

TESTIMONY OF

David Bruschwein, Director of Municipal Facilities

Good morning, Chairman Patten and members of the Senate Energy and Natural Resources Committee. My name is David Bruschwein, and I am the director for the Division of Municipal Facilities of the North Dakota Department of Environmental Quality (DEQ). I am here today to provide information relevant to wastewater infrastructure construction in reference to HB 1577.

The Division of Municipal Facilities is responsible for reviewing wastewater projects for meeting the technical requirements of the Clean Water Act. In 2024 we approved 91 projects that included wastewater infrastructure.

The Division is also responsible for implementing the Clean Water State Revolving Loan Fund (CWSRF) in North Dakota. The CWSRF is a federally funded low interest loan program that provides below market interest rate loans to communities for wastewater infrastructure projects. A percentage of the federal funds provided must go out as loan forgiveness (grants). The Division assesses the technical and managerial capabilities of these wastewater loan projects. The ND Public Finance Authority, through a memorandum of understanding, provides financial assessments of the potential borrowers and issues bonds to provide state match and leverage the program.

Prior to 2022, the CWSRF provided \$800,000 annually in loan forgiveness. Since 2022 the CWSRF was able to provide around \$7,000,000 annually in loan forgiveness with the funds from the Bipartisan Infrastructure Law. In 2027, it is anticipated this amount will drop down to roughly \$400,000 annually due to Congressionally Directed Spending.

To help understand the wastewater construction needs in the state, I would like to talk about the Project Priority List that the CWSRF prepares on an annual basis which contains projects needing financial assistance for construction. The projects are ranked on criteria such as affordability, water quality impacts, permit compliance, readiness to proceed, and green project reserve. The draft 2025 list contains 257 projects requesting \$1,492,947,000 in assistance. Some of these projects will remain on this list for many years as small communities are not able to afford these projects without grant funding.

There are other agencies that provide grant funding for wastewater projects in North Dakota. The Community Development Block Grant program provided \$3,266,633 in grants for four wastewater projects in 2024. The US Army Corp of Engineers provided \$8,165,000 in grants for two projects with wastewater improvements in 2024. The US Army Corp of Engineers has received requests from 10 additional cities with water and wastewater needs totaling approximately \$70 million in federal funds. The Federal Emergency Management Agency has provided wastewater funding in the past, but we are unsure of if there were any 2024 recipients.

A \$25 million appropriation would potentially benefit 8 projects on the 2025 Project Priority List after expected loan forgiveness projects move forward. It is worth noting that these projects may not be ready to move forward with the proposed 60/40 cost share. CWSRF offers 75 percent loan forgiveness, and some projects still are unable to proceed at that level of funding.

There have been questions on how DEQ would award this grant funding if this bill passes.

1. The DEQ would like to utilize the 2025 Project Priority List and follow processes similar to CWSRF processes to expedite the use of the funds, while ensuring state funds remained separate from federal funds.
2. One of the first steps DEQ would take is to send out grant eligibility evaluation requests for information to top projects. This would help make sure that grant dollars are appropriately applied to projects that will progress toward completion and determines other funding sources and amounts. CWSRF has capped combined loan forgiveness and grant in a bundled funding package to 90% of the project costs. The second step would be to compile responses and formally offer grant amounts as well as required deadlines.
3. DEQ envisions that cities without local funds for the 40% match may utilize CWSRF loans.
4. DEQ would follow the CWSRF process and provide funds as a reimbursement, NOT up front.

Due to the nature of infrastructure projects, it will take some time to get the grant dollars to the projects. The CWSRF funds projects from the design stage through construction and can take from two to five or more years to fully fund.

Mr. Chairman and committee members, this concludes my testimony, I would be happy to answer any questions