



## Testimony – House Bill 1218

House Energy and Natural Resources Committee

Chairman – Representative Todd Porter

January 30, 2025

Good morning chairman Porter and members of the House Energy and Natural Resources Committee. Thank you for the opportunity to testify before you this morning.

I am Michael Anderson, a Commissioner on the ND State Water Commission. I would like to provide testimony ~~not necessarily against anything but rather~~ to explain how important the tool of Economic Analysis has been to the decision-making efforts of the State Water Commission and the Department of Water Resources. Since its implementation, EA has been an invaluable resource and tool not only for the State Water Commission and Department of Water Resources, but also for the sponsors seeking cost share of North Dakota state tax dollars. A fundamental result of any project and desired outcome is benefit for investment. By implementing the Economic Analysis, the State Water Commission felt that return on investment for state taxpayer dollars could be calculated and lead to impactful and efficient projects. One of the main tenants of the State Water Commission is to be fiscally

responsible with state taxpayer dollars and I believe this tool is critical to achieving that result.

## Background

In 2017, the 65<sup>th</sup> Legislative Assembly passed House Bill 1020, the budget bill for the Agency known as the State Water Commission, now the Department of Water Resources. The stated intent and purpose of this legislation was to ensure that state tax dollars used for projects throughout the state of North Dakota had a return on investment. Section 21 of this bill instructed the State Engineer to develop an Economic Analysis process for water conveyance and flood – related projects expected to cost more than \$1 million dollars. The bill also stated that when the State Water Commission was considering funding for one of the mentioned types of projects, the State Engineer would provide the results of the Economic Analysis to the Commission for consideration.

This tool was implemented for project analysis during the 2019 – 2020 biennium. My colleagues and I immediately noticed and appreciated the information provided in the decision-making process. As we used and implemented the EA, the question was asked, “how can we best utilize this tool.” One topic of consideration was that many large projects or potential parts of projects were under the \$1 million dollar threshold. We felt that these projects would benefit from this analysis to provide vital information to the



Commission. In response, the Commission, in cooperation with the Interim Water Topics Committee, asked the question of Legislative Council to determine if the State Water Commission had the ability to adjust the \$1 million dollar threshold to a lower amount. We were given the answer that the State Water Commission did have the discretion to modify this amount. In December of 2019, by unanimous vote, the State Water Commission voted to adopt the current \$200,000 threshold for Economic Analysis. This level was chosen because it matched the statutory requirement for bidding public improvement construction projects.

To be fiscally responsible to the State with taxpayer dollars, it is important to have all the tools available to ensure transparency and that a dollar spent has an expectation of a proper return for the benefited parties. We on the State Water Commission, utilizing taxpayer dollars, are in effect asking every taxpayer in North Dakota to participate in these local projects. The assurance that these dollars are being utilized properly, impactfully, and efficiently is a very important mandate. The successful outcome of these projects for the quality of life for our citizens is the goal and the reason to award these cost share dollars.

One of the fundamental premises of any project or business is Return on Investment. What is the expected benefit from the desired project for the investment being made? This tool

of Economic Analysis helps insure that we are responsible to taxpayers and the ND Legislature.

I believe the State Water Commission and Department of Water Resources have been very responsible in utilizing this tool for the benefit of the State. It is not our desire or intention to add one dollar of cost to any project that comes before us for cost share. Standard engineering practices provide for Economic impact and return on investment as well as life cycle cost analysis. We are in effect partnering with these sponsors to complete these impactful projects. The calculation and estimate of these factors are part of the process. We have a responsibility to the sponsor to nurture these projects. As these projects are developed, we must consider the local share as well as the State's investment, and any other participating entity such as road authorities, townships, counties, or private industry.

This is the very purpose of and function of Economic Analysis. In action and implementation, the Economic Analysis tool gives important feedback to the viability of a project not only to the State Water Commission but also to the project sponsors themselves.

I have witnessed on many occasions the staff at the Department of Water Resources engage the sponsor and help establish and develop this information. They have also been professional in every case considering factors the sponsor may feel were not properly calculated to establish



the Economic Analysis ratio. I have also on several occasions personally gone out to the sites of these projects and engaged the sponsors to determine if all benefits have been properly accounted for. In every case, this information was passed back to the Department of Water Resources staff and added to the project at the proper level.

Another important benefit of Economic Analysis is to the sponsor themselves. I have seen on several occasions a specific project developed and when analyzed, did not return on investment what the sponsor had hoped.

Questions such as “is this project over scaled or under scaled for the particular purpose intended on the cost share application?” Can the sponsor receive the intended benefits not only from the state funds committed but also the local share that will be spent? Through this process, they were able to adjust their request to include some previously not considered aspects and include them in the project. This resulted in a better ratio and a more impactful project. This very important process results in significant financial savings not only to the State of North Dakota but to the local sponsors themselves.

The State Water Commission and Department of Water resources as government agencies do not ever want to mandate to a sponsor what they must do. Regardless of the Economic Analysis results, a sponsor has the ability if they feel their project is worthy as presented, they can still

proceed with the project. They have to make that individual decision based on their own criteria and with the proper level of State Water Commission cost share participation.

The ability to engage in thoughtful discussion regarding these projects is always there. There have been several occasions, upon analysis and discussion with Commissioners, the cost share percentages were increased to reflect special circumstances. I feel this is a very important role for commissioners to engage the public and respond to impactful projects. We have the discretion to consider factors that may not be captured fully in the consideration of a project.

All of these applications to the Department of Water Resources are intended to be based on need. This tool is vitally important so that the Department and Commission can be fiscally responsible to the people of North Dakota.

I feel this tool has been appropriate, consistent, and has provided the decision-making information to the Commission it was intended to provide. The intent of the legislature by mandating the use of this tool was to ensure that State Tax dollars were being spent efficiently and appropriately. If the State was to participate in any of these types of projects, there would be a realistic expectation there would be the appropriate return on this investment.

We would like to utilize every tool available to us so we can make impactful, meaningful, efficient, and transparent

decisions that benefit our citizens and give credibility to the cost share program.

Thank you for the opportunity to offer this testimony and I will stand for any questions.

Respectfully submitted,

Michael Anderson