



North Dakota Legislative Council

Prepared for the Water Topics Overview Committee

LC# 27.9218.01000

June 2026

STORM WATER PROJECTS STUDY AND WASTEWATER PROJECTS FUND STUDY - INTERIM STATUS UPDATE

Section 19 of House Bill No. 1020 (2025) ([Appendix A](#)) provides for a study during the 2025-26 interim regarding funding for storm water projects in the state, including current funding sources, related statutes, and the policies of the State Water Commission (SWC). The study must include information regarding recently completed storm water projects and funding needs for future storm water projects in the state.

Section 3 of House Bill No. 1577 (2025) ([Appendix B](#)) provides for a study during the 2025-26 interim regarding the feasibility and desirability of establishing a wastewater project fund to provide for grants for upgrading, constructing, or replacing wastewater infrastructure. The study must include input from cities, counties, townships, and water resource districts.

The Legislative Management assigned the responsibility for these studies to the interim Water Topics Overview Committee.

MAJOR WATER-RELATED STATE FUNDS

The following is a summary of major water-related state funding during the 2023-25 and 2025-27 bienniums:

	Resources Trust Fund	Water Projects Stabilization Fund	Municipal Infrastructure Fund	Total
2023-25 Biennium				
Beginning balance	\$428,790,986	\$122,029,793	\$0	\$550,820,779
Revenue	506,790,000	26,208,967	115,000,000	647,998,967
Expenditures	(438,878,660)	0	(115,000,000)	(553,878,660)
Ending balance ¹	\$496,702,326	\$148,238,760	\$0	\$644,941,086
2025-27 Biennium				
Revenue	383,510,000	500,000	80,000,000	464,010,000
Expenditures ^{2,3}	(878,387,057)	(42,500,000)	(80,000,000)	(1,000,887,057)
Ending balance ¹	\$1,825,269	\$106,238,760	\$0	\$108,064,029

¹The Department of Water Resources (DWR) has allocated funding available in the Water Projects Stabilization Fund for the Red River Valley water supply project and the Western Area Water Supply Project.

²Expenditures from the Resources Trust Fund during the 2025-27 biennium includes a \$40 million transfer to the Water Infrastructure Revolving Loan Fund pursuant to Section 7 of House Bill No. 1020.

³Expenditures from the Resources Trust Fund during the 2025-27 biennium includes \$356.3 million of new appropriations and \$477.9 million of water project funding continued from the 2023-25 biennium as carryover funding.

MAJOR STATE WATER LOAN FUNDS

The following is a summary of estimated major state water funding outstanding or available for loans at the beginning of the 2025-27 biennium:

	Infrastructure Revolving Loan Fund	Legacy Infrastructure Loan Fund	Water Infrastructure Revolving Loan Fund	Clean Water State Revolving Fund	Drinking Water State Revolving Fund
Outstanding and available	\$233,200,000	\$101,500,000	\$222,900,000	\$741,300,000	\$560,300,000
Amount of outstanding loans	(199,900,000)	(89,300,000)	(71,000,000)	(586,300,000)	(405,300,000)
Funding available for loans ^{1,2}	\$33,300,000	\$12,200,000	\$151,900,000	\$155,000,000	\$155,000,000
Number of outstanding loans	120	23	66	196	256

¹Funding available in the Clean Water State Revolving Fund and the Drinking Water State Revolving Fund is dependent on federal capitalization funding from the United States Environmental Protection Agency and how many loans are provided through the two funds.

²Funding available for loans from the Water Infrastructure Revolving Loan Fund during the 2025-27 biennium includes \$50 million transferred from the Resources Trust Fund and \$100 million transferred from a Bank of North Dakota line of credit.

The following is a summary of the estimated total loan funding available or outstanding from major state water loan funds at the beginning of the 2025-27 biennium:

- Funding committed or available for loans - \$1,859,200,000
- Amount of outstanding loans - \$773,400,000
- Funding available for loans - \$507,400,000
- Number of outstanding loans - 661

PROPOSED STUDY PLANS
Storm Water Projects Study

The following is the proposed study plan presented to the committee at the beginning of the 2025-26 interim related to its study of funding for storm water projects:

1. Receive information from the SWC and DWR regarding recent storm water projects approved or considered, storm water infrastructure needs in the state, SWC policies for storm water projects, and potential funding sources for future storm water projects, including the feasibility and desirability of amending the cost-share program for future storm water projects.
2. Receive information from the Bank of North Dakota regarding the agency's role in storm water projects in the state, future storm water infrastructure needs in the state, and potential funding sources for future storm water projects.
3. Receive information from cities, counties, townships, and water resource districts regarding recent storm water projects, future storm water infrastructure needs in the state, and potential funding sources for future storm water projects, including the feasibility and desirability of amending the cost-share program for future storm water projects.
4. Receive testimony from interested persons regarding the study.
5. Develop recommendations and any bill drafts necessary to implement the recommendations.
6. Prepare a final report for submission to the Legislative Management.

Wastewater Projects Fund Study

The following is the proposed study plan presented to the committee at the beginning of the 2025-26 interim related to its study of the feasibility and desirability of establishing a wastewater projects fund:

1. Receive information from the Department of Environmental Quality (DEQ) regarding recent wastewater projects, future wastewater project needs in the state, the feasibility and desirability

- of establishing a wastewater project fund, potential funding sources for future wastewater projects, and the appropriate state agency to administer a wastewater project fund.
2. Receive information from the SWC and DWR regarding the agency's role in wastewater projects in the state, future wastewater infrastructure needs in the state, SWC policies for wastewater projects, the feasibility and desirability of establishing a wastewater project fund, the appropriate state agency to administer a wastewater project fund, and potential funding sources for future wastewater projects, including the feasibility and desirability of amending the cost-share program for future wastewater projects.
 3. Receive information from the Bank of North Dakota regarding the agency's role in wastewater projects in the state, future wastewater project needs in the state, the feasibility and desirability of establishing a wastewater project fund, potential funding sources for future wastewater projects, and the appropriate state agency to administer a wastewater project fund.
 4. Receive information from the Public Finance Authority regarding the agency's role in wastewater projects in the state, future wastewater project needs in the state, the feasibility and desirability of establishing a wastewater project fund, potential funding sources for future wastewater projects, and the appropriate state agency to administer a wastewater project fund.
 5. Receive information from cities, counties, townships, and water resource districts regarding recent wastewater projects, future wastewater infrastructure needs in the state, the feasibility and desirability of establishing a wastewater project fund, and potential funding sources for future wastewater projects, including the feasibility and desirability of amending the cost-share program for future wastewater projects.
 6. Receive testimony from interested persons regarding the study.
 7. Develop recommendations and any bill drafts necessary to implement the recommendations.
 8. Prepare a final report for submission to the Legislative Management.

COMMITTEE ACTIVITIES

Presentations

Through the March 26, 2026, meeting, the Water Topics Overview Committee received the following information related to its studies of funding for storm water projects and the feasibility and desirability of establishing a wastewater projects fund:

- Presentation by DWR regarding the committee's study on the feasibility and desirability of establishing a wastewater project fund to provide grants for upgrading, constructing, or replacing wastewater infrastructure and the committee's study on the funding for storm water projects in the state, including current funding sources, related statutes, and the policies of the SWC.
- Presentation by DWR regarding the committee's study of funding for storm water projects in the state, including funding sources, related statutes, and the policies of the SWC.
- Presentation by the Bank of North Dakota regarding funding sources available to the Bank for wastewater or storm water projects, recently approved projects, and the feasibility and desirability of establishing a wastewater project fund to provide grants for upgrading, constructing, or replacing wastewater infrastructure.
- Presentation by DEQ regarding the department's current wastewater activities, projects, and funding and the feasibility and desirability of establishing a wastewater project fund to provide grants for upgrading, constructing, or replacing wastewater infrastructure.
- Presentation by the North Dakota Association of Counties regarding funding sources available to counties for wastewater or storm water projects, recently approved projects, and the feasibility and desirability of establishing a wastewater project fund to provide grants for upgrading, constructing, or replacing wastewater infrastructure.
- Presentation by the North Dakota League of Cities regarding funding sources available to cities for wastewater projects, recently approved projects, the feasibility and desirability of establishing a

wastewater project fund to provide grants for upgrading, constructing, or replacing wastewater infrastructure, and service fee reserves for municipal wastewater projects.

Testimony Received

Department of Water Resources

- Historically, wastewater and storm water projects have not been eligible for the SWC's cost-share program unless wastewater is being used for a beneficial use or a flood control project creates a need to implement storm water infrastructure for flood mitigation.
- Water supply and flood control projects are eligible for cost-share funding under the SWC's cost-share policy.
- DEQ primarily focuses on water quality in the state, including managing wastewater and storm water, and DWR primarily focuses on water quantity in the state.
- The cost-share program is facing sustainability issues due to projected reductions in oil extraction tax revenue collections, which may require the state to implement budgetary and policy changes to ensure the program's sustainability.
- The Federal Emergency Management Agency (FEMA) has not changed National Flood Insurance Program policies or other flood control requirements that would affect local storm water projects.
- FEMA considers storm water to be surface runoff from precipitation, such as rain, snowmelt, or hail that is unrelated to flood control projects.
- DWR cost-share policy defines storm water as rainwater or melted snow that runs off streets, lawns, and other sites.
- To differentiate between a flood control project and a storm water management project, the SWC may reduce the state's cost-share by the percentage of the contributing watershed that is located within the community responsible for the project, based on the total acreage of the watershed.

Bank of North Dakota

- Political subdivisions, including townships, are eligible to access the Infrastructure Revolving Loan Fund and the Legacy Infrastructure Loan Fund for road, bridge, and other infrastructure improvements, including wastewater and storm water projects.
- As of June 30, 2025, there was approximately \$99 million of funding available in the Infrastructure Revolving Loan Fund and Legacy Infrastructure Loan Fund, and over \$200 million in outstanding loans.
- The Water Infrastructure Revolving Loan Fund receives funding from transfers from the Resources Trust Fund and from Bank of North Dakota lines of credit.
- The interest rate for the Infrastructure Revolving Loan Fund is set at 2 percent under state law, and state law requires the Water Infrastructure Revolving Loan Fund to be set at the same rate as other state revolving infrastructure loan funds.

Department of Environmental Quality

- DEQ funds political subdivision projects under the Clean Water State Revolving Fund and the Drinking Water State Revolving Fund and has invested approximately \$1.6 billion in drinking water and water infrastructure projects since 1990.
- Loan proceeds under the Clean Water State Revolving Fund and the Drinking Water State Revolving Fund are generated from state match bond proceeds, federal capitalization grants, and leveraged bond proceeds.
- Despite loan forgiveness options under the Clean Water State Revolving Loan Fund and Drinking Water State Revolving Loan Fund Programs, political subdivisions often cannot begin

construction on an identified project because the community has not secured the local share of funding under these programs.

- Several wastewater and storm water projects funded by DEQ are approved to replace existing infrastructure, while others are approved to expand infrastructure.

North Dakota Association of Counties

- While the majority of storm water projects are the responsibility of cities, counties could use funding assistance for the replacement of culverts related to surface runoff issues.
- Some urban counties have authorized rural subdivisions to have joint septic systems with a shared lagoon rather than separate septic systems for each residence, which may provide an opportunity to collaborate with the state on wastewater project funding.

North Dakota League of Cities

- Cities estimate the need for \$1.7 billion to complete 292 wastewater projects.
- A survey of 11 of the largest cities in the state revealed city wastewater infrastructure deferred maintenance needs are approximately \$203 million, while the cities have approximately \$58.2 million in water project reserve funds available.
- Most small and medium cities do not assess residents a fee or have a reserve for future wastewater infrastructure needs.
- Wastewater utility base rates range from \$3 to \$32.50 with variable consumption rates.
- The League of Cities is not aware of an available funding source for city wastewater projects but would like to work with the Legislative Assembly to identify an appropriate funding source.

ATTACH:2