

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

**By  
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Mr. Chairman and members of the Natural Resources Committee. Section 2 of Senate Bill 2345, among other items, authorized the State Water Commission to issue bonds for the Red River Water Supply project in an amount not to exceed \$40 million. Section 4 directed that the bonds be payable from the Water Development Trust Fund from funds transferred from the Tobacco Settlement Trust Fund.

Senate Bill 2345 also included legislative intent for the state to provide \$100 million to the Red River Valley Water Supply project. The funding plan includes \$40 million from bonding, \$30 million from the state's general fund, and \$30 million from the Resources Trust Fund. Senate Bill 2020, the State Water Commission's appropriation bill, included \$3 million from the general fund and about \$65 million for new water projects from direct revenues to the Resources Trust Fund and the Water Development Trust Fund. The State Water Commission has tentatively earmarked \$9 million for this project which provides, in total, \$12 million for the project during the 2007-2009 biennium.

As Mr. Koland will explain, the Red River Water Supply project is still in the environmental impact statement (EIS) process phase of development. After the EIS process is completed, the project must be approved by congress since the preferred alternative involves the use of water from the Missouri River. As a result, we do not anticipate the need for bonding in the 2007-2009 biennium. Even if the project gets into construction during this biennium, we don't believe the project will need more than the \$12 million in the State Water Commission's budget.

In visiting with our bond counsel, Arntson & Stewart, P.C., we understand there likely will be a need for some legislative language changes before these bonds can be issued. While tobacco settlement funds continue to be received in amounts only slightly below the original estimates, bonding agencies view these funds as high risk. Our bond counsel believes we will have to pledge additional sources of revenues before these bonds can be issued. The State Water Commission issued bonds in 2005 naming the Water Development Trust Fund as the first source for bond payments but other sources were named. The 2005 language should be adequate for the Red River Water Supply project.

In summary, state funding is not an issue in the 2007-2009 biennium for the Red River Water Supply project, but we may need to consider some changes during the 2009 legislative session.