upcoming session. We have already started this process for the 2009-2011 biennium. This information is compiled in a biennial update report to our State Water Management Plan. As a note, the total funding needs listed in the report

always exceeds the funds available. Therefore, project prioritization is necessary. The North Dakota Water Coalition provides a very convenient and efficient mechanism for obtaining this input by bringing the various water groups together in one place. This allows everyone to learn about the other projects and also allows important dialogue between the project sponsors. The Water Coalition attempts to reach a consensus for prioritizing funding, but everyone understands that the State Water Commission has the final approval of the distribution of funds.

During our budget hearing testimony during the session, the Water Coalition's recommendations amounts are provided but the budget approved by the Legislature generally only lists a total amount for all projects. This allows the State Water Commission to make adjustments during the biennium based on how fast or slow individual projects move forward.

The third bullet on the agenda deals with providing assistance in project permitting and construction. Generally speaking, if a project sponsor hires their own engineer, the State Water Commission does not get directly involved in construction project management. If the State Water Commission does the engineering, we get involved in all phases of development. State Water Commission engineers usually inspect the projects completed by local entities. State Water Commission staff are directly involved in the permitting process if the permits are issued by the State Engineer. Where it is appropriate and necessary, we provide limited assistance or advice in obtaining federal permits or permits from other entities. However, obtaining required permits is the prime responsibility of the local sponsor as they are the owners of the project.

The fourth and fifth bullets are related to urban and rural funding of projects and cost share policies and rules. The State Water Commission has a standing committee that periodically reviews cost share policies and processes. The committee holds advertised meetings to facilitate public input and explore ways to improve the State Water Commission's responsiveness to project sponsors in meeting the full range of development needs. The Commission staff makes every effort to consistently apply

these policies as they process funding requests and make recommendations to the Commission. The State Water Commission's cost share policies have evolved over the years to be in line with changes in development needs and available funding. The standing committee will meet prior to the next State Water Commission meeting on March 17, 2008 to consider additional policy modifications.

The State Water Commission also has administrative rules relating to cost share:

Article 89-06	Funding from the Resources Trust Fund
Article 89-11	Drought Disaster Livestock Program
Article 89-12	Municipal, Rural and Industrial Water Supply Program

These rules and the State Water Commission's policies were developed to provide consistency in applying our cost share procedures. These rules and policies can cause issues for some project sponsors as they limit the State Water Commission's flexibility.

The last item relates to the involvement of the State Water Commission in the Red River Valley Water Supply Project. In a nutshell, the State Water Commission is supportive of the Garrison Diversion Conservancy District as the entity designated by the Governor and the State Legislature as the state's lead authority for the Red River Valley Water Supply Project. The Garrison Diversion Conservancy District and the State Water Commission do a significant amount of coordination in the project. The State Water Commission receives an update on the project at each Commission meeting. One State Water Commission member and I attend the Lake Agassiz Water Authority meetings when possible. I also attend most of the Garrison Diversion Conservancy District board meetings.