

**Department of Water Resources
Budget No. 770
House Bill No. 1020**

	FTE Positions	General Fund	Other Funds	Total
2025-27 legislative appropriation	98.00	\$0	\$769,257,471	\$769,257,471
2023-25 legislative appropriation	<u>93.00</u>	<u>0</u>	<u>905,161,166</u>	<u>905,161,166</u>
2025-27 appropriation increase (decrease) to 2023-25 appropriation	5.00	\$0	(\$135,903,695)	(\$135,903,695)

Item Description

Full-time equivalent changes - The Legislative Assembly approved 98 FTE positions for the Department of Water Resources (DWR) for the 2025-27 biennium, an increase of 5 FTE positions from the 2023-25 biennium. The Legislative Assembly added an FTE accountant, deputy director, Northwest Area Water Supply (NAWS) operator, and general counsel positions and converted a "silver jacket" flood risk temporary position to an FTE position.

New and vacant FTE pool - The Legislative Assembly transferred \$1,225,787 for 5 new FTE positions and \$1,145,271 for estimated savings from vacant FTE positions from the salaries and wages line item to the new and vacant FTE pool line item.

One-time funding - The following is a summary of one-time funding items for DWR for the 2025-27 biennium:

	Other Funds
Bank of North Dakota line of credit for water projects and grants	\$260,000,000
New FTE one-time funding	36,000
Emergency pumps replacement	480,000
Excavator replacement	400,000
Data logger replacement	60,000
Board of Water Well Contractors one-time funding	30,000
Total	\$261,006,000

Status/Result

Through April 2026, the department reported all new FTE positions have been filled.

Through January 2026, the department had estimated vacant FTE position savings of \$466,913. The agency used \$61,542 for accrued leave payouts, bonuses, and extra temporary salaries. The department had between 3 and 9 vacant FTE positions from July 2025 through January 2026, with an average vacancy rate of 6.86 FTE positions. Through April 2026, the department has not requested a transfer of appropriation authority from the new and vacant FTE pool line item to other lines items for new FTE positions.

The following is a summary of the status of the department's one-time funding items:

Bank of North Dakota line of credit for water projects and grants	Through April 2026, the department has not utilized the Bank of North Dakota line of credit. The department anticipates obligating the entire line of credit on water projects during the 2025-27 biennium but does not anticipate spending funding from the line of credit by the end of the biennium.
New FTE one-time funding	The department is in the process of purchasing equipment for new FTE positions and anticipates using the entire appropriation by the end of the 2025-27 biennium.
Emergency pumps replacement	Through April 2026, the department spent \$172,712 on the replacement of two pumps. The department anticipates two additional pumps will be replaced during the 2025-27 biennium but the cost of the other replacements is not yet known.
Excavator replacement	Through April 2026, the department has not purchased a new excavator but anticipates the purchase will be made before the end of the 2025-27 biennium.

Data logger replacement	Through April 2026, the department has not purchased a new data logger but anticipates the purchase will be made before the end of the 2025-27 biennium.
Board of Water Well Contractors one-time funding	Through April 2026, the department reported expenditures for administrative services related to the Board of Water Well Contractors has been less than anticipated due to the department using staff to scan all board documents to electronic files rather than contracting for the service. It is unknown how much of the \$30,000 appropriation will be spent by the end of the 2025-27 biennium.

Deficiency appropriation - In House Bill No. 1024 (2025), the Legislative Assembly approved a deficiency appropriation of \$10 million from the Resources Trust Fund to DWR for the 2023-25 biennium to repay a Bank of North Dakota line of credit associated with the Water Infrastructure Revolving Loan Fund.

Additional income - In Section 4 of House Bill No. 1020, the Legislative Assembly provided that in addition to the funding appropriated in Section 1, any additional federal funds and other amounts in the Resources Trust Fund and Water Commission Fund which become available are appropriated to DWR for the purpose of defraying the expenses of the department.

Any additional amounts in the Resources Trust Fund must be allocated equally between municipal water supply grants and rural water supply grants. Any additional amounts in the Water Commission Fund must be allocated to the project for which the funding was intended. Any additional federal funds which become available to the department must be allocated for the purpose for which the funds were received.

Water Projects Stabilization Fund - In Section 5 of House Bill No. 1020, the Legislative Assembly identified \$42.5 million appropriated in Section 1 is from the Water Projects Stabilization Fund for water supply grants.

Water Infrastructure Revolving Loan Fund - In Section 7 of House Bill No. 1020, the Legislative Assembly provided for a transfer of \$40 million from the Resources Trust Fund to the Water Infrastructure Revolving Loan Fund at the Bank of North Dakota for providing loans for water projects.

In Section 8 of House Bill No. 1020, the Legislative Assembly provided for a \$100 million Bank of North Dakota line of credit, the proceeds of which are to be transferred to the Water Infrastructure Revolving Loan Fund as necessary to provide local cost-share for projects approved by the State Water Commission (SWC).

The department repaid the line of credit in May 2025 at a cost of \$10 million, of which \$11,631 was from interest accrued on the line of credit.

Through April 2026, the department received \$13,375,500 pursuant to Section 4 of House Bill No. 1020, including \$12,987,500 from the mediation of the Southwest Pipeline Project (SWPP) intake project and \$388,000 received from counties participating in the cloud modification project, which is a general water project that seeds clouds for hail damage reduction and rain enhancement in western North Dakota. Bowman County and Slope County are the counties participating in the cloud modification project.

The balance of the Water Projects Stabilization Fund was \$148,238,760 at the beginning of the 2025-27 biennium. Through April 2026, \$6.8 million in interest has accrued on money in the fund. The department has allocated the funding in the fund for the Red River Valley water supply project (RRVWSP) and the Western Area Water Supply Project. Through April 2026, the department has not spent any funding from the Water Projects Stabilization Fund.

The \$40 million appropriated from the Resources Trust Fund was transferred to the Water Infrastructure Revolving Loan Fund between August 2025 and November 2025.

Through April 2026, the \$100 million line of credit has been obligated for water projects. The Bank of North Dakota anticipates the line of credit will be drawn on beginning in June 2026. The department is required to request a deficiency appropriation from the 2027 Legislative Assembly to repay the line of credit.

Through April 2026, the Bank of North Dakota issued 67 loans through the Water Infrastructure Revolving Loan Fund, of which 54 were outstanding, with a total balance of \$86 million.

Biota Water Treatment Plant Operating Fund - In Section 12 of House Bill No. 1020, the Legislative Assembly created Section 61-24.6-08.1 to authorize DWR a continuing appropriation to spend any federal funds received and deposited into the Biota Water Treatment Plant Operating Fund for the operation of the NAWS biota water treatment plant.

Red River Valley water supply project - In Section 13 of House Bill No. 1020, the Legislative Assembly provided legislative intent that the SWC provide a total of \$953 million, excluding any funding provided prior to the 2023-25 biennium, for the RRVWSP, of which \$205 million was provided from the Resources Trust Fund during the 2025-27 biennium. The Legislative Assembly provided \$180 million from the Resources Trust Fund for the 2023-25 biennium.

From the 2017-19 biennium through the 2023-25 biennium, the state provided a total of \$297 million for the RRVWSP, of which \$215 million was provided directly by the Legislative Assembly and \$82 million was approved by the SWC.

Mouse River Enhanced Flood Protection Project - In Section 15 of House Bill No. 1020, the Legislative Assembly provided legislative intent that the SWC provide a total of \$380.5 million, excluding any funding provided prior to the 2023-25 biennium, for the Mouse River enhanced flood control project, of which \$81.1 million was provided from the Resources Trust Fund during the 2025-27 biennium. The Legislative Assembly provided \$76.1 million from the Resources Trust Fund for the 2023-25 biennium.

Funding for the Mouse River enhanced flood control project, which focused on flood control within the city limits of Minot, was provided by the 2017 and 2019 Legislative Assemblies and included legislative intent to provide a total of \$193 million, of which \$100.7 million had been provided. The 2021 Legislative Assembly broadened the use of the funding to include both outside and inside the city limits of Minot and provided new legislative intent that the state provide \$604 million, which excludes any funding provided prior to the 2021-23 biennium. The 2023 Legislative Assembly provided new legislative intent that the state provide \$380.5 million which excludes any funding provided prior to the 2023-25 biennium. The reduction in legislative intent for the project was due in part to the receipt of additional federal funds for the project.

Through April 2026, the department deposited \$46,614 from federal funds received during the 2025-27 biennium into the Biota Water Treatment Plant Operating Fund and spent \$426,193 from the fund, including money derived from federal funds deposited in the Biota Water Treatment Plant Operating Fund in prior bienniums.

The State Water Commission approved \$205 million for the RRVWSP in October 2025.

The State Water Commission approved \$81.1 million for the Mouse River enhanced flood control project in February 2026.

Grants and water projects legislative intent - In Section 16 of House Bill No. 1020, the Legislative Assembly provided legislative intent regarding the designation of funding for water projects, including \$110 million for water supply projects, \$245 million for regional water supply projects, \$117.6 million for flood control projects, and \$18 million for general water projects. The section provides funding may be reallocated between designations.

Through April 2026, the SWC has approved the allocation of water project funding appropriated for the 2025-27 biennium as follows:

Project Category	Funding Allocated
Water supply	
Rural	\$70,000,000
Municipal	40,000,000
Regional water supply	
RRVWSP	205,000,000
Western Area Water Supply Project	40,000,000
NAWS project	12,600,000
SSP	101,000,000
Flood control	
City of Bismarck projects	17,000,000
Mouse River projects	81,100,000
Valley City projects	12,000,000
Devils Lake projects	1,000,000
Other projects	7,500,000
General water	
Water conveyance	15,000,000
Other projects	3,000,000
Total	\$605,200,000

State Water Commission studies - In Section 20 of House Bill No. 1020, the Legislative Assembly provided for the SWC to study Phase 2 of the department's study of select intake sites. During the 2023-25 biennium, the department conducted Phase 1 of the Missouri River intake sites study.

In Section 21 of the bill, the Legislative Assembly provided for a SWC study of the long-term governance and finance models of select regional water systems in the state. The study must include the operational and organizational aspects of the SWPP, the NAWS Project, and the RRVWSP.

In Section 22 of the bill, the Legislative Assembly provided for a SWC study of the commission's cost-share policy during the 2025-26 interim. The study must include an evaluation of whether projected funding for water projects, in conjunction with the existing cost-share policy, will adequately address anticipated funding needs for water projects through July 1, 2039. The study must also evaluate the schedules and overall work plans of water projects and the state's financial role in deferred maintenance or replacement projects and must recommend strategies to address any funding shortfalls identified.

The department entered a contract with HDR, Inc., for \$860,255 for Phase 2 of the Missouri River intake sites study. The study is anticipated to be completed in March 2027.

On March 26, 2026, the Water Topics Overview Committee and the SWC held a joint meeting to receive draft reports from DWR and their consultant, Deloitte US, regarding proposed recommendations related to the governance study and cost-share policy study.

The draft report of the regional water systems governance and finance study includes three optional recommendations for the SWPP, three optional recommendations for the NAWS Project, and three optional recommendations for the RRVWSP. The recommendations relate to each water system's planning processes, financial plans, ownership of assets, performance monitoring, establishment of long-term business plans, implementing performance metrics, and operations and maintenance of each project. The department's contract with Deloitte US for this study is for \$428,203. A final report is expected to be provided to the committee during its June 2026 meeting.

The draft report of the SWC's cost-share policy and financial planning study included seven recommendations, including recommendations related to adjusting the cost-share percentage for water replacement projects, adjusting other cost-share percentages to align with the commission's project prioritization guidance, establishing a maximum amount of state funding available for the Mouse River Enhanced Flood Protection Project and the RRVWSP, using the Legacy Fund to issue bonds for water projects, delay moderate- and low-priority water projects, fully obligate line of credit available to the department, and delaying

transfers from the Resources Trust Fund to the Water Infrastructure Revolving Loan Fund. The department's contract with Deloitte US for this study is for \$570,090. A final report is expected to be provided to the committee during its June 2026 meeting.

Through April 2026, the department has not requested any line item transfers. It is unknown if line item transfers will be requested during the 2025-27 biennium.

The department continued \$570,111,213 of prior biennium appropriation authority into the 2025-27 biennium.

Through March 2026, the City of Bismarck received \$2.2 million from the department for the city's master plan study.

The City of Bismarck reported to the Water Topics Overview Committee in March 2026, that the water treatment plant project was expected to cost approximately \$83 million as of the 2023 regular legislative session. In 2024, the city conducted a design review that revealed the project is anticipated to cost \$127 million and in 2025 the estimated project cost was increased to \$143 million.

The City of Bismarck anticipates requesting an additional \$36 million from the SWC and the Legislative Assembly in 2027, to provide total state funding of \$86 million for the project, equal to 60 percent of the total project costs. The project is scheduled to begin construction in 2028 and conclude in 2030.

Line item transfers - Section 23 of House Bill No. 1020 provides the Director of DWR may request the Office of Management and Budget transfer up to \$5 million between operating expenses and capital assets line items during the 2025-27 biennium.

Water project carryover - In Section 24 of House Bill No. 1020, the Legislative Assembly provided that any unexpended obligated and unobligated 2023-25 biennium appropriation authority for grants or water-related projects, estimated to be \$600 million, may be continued and expended during the 2025-27 biennium.

Bismarck water treatment plant - In Section 16 of Senate Bill No. 2020 (2023), the Legislative Assembly provided legislative intent that the SWC provide \$50 million from the Resources Trust Fund for a Bismarck water treatment plant during the 2023-25 biennium.