

Sixty-fourth  
Legislative Assembly  
of North Dakota

## ENGROSSED SENATE BILL NO. 2020

Introduced by

Appropriations Committee

(At the request of the Governor)

1 A BILL for an Act to provide an appropriation for defraying the expenses of the state water  
2 commission; to provide exemptions; to create and enact three new sections to chapter 61-02 of  
3 the North Dakota Century Code, relating to a Bank of North Dakota line of credit, to the state  
4 water commission cost-share policy, and to North Dakota outdoor heritage fund grants and  
5 cost-share; to amend and reenact section 54-35-02.7 of the North Dakota Century Code,  
6 relating to the water topics overview committee; ~~to repeal section 61-02-78 of the North Dakota~~  
7 ~~Century Code, relating to the infrastructure revolving loan fund~~; to provide legislative intent; to  
8 designate funding; to provide contingent allocations; to provide for a report to the legislative  
9 assembly; to provide for legislative management reports; ~~and~~ to provide for a legislative  
10 management study; to provide for a state water commission study; and to declare an  
11 emergency.

12 **BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:**

13 **SECTION 1. APPROPRIATION.** The funds provided in this section, or so much of the funds  
14 as may be necessary, are appropriated from special funds derived from federal funds and other  
15 income, to the state water commission for the purpose of defraying the expenses of the state  
16 water commission, for the ~~biennium~~period beginning ~~July 1, 2015~~with the effective date of this  
17 Act, and ending June 30, 2017, as follows:

	Base Level	Adjustments or Enhancements	Appropriation
20 <del>Accrued leave payments</del>	<del>\$325,774</del>	<del>(\$325,774)</del>	<del>\$0</del>
21 <del>Administrative and support services</del>	<del>4,716,665</del>	<del>(208,991)</del>	<del>4,507,674</del>
22 <del>Water and atmospheric resources</del>	<del>822,365,166</del>	<del>166,853,582</del>	<del>989,218,748</del>
23 <del>Total all funds</del>	<del>\$827,407,605</del>	<del>\$166,318,817</del>	<del>\$993,726,422</del>
24 <del>Less estimated income</del>	<del>827,407,605</del>	<del>141,333,658</del>	<del>968,741,263</del>

1	<del>Total general fund</del>	<del>\$0</del>	<del>\$24,985,159</del>	<del>\$24,985,159</del>
2	<del>Full-time equivalent positions</del>	<del>90.00</del>	<del>8.00</del>	<del>98.00</del>
3	Accrued leave payments	\$325,774	(\$325,774)	\$0
4	Administrative and support services	4,716,665	818,953	5,535,618
5	Water and atmospheric resources	822,365,166	297,035,052	1,119,400,218
6	Total all funds	\$827,407,605	\$297,528,231	\$1,124,935,836
7	Full-time equivalent positions	90.00	7.00	97.00

**SECTION 2. ONE-TIME FUNDING - EFFECT ON BASE BUDGET - REPORT TO**

**SIXTY-FIFTH LEGISLATIVE ASSEMBLY.** The following amounts reflect the one-time funding items approved by the sixty-third legislative assembly for the 2013-15 biennium:

11	<u>One-Time Funding Description</u>	<u>2013-15</u>	<u>2015-17</u>
12	Excavator	\$243,200	\$0
13	Southwest water pipeline project	21,000,000	0
14	Grants for water	10,350,000	0
15	Office space renovation	<u>45,000</u>	<u>0</u>
16	Total all funds	\$31,638,200	\$0
17	Total special funds	<u>31,638,200</u>	<u>0</u>
18	Total general fund	\$0	\$0

**SECTION 3. SOVEREIGN LANDS ENFORCEMENT GRANT.** The administrative and support services line item in section 1 of this Act includes \$135,000 from the resources trust fund the state water commission shall provide as a grant to the game and fish department for law enforcement activities on sovereign lands in the state, for the biennium beginning July 1, 2015, and ending June 30, 2017.

**SECTION 4. SOVEREIGN LANDS RECREATION USE GRANT.** The water and atmospheric resources line item in section 1 of this Act includes \$1,000,000 from the resources trust fund which the state water commission shall provide as a grant to the parks and recreation department for developing recreation opportunities on sovereign lands in the state, for the biennium beginning July 1, 2015, and ending June 30, 2017.

**SECTION 5. ADDITIONAL INCOME - APPROPRIATION - BUDGET SECTION**

**APPROVAL.** In addition to the amounts included in the estimated income line item in section 1 of this Act, any additional amounts in the resources trust fund and water development trust fund

1 which become available are appropriated, subject to budget section approval, to the state water  
2 commission for the purpose of defraying the expenses of that agency, for the biennium  
3 beginning July 1, 2015, and ending June 30, 2017.

4 **SECTION 6. GRANTS - WATER-RELATED PROJECTS - CARRYOVER AUTHORITY.**

5 Section 54-44.1-11 does not apply to funding for grants or water-related projects included in the  
6 water and atmospheric resources line item in section 1 of this Act. However, this exclusion is  
7 only in effect for two years after June 30, 2017. Any unexpended funds appropriated from the  
8 resources trust fund after that period has expired must be transferred to the resources trust fund  
9 and any unexpended funds appropriated from the water development trust fund after that period  
10 has expired must be transferred to the water development trust fund.

11 **SECTION 7. BANK OF NORTH DAKOTA LOAN - BOND PAYMENTS.** The state water  
12 commission shall obtain a loan from the Bank of North Dakota in an amount that may not  
13 exceed \$56,000,000 for the purpose of paying off or defeasing outstanding bond issues, for the  
14 period beginning with the effective date of this Act, and ending June 30, 2017.

15 ~~SECTION 8. FARGO FLOOD CONTROL PROJECT FUNDING.~~ Funds designated by the  
16 ~~sixty-first legislative assembly, the sixty-second legislative assembly, the sixty-third legislative~~  
17 ~~assembly, and the sixty-fourth legislative assembly for Fargo flood control are available only for~~  
18 ~~levee and dike protection until the Fargo flood control project receives federal authorization, a~~  
19 ~~project partnership agreement is executed, a federal appropriation is provided for project~~  
20 ~~construction, and the budget for the Fargo flood control project is approved by the state water~~  
21 ~~commission.~~

22 ~~SECTION 9. FARGO FLOOD CONTROL PROJECT FUNDING AGREEMENT.~~ Prior to the  
23 ~~state water commission expending any state cost-sharing funds, an advance funding~~  
24 ~~agreement between the United States army corps of engineers and the local Fargo flood control~~  
25 ~~sponsor must precede any state funding used to advance construction work considered to be a~~  
26 ~~federal responsibility.~~

27 ~~SECTION 10. LEGISLATIVE INTENT - FARGO FLOOD CONTROL PROJECT FUNDING.~~  
28 ~~It is the intent of the sixty-fourth legislative assembly that the state provide one-half of the local~~  
29 ~~cost share of constructing a federally authorized Fargo flood control project and that total Fargo~~  
30 ~~flood control project funding to be provided by the state not exceed \$450,000,000. It is further~~  
31 ~~the intent of the sixty-fourth legislative assembly that the \$206,000,000 yet to be designated by~~

1 ~~the state for the Fargo flood control project be made available in equal installments over the~~  
2 ~~next three bienniums.~~

3       **SECTION 8. FARGO FLOOD CONTROL PROJECT FUNDING - EXEMPTION.** Of the  
4 funds appropriated in the water and atmospheric resources line item in section 1 of this Act,  
5 \$69,000,000 is for Fargo flood control projects, for the biennium beginning July 1, 2015, and  
6 ending June 30, 2017. Any funds not spent by June 30, 2017, are not subject to  
7 section 54-44.1-11 and must be continued into the next or subsequent bienniums and may be  
8 expended only for Fargo flood control projects, including levees and dikes. Except as otherwise  
9 provided, these funds may be used only for land purchases and construction, including  
10 right-of-way acquisition costs and may not be used for the purchase of dwellings. No more than  
11 ten percent of these funds may be used for engineering, legal, planning, or other similar  
12 purposes. The city of Fargo, Cass County, and the Cass County joint water resource district  
13 must approve any expenditures made under this section. Costs incurred by nonstate entities for  
14 dwellings or other real property which are not paid by state funds are eligible for application by  
15 the nonstate entity for cost-sharing with the state.

16       **SECTION 9. LEGISLATIVE INTENT - FARGO FLOOD CONTROL PROJECT FUNDING.** It  
17 is the intent of the sixty-fourth legislative assembly that the state provide one-half of the local  
18 cost-share of Fargo flood control projects, including constructing a federally authorized Fargo  
19 flood control project, and that total Fargo flood control project funding to be provided by the  
20 state not exceed \$570,000,000. It is the intent of the sixty-fourth legislative assembly that  
21 \$120,000,000 of the \$570,000,000, be used for Fargo interior flood control projects and that any  
22 funds spent for Fargo interior flood control projects after July 1, 2017, require 50 percent  
23 matching funds from the Fargo flood authority. It is the intent of the sixty-fourth legislative  
24 assembly that the \$266,000,000 yet to be designated by the state for the Fargo flood control  
25 project be made available in equal installments over the next four bienniums, beginning July 1,  
26 2017. It is the intent of the sixty-fourth legislative assembly that funding for the Fargo flood  
27 control project will end June 30, 2021, if a federal appropriation for project construction has not  
28 been provided by June 30, 2021.

29       **SECTION 10. FARGO INTERIOR FLOOD CONTROL - FUNDING REQUIREMENTS.** The  
30 city of Fargo shall apply for flood protection funding, but the state water commission may not  
31 deny an application unless the funds are not intended to be used in accordance with provisions

1 of this section. The city of Fargo may use the funds for costs directly associated with completion  
2 of interior flood protection projects within its city limits, including engineering and legal fees,  
3 right-of-way acquisition costs, land purchases, home buyouts, and construction costs. No more  
4 than ten percent of these funds may be used for engineering and legal fees. Funds may not be  
5 used for general operations or administrative costs. Any funds designated by the sixty-fourth  
6 legislative assembly for Fargo interior flood control projects may be expended only for Fargo  
7 interior flood control projects, including levees and dikes until a federal appropriation is provided  
8 for project construction for the Fargo flood control project at which time it may be used for a  
9 federally authorized Fargo flood control project.

10 **SECTION 11. APPROPRIATION - FARGO INTERIOR FLOOD CONTROL - STATE**

11 **DISASTER RELIEF FUND - FUNDING REQUIREMENTS.** There is appropriated out of any  
12 moneys in the state disaster relief fund in the state treasury, the sum of \$30,000,000, or so  
13 much of the sum as may be necessary, for the purpose of providing funding for flood protection  
14 projects within city limits of Fargo, for the period beginning with the effective date of this Act,  
15 and ending June 30, 2017. The city of Fargo shall apply for flood protection funding, but the  
16 state water commission may not deny an application unless the funds are not intended to be  
17 used in accordance with provisions of this section. The city of Fargo may use the funds for costs  
18 directly associated with completion of interior flood protection projects within its city limits,  
19 including engineering and legal fees, right-of-way acquisition costs, land purchases, home  
20 buyouts, and construction costs. No more than ten percent of these funds may be used for  
21 engineering and legal fees. Funds may not be used for general operations or administrative  
22 costs. Any funds designated by the sixty-fourth legislative assembly for Fargo interior flood  
23 control projects may be expended only for Fargo interior flood control projects, including levees  
24 and dikes until a federal appropriation is provided for project construction for the Fargo flood  
25 control project at which time it may be used for a federally authorized Fargo flood control  
26 project.

27 **SECTION 12. FARGO INTERIOR FLOOD CONTROL PROJECT FUNDING -**

28 **EXEMPTION.** Of the funds appropriated in the water and atmospheric resources line item in  
29 section 1 of this Act, \$30,000,000 is for Fargo interior flood control projects, for the period  
30 beginning with the effective date of this Act, and ending June 30, 2017. Any funds not spent by  
31 June 30, 2017, are not subject to section 54-44.1-11 and must be continued into the next or

1 subsequent bienniums and may be expended only for Fargo interior flood control projects. The  
2 city of Fargo shall apply for flood protection funding, but the state water commission may not  
3 deny an application unless the funds are not intended to be used in accordance with provisions  
4 of this section. The city of Fargo may use the funds for costs directly associated with completion  
5 of interior flood protection projects within its city limits, including engineering and legal fees,  
6 right-of-way acquisition costs, land purchases, home buyouts, and construction costs. Funds  
7 may not be used for general operations or administrative costs. Any funds designated by the  
8 sixty-fourth legislative assembly for Fargo interior flood control projects may be expended only  
9 for Fargo interior flood control projects, including levees and dikes until a federal appropriation  
10 is provided for project construction for the Fargo flood control project at which time it may be  
11 used for a federally authorized Fargo flood control project.

12 ~~—SECTION 10. GRANTS – WESTERN AREA WATER SUPPLY – INCREMENTAL FUNDING~~  
13 ~~AND RESTRICTIONS. Funds specified for western area water supply authority projects in the~~  
14 ~~water and atmospheric resources line item in section 1 of this Act must be distributed as grants~~  
15 ~~from the resources trust fund. The funds must be awarded in increments of up to \$10,000,000~~  
16 ~~upon determination by the state water commission that sufficient domestic demand has been~~  
17 ~~demonstrated for the project for which the funds are requested. Funds may not be used solely~~  
18 ~~to construct industrial water infrastructure or to provide industrial water for exploration or~~  
19 ~~development of the oil and gas industry. The western area water supply authority may request~~  
20 ~~funds, in increments of up to \$10,000,000, through individual applications to the commission up~~  
21 ~~to the amount specified in this Act for the western area water supply authority.~~

22 **SECTION 13. LEGISLATIVE INTENT - GRAND FORKS WATER TREATMENT PLANT**  
23 **PROJECT FUNDING.** It is the intent of the sixty-fourth legislative assembly that the state  
24 provide grants for one-half of the cost to construct the Grand Forks water treatment plant  
25 project and provide a \$30,000,000 grant for the project during the 2015-17 biennium and a  
26 \$30,000,000 grant for the project during the 2017-19 biennium.

27 **SECTION 14. RED RIVER VALLEY WATER SUPPLY PROJECT FUNDING - REPORT**  
28 **TO WATER TOPICS OVERVIEW COMMITTEE.** The 2013-15 unobligated funding of  
29 \$7,359,000 designated by the state water commission for the Red River valley water supply  
30 project in the water and atmospheric resources line item in section 1 of this Act and an  
31 additional \$5,000,000 in the water and atmospheric resources line item in section 1 of this Act is

1 designated for a grant to the Garrison diversion conservancy district to plan and design the Red  
2 River valley water supply project for the biennium beginning July 1, 2015, and ending June 30,  
3 2017. The state water commission shall transfer funds upon request of the Garrison diversion  
4 conservancy district. The Garrison diversion conservancy district shall report on a regular basis  
5 to the legislative management's water topics overview committee to review its progress in  
6 planning and designing the Red River valley water supply project.

7 **SECTION 15. APPROPRIATION - MISSOURI RIVER CORRECTIONAL CENTER LEVEE -**  
8 **FOX ISLAND LEVEE - STATE DISASTER RELIEF FUND.** There is appropriated out of any  
9 moneys in the state disaster relief fund in the state treasury, the sum of \$4,000,000, or so much  
10 of the sum as may be necessary, to the state water commission, for the purpose of providing  
11 funding for levee projects for the biennium beginning July 1, 2015, and ending June 30, 2017.  
12 Of the funds the state water commission shall make available \$1,200,000 for a levee for the  
13 Missouri River correctional center, and \$2,800,000, for a levee for Lincoln township's Fox Island  
14 area.

15 **SECTION 16. FUNDING DESIGNATION - REIMBURSEMENTS FOR 2013-15 BIENNIUM**  
16 **RURAL AND MUNICIPAL WATER SYSTEMS AFFECTED BY LOCAL COST-SHARE**  
17 **CHANGE.** Of the funds appropriated in the water and atmospheric resources line item in  
18 section 1 of this Act, the state water commission shall make available \$11,000,000 from funds  
19 available from the line of credit for reimbursing rural and municipal water systems affected by  
20 local cost-share changes during the 2013-15 biennium. Rural and municipal water systems  
21 must be reimbursed up to an amount, which makes the state share 65 percent in lieu of the  
22 75 percent that was approved by the state water commission.

23 **SECTION 17. STATE WATER COMMISSION PROJECT FUNDING DESIGNATIONS.** Of  
24 the funds appropriated in the water and atmospheric resources line item in section 1 of this Act  
25 from funds available in the resources trust fund, water development trust fund, and the line of  
26 credit available from the Bank of North Dakota, \$414,000,000 is designated as follows:

- 27 1. \$113,000,000 for flood control projects;
- 28 2. \$61,000,000 for general water projects;
  - 29 a. \$50,000,000 is available for providing grants;
  - 30 b. \$11,000,000 from the infrastructure revolving loan fund is available for providing
  - 31 loans;

- 1       3.   \$130,000,000 for rural water projects;
- 2       4.   \$85,000,000 for municipal water projects;
- 3       5.   \$25,000,000 for providing loans from the infrastructure revolving loan fund for rural
- 4             and municipal water projects.

5       **SECTION 18. FUNDING DESIGNATIONS - TRANSFERS - BUDGET SECTION**

6 **APPROVAL.** The funding designated for the items in section 17 of this Act, is designated for the  
7 specific purposes identified; however, the state water commission may transfer funding among  
8 these items, upon notification to the water topics overview committee and subject to budget  
9 section approval.

10       **SECTION 19. CONTINGENT ALLOCATION - WATER AND ATMOSPHERIC**

11 **RESOURCES - CENTRAL DAKOTA WATER SUPPLY STUDY.** Of the funds appropriated in  
12 the water and atmospheric resources line item in section 1 of this Act, \$70,000,000, is  
13 designated as follows, contingent on the state water commission entering into a written  
14 agreement that a fertilizer or chemical processing facility will be constructed in Stutsman  
15 County:

- 16       1.   \$10,000,000 for a grant and \$40,000,000 for a loan for a water reuse facility;
- 17       2.   \$20,000,000 for the central Dakota water supply project.

18 The state water commission shall conduct a study on the feasibility and desirability of the  
19 central Dakota water supply project for the biennium beginning July 1, 2015, and ending  
20 June 30, 2017. The study must include a financial analysis as well as a detailed business plan  
21 for the project, including projected operational costs and projected water supply needs for the  
22 area to be served.

23       **SECTION 20. STUTSMAN COUNTY WATER REUSE FACILITY - EXEMPTION.** For

24 purposes of a project for a water reuse facility, the Stutsman rural water district is granted an  
25 exemption from the aggregate total outstanding limit of \$50,000,000 of revenue bonds under  
26 section 61-35-15 and is instead limited to an aggregate total outstanding limit of \$100,000,000  
27 of revenue bonds for purposes of section 61-35-15.

28       **SECTION 21. STUTSMAN COUNTY WATER REUSE FACILITY PROJECT - USER**

29 **BONDING.** Any agreement entered into by the state water commission relating to the Stutsman  
30 County water reuse facility project must include requirements that the users of the water reuse  
31 facility have entered into contracts, which may include use contracts or credit support

1 arrangements, with the Stutsman rural water district pursuant to which the expected revenues  
2 from these contracts over the term of the contracts are sufficient to repay the total balance of  
3 the loans or revenue bonds authorized by the sixty-fourth legislative assembly for the Stutsman  
4 County water reuse facility.

5 **SECTION 22. LEGISLATIVE MANAGEMENT STUDY - WATER SUPPLY FOR CENTRAL**  
6 **AND EASTERN NORTH DAKOTA.** During the 2015-16 interim, the legislative management  
7 shall study options available for providing a sustainable water supply to central and eastern  
8 North Dakota. The legislative management shall report its findings and recommendations,  
9 together with any legislation required to implement the recommendations, to the sixty-fifth  
10 legislative assembly.

11 **SECTION 23. LEGISLATIVE INTENT - RED RIVER VALLEY WATER SUPPLY PROJECT.**  
12 It is the intent of the sixty-fourth legislative assembly that the state, beginning on July 1, 2017,  
13 and extending over the next four bienniums, provide \$150,000,000 per biennium of state funds  
14 to implement the selected alternative for the Red River valley water supply project.

15 **SECTION 24. WESTERN AREA WATER SUPPLY AUTHORITY MEMBER ENTITIES -**  
16 **DEBT.** A western area water supply authority member entity may incur debt as authorized by  
17 law, except that an entity may not use any income from industrial water sales relating to oil and  
18 gas exploration or production to repay any debt or as collateral to secure debt beginning  
19 January 1, 2015. Previous debt accrued by the western area water supply may be serviced by  
20 the western area water supply revenues from industrial water sales.

21 **SECTION 25. STATE WATER COMMISSION PRIORITY PROJECTS LIST - REPORTS TO**  
22 **THE WATER TOPICS OVERVIEW COMMITTEE.** The state water commission shall report to  
23 the legislative management's water topics overview committee every six months during the  
24 2015-16 interim regarding any changes made to the state water commission priority projects list  
25 presented to the sixty-fourth legislative assembly for the biennium beginning July 1, 2015, and  
26 ending June 30, 2017.

27 **SECTION 26. FARGO FLOOD CONTROL - REPORTS TO THE WATER TOPICS**  
28 **OVERVIEW COMMITTEE.** During the 2015-16 interim, the F-M area diversion authority board  
29 shall report to the legislative management's water topics overview committee biannually  
30 regarding an update on congressional authorization of the diversion project and the status of  
31 the self-insured crop insurance pool; mitigation efforts, alternatives, and costs; easements; and

1 the project budget. The MNDak upstream coalition shall report to the ~~budget section~~legislative  
2 management's water topics overview committee biannually regarding an update on the impacts  
3 of the Fargo flood control project and mitigation efforts, alternatives, and costs.

4 **SECTION 27. INDEPENDENT WATER PROVIDERS AND WESTERN AREA WATER**  
5 **SUPPLY AUTHORITY - REPORT TO THE WATER TOPICS OVERVIEW COMMITTEE.** During  
6 the 2015-16 interim, the independent water providers and the western area water supply  
7 authority shall report to the legislative management's water topics overview committee on a  
8 regular basis and collaborate with the committee and the state water commission to monitor  
9 water usage, rates, engineering contract procedures, and market share. The water topics  
10 overview committee shall report to the legislative management with recommendations to ensure  
11 western area water supply authority's ability to maintain its payment schedule of the state's  
12 loan.

13 **SECTION 28. REPORT TO LEGISLATIVE ASSEMBLY - SOUTHWEST PIPELINE**  
14 **PROJECT.** The state water commission and the southwest water authority shall continue the  
15 process of reviewing capital repayment and revenues being returned to the resources trust  
16 fund; payments necessary to meet obligations of existing bonds and other loans; ownership of  
17 land and associated facilities; existing construction documents; liabilities; contracts with cities,  
18 bulk users, companies, and other users; and other items; and shall report to the sixty-fifth  
19 legislative assembly on the actions necessary for the transfer of ownership and responsibility of  
20 the southwest pipeline project from the state water commission to the southwest water authority.

21 **SECTION 29. STATE WATER COMMISSION STUDY OF FARGO DIVERSION PROJECT.**  
22 The state water commission shall contract with North Dakota state university to expand the  
23 scope of the current agricultural impacts study of the F-M area diversion project at a cost that  
24 may not exceed \$80,000. The expanded study is contingent upon hydraulic modeling performed  
25 by the diversion authority and supplied to the state water commission and North Dakota state  
26 university research team. The hydraulic modeling performed by the diversion authority is eligible  
27 for cost share by the state water commission. The expanded study must be completed by  
28 September 1, 2016, and must focus on:

- 29 1. ~~The impacts in the area outside the area recognized by the United States army corps-~~  
30 ~~of engineers for which mitigation is required and must address impacts from greater-~~  
31 ~~than six inches of additional water, which is consistent with preliminary indications-~~

1 ~~from the federal emergency management agency.~~The area determined by hydrology  
2 modeling to be affected by project conditions in excess of six inches, and outside the  
3 area recognized by the army corps of engineers for which mitigation is required  
4 upstream of the proposed dam, which is consistent with current floodplain designation  
5 by the federal emergency management agency for the studied flood event.

6 2. ~~Agricultural production income impacts due to operation of the diversion project.~~The  
7 impacts on agricultural production income due to operation of the diversion project.

8 ~~3. Agricultural production income losses resulting from a ten-year, twenty-five-year,~~  
9 ~~fifty-year, one hundred-year, and five hundred-year flood event.~~

10 **SECTION 30. BONDING AUTHORITY - BUDGET SECTION APPROVAL.** The state water  
11 commission shall request budget section approval prior to issuing any revenue bonds during the  
12 biennium beginning July 1, 2015 and ending June 30, 2017.

13 **SECTION 31. AMENDMENT.** Section 54-35-02.7 of the North Dakota Century Code is  
14 amended and reenacted as follows:

15 **54-35-02.7. Water topics overview committee - Duties.**

16 The legislative management, during each interim, shall appoint a water topics overview  
17 committee in the same manner as the legislative management appoints other interim  
18 committees. The committee must meet quarterly and is responsible for legislative overview of  
19 water topics and related matters, the Garrison diversion project, and for any necessary  
20 discussions with adjacent states on water topics. The committee shall work collaboratively with  
21 the state water commission to develop and review policies and update as necessary to further  
22 define the state role in major flood control projects. The committee shall prepare a schedule of  
23 priorities with respect to water projects. The state water commission and state engineer shall  
24 assist the committee in developing the schedule of priorities, and the committee may seek input  
25 from stakeholders within the state regarding water project priorities. The committee shall report  
26 on the committee's project prioritization process, provide updates on allocated program  
27 expenditures, and report on the fund balances of projects, grants, and contracts. The committee  
28 also shall study policies regarding the development and financing of municipal projects,  
29 including water treatment plants; pipelines, including pipeline expansion, public and industrial  
30 use of water, cost analysis of future project development, and ongoing maintenance cost of  
31 current and future projects; and technology, including the use of technology for permitting and

1 electronic metering. During the 2013-14 interim, the committee shall review water supply routes  
2 and alternatives for the Red River valley water supply project. The legislative management shall  
3 designate the chairman of the committee. The committee shall operate according to the statutes  
4 and procedure governing the operation of other legislative management interim committees.

5 **SECTION 32.** A new section to chapter 61-02 of the North Dakota Century Code is created  
6 and enacted as follows:

7 **Bank of North Dakota - Line of credit.**

8 The Bank of North Dakota shall extend a line of credit not to exceed two hundred million  
9 dollars at a rate that may not exceed one and three-quarters percent to the state water  
10 commission. The state water commission shall repay the line of credit from funds available in  
11 the resources trust fund, water development trust fund, or other funds, as appropriated by the  
12 legislative assembly. The state water commission may access the line of credit, as necessary,  
13 to provide funding as authorized by the legislative assembly for water supply projects in  
14 suspense, water supply projects identified in section 19 of this Act and water supply projects  
15 approved before June 30, 2017, and flood control projects that have approval for funding before  
16 June 30, 2017.

17 **SECTION 33.** A new section to chapter 61-02 of the North Dakota Century Code is created  
18 and enacted as follows:

19 **State water commission cost-share policy.**

20 The state water commission shall adopt a cost-share policy for the financing of water  
21 projects. The policy:

- 22 1. Must provide a water supply project is eligible for grants up to seventy-five percent of  
23 the total eligible project costs.
- 24 2. May not determine program eligibility of water supply projects based on a population  
25 growth factor. However, a population growth factor may be used in prioritizing projects  
26 for that purpose.
- 27 3. Must consider all project costs potentially eligible for reimbursement, except the  
28 commission may exclude operations expense and regular maintenance. The  
29 commission shall require a water project sponsor to maintain a capital improvement  
30 fund from the rates charged customers for future extraordinary maintenance projects  
31 as condition of funding an extraordinary maintenance project.

1     4.    May not determine program eligibility of water supply projects based on affordability.  
2             However, affordability may be used in prioritizing projects for that purpose.

3             **SECTION 34.** A new section to chapter 61-02 of the North Dakota Century Code is created  
4 and enacted as follows:

5             **North Dakota outdoor heritage fund grants - Effect on local cost-share.**

6             For projects involving the repair of an existing flood control or recreation structure, the state  
7 water commission may not deduct North Dakota outdoor heritage fund moneys provided from  
8 the cost of the project before determining the local cost-share. The state water commission shall  
9 include those provided moneys as part of the local cost-share, however, the local entity may not  
10 receive funding in excess of the total project cost.

11     ~~**SECTION 19. REPEAL.** Section 61-02-78 of the North Dakota Century Code is repealed.~~

12             **SECTION 35. EMERGENCY.** Sections 1, 7, 12, and 17 of this Act are declared to be an  
13 emergency measure.