

**North Dakota Department of Water Resources Testimony
Relative To Senate Bill 2345**

Presented To The Interim House Appropriations Committee

November 10, 2021

Chairman Delzer, and members of the Interim House Appropriations Committee, I am Andrea Travnicek, Director of the Department of Water Resources, and Secretary to the State Water Commission. I am here today to provide testimony in support of Senate Bill 2345, and the use of American Rescue Plan Act (ARPA) funds to advance the Governor's Accelerate ND plan for strategic water infrastructure projects.

During the 2021 assembly, the Legislature demonstrated tremendous support for water projects through the passage of House Bill 1020, the Department of Water Resources' (DWR) budget bill; and House Bill 1431, the infrastructure bonding bill. For both of those pieces of legislation, DWR and local water project sponsors from all areas of the state are grateful for your support of water projects during the current budget cycle.

As we look to the future, there are water development funding challenges that will take the collective efforts of all of us to address. But at the same time, support of water development through the use of ARPA funds, bonding, and the state's Resources Trust Fund, provide our state with unique, and promising opportunities. As you know, the Resources Trust Fund was created in large part to fund water projects within the state, and is derived from 20.5% of oil extraction taxes. The future development of oil and gas remains important to the development of water projects in North Dakota, and continued

efforts of DWR to work with water project sponsors to identify needs on a biennial basis are critical to planning for the wise use of Resource Trust Fund dollars. The agency's budgeting and planning efforts, however, do not always include those potential water projects that may materialize after the budget has been finalized. Often times, these projects are economic development investors looking to locate somewhere in the state based on incentives and water availability. Just in my past three months in this role, the Department has been approached by various communities statewide looking to understand the availability of potential funds, and water, for economic development needs.

With all of this in mind, I would like to briefly outline some key take-aways that we have learned through DWR's most recent 2021 water development planning efforts, which involves extensive grassroots input from our state's many local water project sponsors. Within the 2021 Water Development Plan, the Department of Water Resources inventoried about \$646 million in state-supported water project funding needs during the 2021-2023 biennium. The approximately \$402 million in new project funding in HB 1020, combined with the \$510 million of cost-share in HB 1431 through bonding (of which \$435.5 million is for the Fargo Diversion Project and \$74.5 million is for Mouse River Enhanced Flood Protection) greatly help to address a large portion of those needs identified in the next two-year timeframe. However, as you are all aware, North Dakota's largest water projects require longer-term planning and continued commitment to reach completion. The amount of dollars in the Resources Trust Fund and the

buckets the dollars are divided among dictates which projects can be funded with limited flexibility.

To address a longer-term planning horizon, we developed estimates for 10-year water project funding needs, as outlined in the attached bar chart. In addition, we have presented those needs by purpose, with a range of potential revenue streams from the Resources Trust Fund. As you can see, the estimated unfunded water project funding needs from the state over the course of the next ten years is about \$2.5 billion. Those needs compared with Resources Trust Fund revenues of \$200 million, \$300 million, and \$400 million per biennium, yields estimated funding shortfalls from the state of \$1.4 billion, \$984 million, and \$484 million, respectively. I would like to also point out that these estimated shortfalls do already take into consideration the 2021-2023 biennium funding commitments provided for water in HB 1020 and HB 1431 during the 2021 Legislative Assembly.

As previously discussed, in addition to the traditional water infrastructure needs we've identified across the state that could currently use additional funds, we are also learning more about emerging economic development opportunities that will be seeking state cost-share (see attached). Examples include petrochemical manufacturing that will rely on a \$25 million expansion at the Williston Water Treatment Plant; \$14 million for a water supply line from Washburn to the Blue Flint Ethanol Plant; and \$16 million for a water service project from the Grand Forks Water Treatment Plant to their new industrial agriculture park.

On a broader scale, as outlined in recent months by North Dakota's Department of Commerce, Economic Development and Finance Division, they are working on \$25 billion in various projects throughout the state. Of those projects, we know that in some cases water will undoubtedly be a critical factor – particularly for project types like those identified in the attached handout. We are also aware that emerging economic development opportunities can advance more rapidly and are not always easily planned for years in advance. With that in mind, flexibility in the state's ability to support those types of projects might be the difference between their success in North Dakota, versus elsewhere.

By directing dollars toward strategic water investments like value-added agriculture and energy projects today, we can solidify economic development growth opportunities here in North Dakota. The Department of Water Resources is a key partner when formalizing cost-share packages for economic recruitment and investments. The Department does not want to be the limiting factor to potential statewide opportunities not realized during the 21-23 budget planning process. The use of ARPA funds in strategic water investments today can lead to economic diversification initiatives statewide and to accelerated traditional project completions, which can bring quicker returns on investments.

Therefore, in consideration of the large, and important traditional water development needs throughout our state, and emerging economic development opportunities, I

respectfully request your support of the Governor's proposal to invest \$50 million of the state's ARPA funds in strategic water infrastructure projects.

Mr. Chairman, members of the committee, this concludes my testimony, and I will be happy to answer questions that you might have.

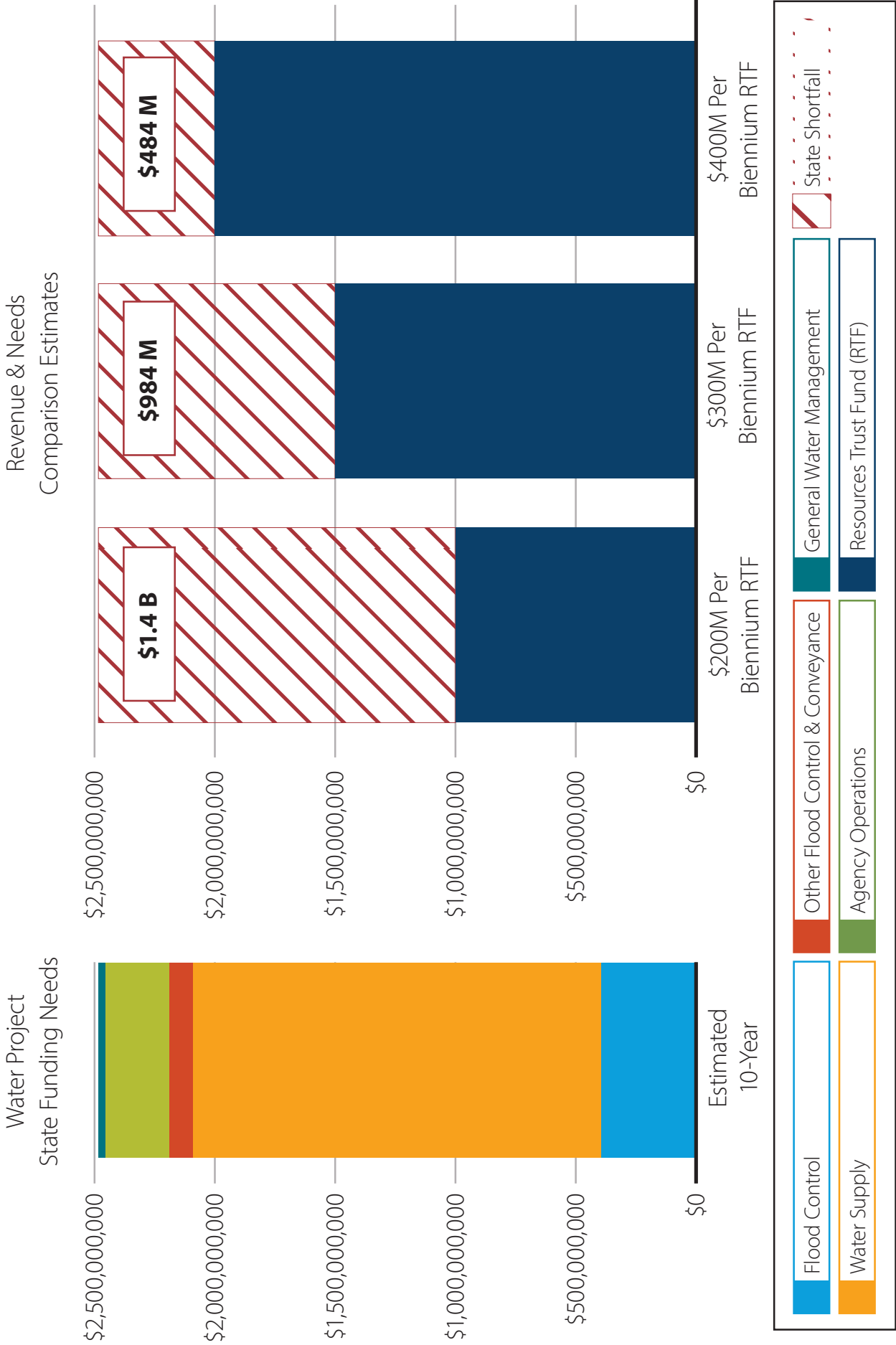
2021-2023 WATER-RELATED FUNDING

HB 1020: Water Resources Budget Bill

\$1.1M	Basin-Wide Plan	\$59.6M	Rural Water Supply
\$6.0M	Discretionary Funding	\$63.9M	Salaries & Operating
\$14.2M	General Water	\$125M	Water Supply
\$48M	Flood Control	\$148.5M	Capital Assets

- HB 1020: Largely Funded With Resource Trust Fund Revenue – From 20.5% Of Oil Extraction Tax
- HB 1431: Bonding Bill Supporting Water Infrastructure (\$50M IRLF, \$74.5M Mouse River Flood Protection, \$435.5 FM Flood Control)

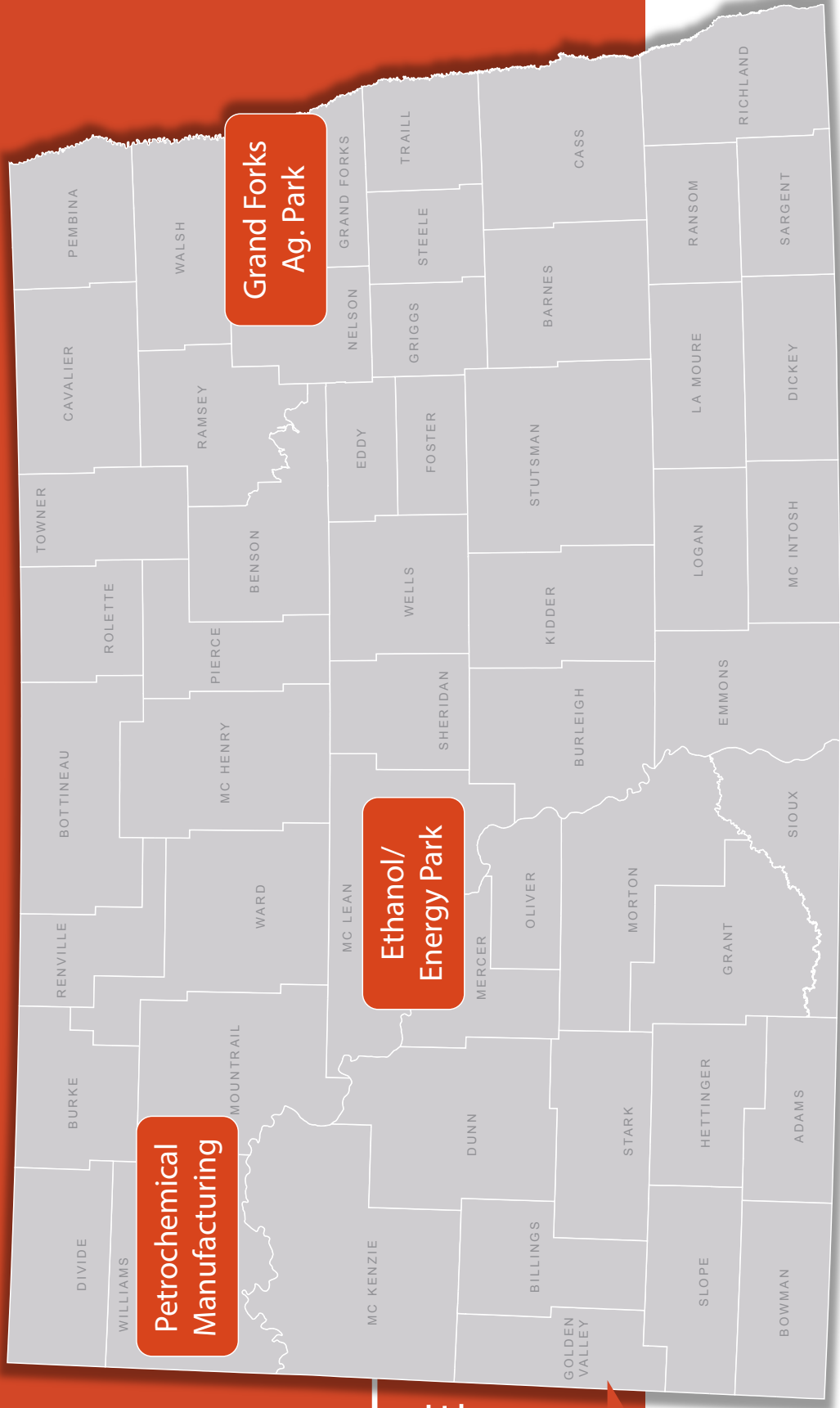
10-YEAR WATER PROJECT FUNDING NEEDS & REVENUE COMPARISONS



EMERGING ECONOMIC DEVELOPMENT OPPORTUNITIES

WATER INFRASTRUCTURE
WILL BE A KEY FACTOR

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- Department Of Commerce Renewed Approach To Economic Development – Working on \$25B in Projects Statewide