

ANALYSIS OF THE WATER DEVELOPMENT TRUST FUND FOR THE 1999-2001 AND 2001-03 BIENNIUMS

	<u>1999-2001 Biennium</u>	<u>2001-03 Biennium</u>
Beginning balance	\$0	\$23,795,778
Add estimated revenues		
Transfers to date from tobacco settlement trust fund	\$23,795,778 ¹	
Projected transfers from tobacco settlement trust fund		\$23,882,798
Total estimated revenues	<u>23,795,778 ²</u>	<u>23,882,798 ²</u>
Total available	\$23,795,778	\$47,678,576
Less estimated expenditures		
Transfer to the general fund (2001 HB 1023)		\$9,733,820 ⁴
State Water Commission		
Bond payments (2001 HB 1023)		8,636,398
Water development projects (2001 HB 1023)		28,995,286 ⁵
Section 404 of the Clean Water Act (2001 SB 2285)		800,000
State Department of Health		
Total maximum daily load and pollution control plans (2001 SB 2004)		99,756
Total estimated expenditures	<u>0 ³</u>	<u>48,265,260 ⁶</u>
Estimated ending balance	<u>\$23,795,778</u>	<u>(\$586,684) ⁷</u>

¹ As of April 2001, nine transfers have been made from the tobacco settlement trust fund totaling \$23,795,778.

² Estimated revenues - Interest earned on the water development trust fund is not retained in the fund but deposited in the state general fund.

³ Estimated expenditures - House Bill No. 1475 (1999) provides that moneys in the water development trust fund are to be used to address the long-term water development and management needs of the state. Senate Bill No. 2188 (1999) provides that bonds issued for flood control projects, the Southwest Pipeline Project, and an outlet to Devils Lake are to be repaid from moneys in the water development trust fund, as appropriated by the Legislative Assembly. The 1999 Legislative Assembly did not appropriate any funds from the water development trust fund for repayment of bond principal and interest; however, the Legislative Assembly did appropriate \$84.8 million from the water development trust fund for the purpose of repaying the line of credit extended by the Bank of North Dakota for interim financing. Approximately \$1.1 million for the Southwest Pipeline Project was drawn on the \$84.8 million line of credit. The funds were repaid with proceeds from the March 2000 bond sales, which will provide \$23 million for the flood control project in Grand Forks and \$4.5 million for the Southwest Pipeline Project. If necessary, a portion of the Grand Forks allocation may be used for the Wahpeton flood control project, depending on timing. The first payment of principal and interest accrued for the bonds is scheduled to be made in the 2001-03 biennium.

⁴ Transfer to general fund - House Bill No. 1023 (2001) transfers \$9,733,820, the amount for the State Water Commission administrative expenses, from the water development trust fund to the general fund. A general fund appropriation was then provided by the 2001 Legislative Assembly for the administrative expenses.

⁵ The authorization for water projects includes the \$28,572,333 included in the water projects line item in Section 1 of the bill and \$422,953 of additional operating costs relating to water projects.

⁶ The State Water Commission is authorized to spend up to \$67.8 million from the water development trust fund, resources trust fund, and bond proceeds on water development projects for the 2001-03 biennium. This includes \$31.5 million of carryover projects from 1999 Senate Bill No. 2188. Section 14 of 2001 House Bill No. 1023 limits the bonding authority for the new projects to \$20 million plus the cost of issuing bonds. Contracts for water projects to be paid from the water development trust fund may initially be issued up to an amount equal to 75 percent of the amount appropriated from that fund. Contracts for the remaining 25 percent appropriated may only be issued to the extent uncommitted funds are available in the water development trust fund. The State Water Commission is also authorized in 2001 House Bill No. 1015 to spend up to \$5 million from the resources trust fund or bond proceeds for levees at Devils Lake, which increases the bonding cap to \$25 million and the water project cap to \$72.8 million.

⁷ If adequate moneys are not available in the fund to provide for the appropriations and transfers as current projections indicate, expenditures will need to be reduced to maintain a positive ending balance.

FUND HISTORY

North Dakota Century Code (NDCC) Section 54-27-25, created by 1999 House Bill No. 1475, established a water development trust fund to be used for the long-term water development and management needs of the state. This section creates a tobacco settlement trust fund for the deposit of all tobacco settlement moneys obtained by the state. Moneys in the fund must be transferred as follows, within 30 days of their deposit in the fund:

Ten percent to the community health trust fund.

Forty-five percent to the common schools trust fund.

Forty-five percent to the water development trust fund.

North Dakota Century Code Section 54-27-25 also provides that transfers that would otherwise be made to the common schools trust fund during the biennium must be made to the water development trust fund until the amount in the water development trust fund is sufficient to make required bond payments for bonds issued for water projects authorized by NDCC Section 61-02.1-04. Once the amount required for the biennium is transferred to the water development trust fund, an equal amount must be transferred to the common schools trust fund, if available, from the moneys deposited in the tobacco settlement trust fund during the biennium. Once an equal amount has been deposited in each fund, transfers from the tobacco settlement trust fund will be allocated equally for the remainder of the biennium--45 percent to the water development trust fund and 45 percent to the common schools trust fund. The State Engineer has stated that deposit of 45 percent of the tobacco settlement trust fund into the water development trust fund would be adequate during the 1999-2001 biennium. Therefore, transfers to date for the common schools trust fund have not been redirected to the water development trust fund.

North Dakota Century Code Section 61-02.1-04, created by 1999 Senate Bill No. 2188, provides that the principal and interest on bonds issued for flood control projects, the Southwest Pipeline Project, and an outlet to Devils Lake must be repaid with moneys appropriated from the water development trust fund.