

CONTINGENT FUNDING ALLOCATION FOR THE CENTRAL DAKOTA WATER SUPPLY PROJECT - BACKGROUND INFORMATION

This memorandum provides information regarding the contingent funding allocation from the State Water Commission's water and atmospheric resources line item for the Central Dakota Water Supply Project.

The Chairman of the Legislative Management has directed the Government Finance Committee, as part of its study of Budget Section functions, to review the provisions of Section 19 of 2015 Senate Bill No. 2020 ([appendix](#)) relating to the contingent allocation of funds appropriated for water projects for the Central Dakota Water Supply Project. Section 19 of 2015 Senate Bill No. 2020 provides for a contingent allocation of \$10 million for a grant, \$40 million for a loan for a water reuse facility, and \$20 million for the Central Dakota Water Supply Project from the State Water Commission's water and atmospheric resources line item appropriation. The \$70 million of allocations are contingent on the State Water Commission entering into a written agreement that a fertilizer or chemical processing facility will be constructed in Stutsman County. The section also directs the State Water Commission to conduct a study on the feasibility and desirability of the Central Dakota Water Supply Project for the 2015-17 biennium. The study must include a financial analysis as well as a detailed business plan for the project, including projected operational costs and projected water supply needs for the area to be served.

In August 2015, CHS Inc. announced it was no longer planning to build a fertilizer or chemical processing facility in Stutsman County. Therefore, it appears the contingency will not be met; however, the funds are still appropriated to the State Water Commission for the 2015-17 biennium. Concerns over the potential use of the appropriated funds for purposes other than the Central Dakota Water Supply Project and related grants and loans have led to questions regarding the authority of the Budget Section to approve alternative uses of the appropriated funds. While the Budget Section does not currently have authority to approve the use of these funds for other purposes, the Chairman of the Legislative Management has directed the Government Finance Committee, as part of its study of Budget Section functions, to review the provisions of Section 19 of 2015 Senate Bill No. 2020 and to determine whether it would be appropriate for the Budget Section to be authorized by the Legislative Assembly to approve, in future bienniums, alternative uses of funds appropriated by the Legislative Assembly.

ATTACH:1