

I. Summary of Water Coalition Funding Subcommittee Meetings and Process

A. Introduction

1. At a Water Coalition meeting on Feb. 27, 2012 in Bismarck, a letter was presented on behalf of Gov. Dalrymple asking for the Water Coalition's help to build consensus on how the state uses its resources for water development..
2. In addition, Rep. Curt Hofstad, chairman of the Water-Related Topics Overview Legislative Committee, also asked the members of the Water Coalition for unified input on the development of priorities, and asked the Water Coalition to give a report to the committee on how the priority development process works within the Water Coalition.
3. At this meeting, the Water Coalition agreed to have a Funding Subcommittee begin to work on the funding priorities for the upcoming 2013-15 biennium. A summary of that process is what follows.

II. Background

A. North Dakota Water Coalition

1. The North Dakota Water Coalition was formed in 1994 to implement the Vision 2000 recommendations to help build a stronger economy for the state. The mission of the Water Coalition is to **"complete North Dakota's water infrastructure for economic growth and quality of life."** The Water Coalition brings together more than 40 water interests and related groups to help build grassroots understanding and support. Each biennium the coalition works very hard to put together recommended water priorities as the state moves into a new legislative session. This process allows the water community to provide input to the State Water Commission, the Governor's Office and ultimately to the Legislature. Under this current process, the State Water Commission maintains flexibility to maximize its efforts, and yet still be responsive to emergent critical water needs – such as what has arisen within the past several years.

B. Development of the Funding Priorities Plan

1. The process begins during the interim at the grassroots level by the Funding Subcommittee. The current critical water needs have been listed into 13 major funding categories, which are listed below along with the appointed subcommittee member from the full coalition representatives:
 - i. **Major Funding Categories and Representatives:**
 - ND Water Coalition — *Dennis Hill, Chairman*
 - Devils Lake — *Mayor Richard Johnson*
 - Fargo Flood Control — *Pat Zavoral*
 - Grand Forks — *Curt Kreun*
 - Irrigation — *John Leininger*
 - MRI — *Eric Volk*
 - Missouri River — *Ken Royse*
 - Northwest Area Water Supply — *Alan Walter*
 - Red River Valley Water Supply Project — *Dave Koland*
 - Sheyenne Valley Flood Control — *Mary Lee Nielsen*
 - Souris River Flood Control — *Dan Jonasson*
 - Southwest Pipeline Project — *Mary Massad*
 - Water Resource Districts/Water Management — *Jim Lyons*
 - Western Area Water Supply — *Jaret Wirtz*
 - ii. These categories identify the major project needs across the state seeking funding for projects within the next biennium. This subcommittee is subject to change each biennium as projects get completed and no longer have major funding needs, such as the Maple River Dam and Grand Forks Flood Control, or as new needs develop, such as Souris River and Sheyenne River Flood Control Projects.

- iii. The members of the subcommittee work together to bring forward a list of needs. Over the course of the next several months, the subcommittee meets and works together to allocate funding amounts to the various projects. This biennium, the subcommittee is working to establish recommended funding amounts that equal what the projected Resources Trust Fund revenue total will be for the 2013-15 biennium.
- iv. Once the subcommittee establishes the funding needs for the upcoming biennium, they are presented to the full Coalition membership, and there must be unanimous consensus. The key to the Water Coalition is that once this work has been done, and there is consensus, then we have a unified water community going in to the Legislative session. Once we have a consensus on the funding recommendations the State Engineer, who is part of the subcommittee, can utilize this input to establish project needs for the Executive Budget. The Governor's Office is also part of the subcommittee, and having the executive branch and the state agency as part of the subcommittee ensures that the funding priorities are an accurate reflection of the current water needs in the state.
- v. The funding priorities are then presented to legislators and also presented in testimony for the State Water Commission Budget Appropriations Committee hearings in the upcoming Legislative Session. At this point in the process, Coalition members themselves will provide testimony on the critical water needs for their specific project within the major funding categories.

III. Funding Subcommittee Meetings and Discussions: March - July

A. March 19, 2012-

1. At this meeting Gov. Dalrymple addressed the subcommittee and asked that the members of the Water Coalition help build consensus on how we use our resources for water development in North Dakota. The governor also acknowledged that the flood events in the past few years, coupled with the energy boom in the west, have set off a long list of needs that are not normally planned in a given biennium. He asked the Coalition to come together as a united water community to help educate staff and legislators about critical water needs existing now and in the future, and to provide recommendations on how to balance these needs and priorities across the state to produce a balanced statewide plan that everyone can support.
2. At this subcommittee meeting it was acknowledged that going into the next biennium there are many "policy-related" circumstances that need to be discussed and reviewed before a clear-cut discussion on funding can occur. Policy-related topics discussed by the subcommittee included:
 - Priorities and ranking;
 - Energy conservation as a portion of the statute related to the Resource Trust Fund;
 - New funding program development;
 - MR&I federal funding and;
 - Water quality versus water quantity.
3. In order to proceed with our work, Chairman Dennis Hill appointed a smaller committee from the Funding Subcommittee to discuss some of these issue-related topics, and possibly come up with some guidelines or recommendations for the Funding Subcommittee to bring forward.
4. The smaller policy-related working group met on April 3 in Bismarck and on April 18 in Fargo.

B. April 18, 2012-

1. Water Funding and Water Policy Meeting - Fargo

- a. Both the Funding Subcommittee and the policy working group met on this date and the smaller working group presented the following report to share the discussion items with the Funding Subcommittee.

2. Policy Subcommittee Report:

- a. Major Project Funding — There are major water projects which require greater funding than is available from the Resources Trust Fund. For example, Fargo Flood Control, Minot Flood Control, Red River Valley Water Supply and statewide water treatment needs. Thus, a Bank of North Dakota revolving loan program is proposed to provide construction funding and/or long-term funding for project implementation because “pay as you go” is not feasible for these projects and other major projects.
- b. Major Project Cost Share — Major project local cost share must be established on a case by case basis.
- c. Project Authorization — Major projects must be authorized by the Legislature and the State Water Commission before funding is allocated.
- d. Resources Trust Fund Leverage — There are many water infrastructure needs across North Dakota including both short- and long-term needs. Thus, it would be desirable and beneficial to leverage Resources Trust Fund dollars to the extent possible to provide long-term funding for water infrastructure needs. It was proposed that this could be accomplished in two parts.
 - i. That a percentage of Resources Trust Fund biennial revenues could be set aside in a small project revolving loan program;
 - ii. Capital repayment to the Resources Trust Fund could be provided whenever possible.
- e. Resources Trust Fund Allocation: \$300 or \$400 million
 - i. What will it be? This makes a difference on how to establish the funding total
 - ii. How to prioritize?
 1. Point System?
 2. Percentage for ongoing programs?
 3. Percentage for categories?
 4. Consensus?
 5. Criteria
 - Needs
 - Project Readiness
 - Local Support
 - Ability to pay
 - Project benefits, including regional
 - Other
- f. Energy Conservation — Encourage energy conservation methods in water projects.

3. Policy and Funding Discussions

- a. The report was presented to the members of the Funding Subcommittee and there was no consensus on any of the ideas that came forward from the policy working group within the subcommittee. The group felt that more information was needed on cost-share requests in order to complete the funding sheet. Therefore, it was decided that the funding priorities sheet not be completed at this time because the State Water Commission deadline for cost-share requests was April 30, and the committee felt it would be better to have all of the requests in so they would know what the total request would be. The subcommittee also hoped that there would be a better idea of what the OMB revenue projection total would be closer to the end of May.

C. June 1, 2012-

1. Funding Subcommittee Meeting-Bismarck

- a. Gov. Dalrymple once again attended the subcommittee meeting and stated that we have big project needs facing us in the coming biennium; however, with our strong revenues combined with a multi-year plan, there should be a pathway to meet our water project needs over time. He added that the Bank of North Dakota is also prepared to look at good, bankable loans for projects that have clearly identifiable and reliable revenue streams, such as water treatment and water supply projects.

2. 2011-12-Revenues

- a. Dave Laschkewitsch presented the 2011-13 contract fund summary for the SWC approved projects in the current biennium. To date, the commission has approved \$344 million in projects, and there will be an additional \$48 million in projects approved on June 13 at the next SWC meeting.
- b. The Budget Section did authorize an additional \$37 million in spending authority for the SWC as a result of the disaster bill passed in the special session. The revenue that comes into the Resources Trust Fund above the projected revenue amount that was appropriated in SB 2020 in 2011 was then obligated to expenditures for flood recovery areas by the SWC.

3. Resources Trust Fund Revenue Projections for 2013-15

- a. Tad Torgerson from OMB reported that the current projected revenue amount OMB is using for the Resources Trust Fund revenues available for water project funding in the 13-15 biennium is \$375 million. This funding figure now gave the Funding Subcommittee a target revenue in which to prioritize the funding needs.

4. Project Requests/Needs

- a. Each project presented a short summary on the funding requests and needs for the next biennium. The total needs came to \$409 million on the Water Coalition's Draft Priorities Outline.

5. Process/Criteria

- a. Narrowing down the requested priorities of \$409 million (with a potential for additional funding needs) to match with the projected revenues of \$375 million became the next task for the Funding Subcommittee. What process used to do this task was not yet determined, and Curt Kreun stated that we should establish the criteria first and presented a revised version of the policy guidelines document (Item III. B. 2) with some new recommendations for process and criteria. The revised version is Attachment 1.

D. July 11, 2012-Fargo

1. Funding Priorities Options and Working Group Report

- a. At the June 1 meeting, Chairman Hill asked Curt Hofstad, Pat Zavoral and Mike Dwyer along with Todd Sando to draft resolution language for an additional loan-based finance program as part of the water development policy of the state.
- b. Curt Hofstad reported that the working group had discussed what options there are for funding in addition to the Resources Trust Fund and reported that the State Water Commission already has many financing options available to it under current law. He added that the Water-Related Topics Overview committee will work on developing additional policy recommendations, if needed.

2. Funding Priorities Outline

- a. Because we were asked by the governor and the Legislature to provide a list of priorities that matched what the projected revenue amount is from the Resources Trust Fund, it was necessary to reduce the funding priorities outline from \$409 million to the \$375 million in projected revenues, and shift \$34 million in cost-share requests to the 2015-17 biennium.
- b. The subcommittee appointed Curt Kreun as the facilitator for the discussion regarding project criteria for the list of current cost-share requests. The criteria used for this discussion was based on “project readiness” — does it meet State Water Commission cost-share policy and is it in the construction or feasibility phase?
- c. Each project on the list evaluated where it was in terms of project readiness and based on that criteria, it was determined that some of these projects had requests in for full funding but would only use a portion of the request this biennium. The following projects were reduced by these amounts:
 - i. General Water Management: \$30 million to \$27 million.
 - ii. Rural Water: \$62 million to \$40 million.
 - iii. Sheyenne River Flood Control: \$23 million to \$14 million.
- d. The next step is to present this outline of cost-share priorities totaling \$375 million to the full Water Coalition for input on Sept. 10 in Bismarck.

IV. Full Water Coalition Meeting - September

- A. The Funding Subcommittee Recommendations were presented to the Full Water Coalition on Sept. 10. Curt Kreun gave a summary of the process used by the subcommittee to arrive at the recommendations and asked each of the projects to weigh in on the proposed recommendations before the full membership so that the details were shared with all. After listening to the comments and discussions, the full coalition voted to adopt the presented outline of cost-share priorities totaling \$375 million as put forth by the subcommittee.

V. Changing Revenue Projections - October

- A. At a meeting on September 17 of the State Water Commission, it was announced that the projected revenues were going to be higher than previously expected, and closer to \$500 million. The Governor and State Water Commission passed a motion to ask the water coalition for some supplemental funding requests for 2013-2015 if additional revenue becomes available above and beyond the \$375 million dollar plan. The Commission supports the concept of optional funding so that they can work with a budget amount of \$375 million, and look at supplemental funding priorities above and beyond that if the revenue is higher.
- B. Therefore the Funding Subcommittee met again on October 8 to discuss options for supplemental funding options for an additional \$125 million on top of the \$375 million. And again after each of the projects weighed in on the optional proposed recommendations and listening to the comments and discussions, there was an additional \$11 million in requests that came from 3 areas:
 - i. Red River Valley Water Supply: additional \$4 million
 - ii. Valley City: additional \$5 million
 - iii. Fort Ransom: additional \$2 million
- C. The subcommittee opted to not act on the additional requests at this meeting and will continue the discussion on November 14 when the subcommittee will meet again.

Water Policy/Water Funding Policy Guidelines

I. Major Projects

a. Funding

A Bank of North Dakota revolving loan program is proposed to provide construction funding and/or long term funding for project implementation. "Pay as you go" is not feasible for these projects and other major projects.

b. Cost Share

Major project local cost share must be established on a case by case basis.

c. Authorization

Major projects must be authorized by the State Water Commission before funding is allocated.

II. Resources Trust Fund Loans

There are many water infrastructure needs across North Dakota including both short term and long term needs. Thus, it is desired and beneficial to leverage Resources Trust Fund dollars to the extent possible to provide long term funding for water infrastructure needs.

III. Resources Trust Fund Allocation: 300-400 Million

a. Collaboration/Consensus

b. Criteria

1. Needs
2. Project Readiness
3. Local Support
4. Ability to pay
5. Project Benefits, including regional
6. Other

IV. Energy Conservation

Encourage energy conservation methods in water projects.