WATER TOPICS OVERVIEW COMMITTEE

North Dakota Century Code Section 54-35-02.7 directs the Legislative Management during each interim to appoint a Water Topics Overview Committee in the same manner as the Legislative Management appoints other interim committees, and to designate a Chairman. This section originated in 1981 to create the Garrison Diversion Overview Committee but was amended in 2009 to create the Water-Related Topics Overview Committee, which was renamed as the Water Topics Overview Committee in 2013. The committee must meet quarterly and operate according to the statutes and procedures governing the operation of other Legislative Management interim committees.

Section 54-35-02.7 provides the committee is responsible for:

- Providing legislative overview of water topics and related matters, the Garrison Diversion Project, and any necessary discussions with adjacent states on water topics;
- Meeting and working collaboratively with the State Water Commission (SWC);
- Reporting on the committee's project prioritization process, providing updates on allocated program expenditures, and reporting on the fund balances of projects, grants, and contracts;
- Soliciting draft measures and proposals from interested persons during the interim between legislative sessions;
- Before May 31 of each even-numbered year, receiving any water project request anticipated to be submitted to SWC or to the next Legislative Assembly for which the state cost-share is estimated to be $10 million or more and making a recommendation on the prioritization of the project for consideration by the next Legislative Assembly;
- Submitting to the Appropriations Committees of the next Legislative Assembly a copy of the committee's interim report and recommendation for each request anticipated to be submitted to SWC or to the next Legislative Assembly for which the state cost-share is estimated to be $10 million or more; and
- Considering and providing a recommendation and report to the Appropriations Committees on a water project request of $10 million or more in state funds which has been introduced in either house without a committee report.

Under Section 61-02-14.4, the Legislative Management assigned the committee the responsibility for:

- Receiving quarterly reports from SWC regarding the projects SWC has designated as carryover projects that have had a cost-share agreement in place for at least 4 years; the amount of funds still committed for each carryover project included in the report; the total amount of funds reallocated or made available from carryover projects included in a previous report to other projects since the commission's preceding report; and the status of each carryover project for which the committee has made a recommendation to terminate since SWC's preceding report; and
- Recommending to SWC that a carryover project included in a report be terminated under Section 61-02-14.3 and any funds remaining for the carryover project be reallocated and made available for projects with the same general purpose as the carryover project.

The committee was assigned the following three studies:

- Section 19 of House Bill 1020 (2025) directed a study of funding for storm water projects in the state, including current funding sources, related statutes, and the policies of SWC. The study required consideration of information regarding recently completed storm water projects and funding needs for future storm water projects in the state.
- Section 3 of House Bill 1577 (2025) directed a study of the feasibility and desirability of establishing a wastewater project fund to provide grants for upgrading, constructing, or replacing wastewater infrastructure. The study required consideration of input from cities, counties, townships, and water resource districts.
- Section 1 of Senate Bill 2210 (2025) directed a study of the feasibility and desirability of assigning management authority for the waters of the state to the area located in the naturally occurring watershed, rather than assigning management authority based on political subdivision boundaries. The study required a review of the approaches used for managing water in surrounding states; the powers, duties, and organizational structure of watershed boards; dispute resolution procedures afforded to individuals residing within the boundaries of a watershed district; the mechanism to initiate, implement, and improve works projects within a watershed district; and the role of the Department of Water Resources (DWR) in mapping and establishing watershed boundaries.

The Legislative Management assigned the committee the responsibility of receiving the following four reports:

- A report from DWR regarding the status of and any recommendations from Phase 2 of the Missouri River intake sites study, pursuant to Section 20 of House Bill 1020 (2025).
- A draft report from SWC by March 31, 2026, regarding the results of and recommendations from the regional water systems governance and finance study, pursuant to Section 21 of House Bill 1020.
- A draft report from SWC by March 31, 2026, regarding the results of and any recommendations from the commission's cost-share policy study, pursuant to Section 22 of House Bill 1020.
- A report from the Department of Environmental Quality (DEQ) before August 1, 2026, regarding the use of one-time funding for regulation of onsite wastewater treatment systems, pursuant to Section 5 of Senate Bill 2267 (2025).

Committee members were Representatives Steve Swiontek (Chairman), Mike Beltz, Mike Berg, Jay Fisher, Karla Rose Hanson, Jon O. Nelson, Todd Porter, Dan Ruby, Matthew Ruby, and Daniel R. Vollmer and Senators Randy A. Burckhard, Michael Dwyer, Justin Gerhardt, Larry Luick, Ronald Sorvaag, Paul J. Thomas, and Mark F. Weber.

Representative Liz Conmy served on the committee until her death on April 25, 2026.

LEGISLATIVE OVERVIEW OF WATER TOPICS AND RELATED MATTERS

Department of Water Resources

The committee received testimony from representatives of DWR regarding internal department operations, initiatives, proposals, and concerns for the 2027-29 biennium. The testimony indicated DWR has a variety of responsibilities and functions but primarily focuses on allocating the state's waters, reviewing cost-share applications, and overseeing the regulatory division's functions. Due to ongoing drought conditions across the state, Governor Kelly Armstrong activated DWR's Drought Disaster Livestock Program in 2026. Under the program, DWR approved $4.1 million for 470 projects from 369 applicants, providing a 65 percent cost-share of up to $10,000 for permanent projects that promote long-term drought resilience.

The testimony indicated the Legislative Assembly appropriated approximately $15 million for water conveyance. The appropriation, in conjunction with an increase in the maximum cost-share rate from 45 to 60 percent for rural conveyance projects, likely will incentivize participation in the program and benefit more landowners.

The committee was informed DWR reviewed internal processes to create departmentwide efficiencies. The review aimed to balance regulatory responsibility; expand public transparency and application efficiency; collect preapplication information to speed permit-related regulatory reviews; promote internal efficiency and training; update DWR's website and policies; and better leverage technology.

The testimony indicated the state has about 150 low-head dams, and DWR is targeting the Grafton Water Supply, Grafton Railroad, Minto, Arvilla, Fort Ransom, and Soldiers Home Dams, which are the six highest-risk-rated dams, as part of the Operation Safe Flow project. The project is using discretionary funds to redesign dam features and reduce the likelihood of injury or death at these dams. During the 2027 legislative session, DWR plans to request the Legislative Assembly to exclude the dams in the program from Section 48-01.2-02.1, which governs the construction threshold for public improvements. The request is arising due to the dams in the program posing an imminent safety threat to residents, and DWR having the capacity and expertise to work directly with local jurisdictions to remove the problematic dams. The testimony indicated DWR also plans to request the Legislative Assembly to authorize DWR to study the state's water needs and resources for the next 50 years to support the state's long-term resilience and planning.

Devils Lake

The committee received testimony from representatives of DWR and DEQ regarding water quantity and quality issues in the Devils Lake Basin. Between 2007 and 2025, the west and east end outlets have discharged 1.6 million acre-feet from Devils Lake through the Sheyenne River. In 2025, DWR released between 66,000 and 67,000 acre-feet of water from Devils Lake through the lake's west and east end outlets. However, in September 2025, DEQ required DWR to close the Devils Lake outlets because high sulfate levels were entering the Sheyenne River from the lake. The Devils Lake outlets typically operate between May and October. The committee was informed to protect aquatic organisms, DEQ adheres to an aquatic water quality standard of 750 milligrams of pollutant per liter when monitoring and managing water quality. If the pollutant level exceeds 750 milligrams of pollutant per liter at the water quality compliance station near Cooperstown, the discharge outlets removing water from Devils Lake are shut down. The committee was informed DEQ adheres to a 30-day aquatic water standard of 450 milligrams of sulfate per liter when monitoring and managing water quality. If sulfate levels exceed 450 milligrams per liter at the water quality compliance station north of Valley City, DEQ will work with other agencies to conduct daily trend analyses and assess hydrologic changes in the area. Testimony

contended while runoff from fertilizers and other farmland discharges can add sulfates to the water supply, most sulfates come from natural geology, which applies to the Devils Lake Basin. If Devils Lake water were treated, it would be more cost-effective to transport it through a pipeline to new destinations for drinking water rather than deposit it into a river, where it would have to be treated again.

Missouri River Water Use

Representatives of the Missouri River Joint Board and the Upper Missouri Water Association informed the committee the City of St. Louis, Missouri, has a permit to use 580 cubic feet of water per second from the Missouri River for municipal, rural, and industrial use, whereas the Red River Valley water supply project (RRVWSP) only anticipates using 165 cubic feet per second. The testimony contended downstream states in the Missouri River Basin are concerned about the potential impacts caused by increased water use by upstream states and states in the southwestern United States seeking to use the Missouri River to meet growing water demands. The Upper Missouri Water Association is working to form an organization with other Missouri River Basin states to create strategies and best practices for managing, using, and protecting Missouri River water.

Lake Sakakawea

A representative from Friends of Lake Sakakawea informed the committee that the group was formed in 2007 to coordinate recreational activities, manage access, and ensure water quality on the lake. Lake Sakakawea is the second-largest man-made lake in the United States and the third largest by volume, spanning 480 square miles. The lake holds about 23,800,000 acre-feet of water, is 178 miles long, has a shoreline of about 1,320 miles, and reaches a maximum depth of 180 feet at the base of the Garrison Dam. Testimony indicated zebra mussels have been found in multiple surrounding lakes and additional state funding may be needed to reduce the spread to Lake Sakakawea and other lakes.

Rural and Municipal Water Systems

A representative of the North Dakota Rural Water Systems Association informed committee members each of the state's 53 counties has a rural or regional water system operating within its boundaries. The water systems provide water to 167,000 residents statewide. The rural and regional water system infrastructure includes over 72,000 connections and 41,000 miles of pipeline, and it serves 77 percent of the state's incorporated cities. Residents receiving water from a rural water supply system either receive water through a bulk user, such as a city, or directly from the rural system through individually metered infrastructure. In the state, 20 rural water supply systems are owned by rural water districts, 4 are owned by tribal systems, 2 are owned by county water resource districts, 1 is owned by an association, and 1 is owned by a cooperative. The state owns 2 of its 4 regional systems, and nonstate authorities own the remaining 2.

A representative of Advanced Engineering and Environmental Services, LLC, provided information to the committee regarding municipal water use and user rates statewide. In 2012, 66 percent of municipal water systems had higher revenues than operating expenses. In 2024, that number increased to 84 percent. Calculating the appropriate water user rates depends on the depreciation rate of water supply infrastructure within a water supply system. The testimony indicated calculating the appropriate depreciation schedule for water supply infrastructure depends on the complexity of the system and whether the infrastructure is a vertical or horizontal asset.

A survey conducted by Advanced Engineering and Environmental Services, LLC, indicated water user rates have increased approximately 5.5 percent per year from 2002 to 2026. A study conducted by the American Water Works Association indicated $35 billion was invested in water development and infrastructure nationwide in 2025, and a total annual investment of approximately $90 billion will be required over the next 25 years to ensure water infrastructure is maintained and operational. Testimony contended higher investment could make water user rates less affordable for households nationwide.

A representative from DWR informed the committee the demand for funding from rural water supply allocations exceeds the amount appropriated to DWR and SWC for rural water supply projects.

Cybersecurity of Critical Water Infrastructure

The committee received testimony from a representative of the Department of Emergency Services (DES) on the state's cybersecurity of critical water infrastructure. Section 37-17.1-04 includes a cyber attack in the definition of a disaster for purposes of the Governor seeking state or federal assistance for disaster recovery efforts; however, most cybersecurity incidents are addressed without a disaster declaration. The threat to water and wastewater facilities is neither hypothetical nor is it limited to large metropolitan systems because attackers have successfully targeted the state's water facilities. Water facilities often combine modern business networks with operational technology that often remains in service for decades. Remote access is operationally useful, especially in rural areas, but Internet-exposed equipment, default credentials, unsupported devices, and weak separation between business and control networks can be targets for cyber attacks. Testimony indicated DES's approach to combating cyber attacks on water and wastewater facilities aims to improve awareness, make trusted assistance easy to access, reduce the most consequential vulnerabilities, exercise manual and continuity procedures, and build a response capability that can be activated when

local or private resources are exceeded. Testimony contended this approach will build resilience and detect incidents sooner, limit operational consequences, restore essential services, and allow DES to learn from each event. As part of this approach, DES, the Information Technology Department (ITD), and the North Dakota State and Local Intelligence Center work collaboratively to share information, evaluate cybersecurity threats, promote cybersecurity awareness, and provide critical infrastructure protection for water facilities and systems in the state.

A representative of ITD informed the committee ITD provides cybersecurity services for critical water infrastructure systems on the state's wide area network; however, because most water districts and water resource districts are not required to connect to the state network, ITD's cybersecurity services do not automatically cover most local water infrastructure. The testimony indicated ITD executes memorandums of understanding with state, local, and tribal governments to provide cybersecurity consulting, development, strategic planning, prevention, and response services.

COLLABORATION WITH STATE WATER COMMISSION, PROGRAM EXPENDITURES, REPORTS ON FUND BALANCES OF PROJECTS, GRANTS AND CONTRACTS, AND AMOUNT OF ANTICIPATED CARRYOVER FUNDS

Background

The SWC was created in response to the 1930s drought and was charged with developing irrigation in the state. From 1937 to 1981, the Legislative Assembly funded SWC on a biennium-to-biennium basis, appropriating approximately $500,000 to $2 million per biennium. The SWC's duties changed with the creation of the Resources Trust Fund in 1981. When the Resources Trust Fund was created, its proceeds were dedicated to financing the Southwest Pipeline Project (SWPP), the first state water project. Since then, the number and scope of water projects overseen and regulated by SWC has increased dramatically. The SWC now serves many functions, including allocating the state's waters, overseeing dam safety, managing sovereign lands, and approving and funding water projects throughout the state.

The DWR was created by House Bill 1353 (2021). The department previously was called the State Engineer's office, created by legislative action in 1937 to foster and promote water resources development throughout the state. House Bill 1353 restructured the agency, appointed a director, and made the director of the department a member of the Governor's cabinet. The DWR has the authority to investigate, plan, construct, and develop water-related projects, and serves as a mechanism to financially support those efforts throughout the state. The department is comprised of seven divisions: Administration, Data and Atmospheric Resources, Planning and Education, Regulatory, State Engineer, Water Appropriation, and Water Development. The department's mission is to responsibly manage the state's water needs and risks for the people's benefit. The department sustainably manages and develops the state's water resources for the health, safety, and prosperity of the state's people, businesses, agriculture, energy, industry, recreation, and natural resources.

Testimony

State Water Commission

The committee received testimony from an SWC commissioner regarding the policy governing the economic analysis formula for assessment drain projects. The testimony indicated the economic analysis tool aims to establish the proper scope of projects, return on investment, and cost overruns to ensure proper stewardship of the state's waters. For the 2019-21 biennium, the initial cost threshold to which the economic analysis tool applied was for projects costing $1 million or more; however, in December 2019, SWC adopted a $200,000 cost threshold after consulting with a former Chairman of the committee. The testimony indicated the interim Agriculture and Water Management Committee is studying the formula for conducting economic analyses for assessment drain projects and the projected cost threshold for conducting economic analyses during the 2025-26 interim.

Another SWC commissioner informed the committee that regionalizing water supply infrastructure across the state has delivered high-quality water to some of the state's most rural communities. The Western Area Water Supply Project, Northwest Area Water Supply (NAWS) Project, the SWPP, and the RRVWSP are the four main regional water supply systems in the state, and each is designed to extract Missouri River water for use in all parts of the state. The testimony contended because downstream states have increased demand for Missouri River water, the state needs to take a more aggressive approach to preserve and maintain water rights along the Missouri River.

Testimony from a representative of SWC indicated the commission approved 299 active water projects for state cost-share, and an additional 70 projects have been completed as of December 9, 2025.

Department of Water Resources

The committee received testimony from representatives of DWR regarding the state's investment practices for water-related projects, the long-term health of the Resources Trust Fund, and anticipated funding requests for the 2027-29 biennium. The testimony indicated since December 2022, DWR has used a laddering approach for certificate of deposit

investments to improve the rate of return on investments held at the Bank of North Dakota. The return rates for DWR investments range from 1.99 percent for 3- and 4-year certificates of deposit held at the Bank to 4.68 percent for the water project stabilization cash account invested by the State Investment Board.

Testimony indicated DWR anticipates needing about $3.5 billion of the oil extraction revenue deposited in the Resources Trust Fund over the next 7 bienniums to meet the state's water project needs under the current cost-share policy. Based on revenue projections, DWR estimates a $600 million to $1.3 billion revenue shortfall over the next 7 bienniums under the current cost-share policy and forecast stripper well exemptions. Through August 2026, oil extraction tax revenue collections deposited in the Resources Trust Fund exceeded forecast collections by about $33.6 million during the 2025-27 biennium. The 2027 draft water development plan includes an estimated 648 eligible water projects totaling $1.5 billion in state cost-share requests for the 2027-29 biennium and $3.4 billion for the 2027-29 biennium through the 2037-39 biennium.

Stripper Well Tax Exemption Impacts on Water Projects

The committee received information regarding the interim Tax Reform and Relief Advisory Committee's study of the oil extraction tax exemption and how the exemption affects water projects. The testimony indicated oil production in the state is subject to a 5 percent gross production tax and a 5 percent oil extraction tax before considering any tax exemptions or rate reductions. Both taxes are based on the value of the oil produced at the wellhead. Pursuant to Section 57-51.1-03, oil production from a certified stripper well is exempt from the oil extraction tax. The Department of Mineral Resources certifies oil wells as stripper wells. To be eligible for certification as a stripper well, average daily oil production in the preceding 12 months must be less than or equal to a certain threshold. Once certified, a stripper well remains eligible for the tax exemption even if oil production exceeds the qualification threshold. Based on oil production data for the 2023-25 biennium, the Tax Department estimated the stripper well tax exemption reduced oil extraction tax collections by $406.6 million. The testimony indicated oil extraction tax collections could increase by $81.2 million per biennium if new stripper wells were subject to a 1 percent oil extraction tax rather than being exempt from the tax. Testimony indicated 20.5 percent of all oil extraction taxes collected are allocated to the Resources Trust Fund for water-related projects and energy conservation programs. Any changes impacting oil extraction tax collections will directly affect funding for water projects in the state.

Northwest Area Water Supply Project

The committee received testimony from representatives of DWR regarding the NAWS Project which indicated the project will serve approximately 81,000 water users when fully operational. The estimated funding needed for future NAWS Project infrastructure is approximately $135 million, of which $39 million was from previously appropriated state funding and funding from the City of Minot, $50 million may be available from federal funds, and $46 million may be requested from the Resources Trust Fund for the 2027-29 and 2029-31 bienniums. In 2024, DWR discovered a defective project component during construction of the NAWS biota water treatment plant. In late 2024 and early 2025, the contractor attempted to repair the defective work. In February 2025, DWR ordered removal and replacement of the defective component and DWR and the contractor's attorneys exchanged multiple letters and emails regarding its removal. In May 2025, DWR proposed a binding third-party review as a compromise. In August 2025, the independent review found the constructed filter drains did not comply with project specifications and recommended removing and replacing the underdrain systems as recommended by the design engineer and state-owned treatment plant owner. As a result, SWC approved dismissing the contractor responsible for the defective filter drains from the biota water treatment plant project. Testimony contended replacing the defective filter drains delayed the biota water treatment plant project at least 6 months.

The committee was informed the biota water treatment plant and Snake Creek pumping station for NAWS are being constructed based on designs, specifications, and needs from the previous decade; however, increased capacity to account for growth in the area was included in the original design and specifications. The design and specifications for future project components may need to be modified to accommodate increased water supply demands from the system. Testimony indicated the All Seasons Water Users District is seeking cost-share funding to expand its rural water system in north central and northwest North Dakota. The expanded system plans to use water from the NAWS Project. The testimony indicated DWR and SWC are working collaboratively with All Seasons Water Users District to determine a feasible path forward regarding necessary infrastructure upgrades.

Fargo-Moorhead Area Diversion Project

The committee received an update from representatives of the Metro Flood Diversion Authority on the status of the Fargo-Moorhead Area Diversion Project. The testimony indicated approximately 78 percent of the project is complete and the Metro Flood Diversion Authority reached a $57 million settlement agreement with the project developer, Red River Valley Alliance, related to $400 million in change orders, technical disputes, and other claims. As of December 2025, the project requires $64 million for completion, including funding for roads and lift stations in Moorhead, Minnesota. Testimony indicated the diversion authority is requesting funding from the State of Minnesota but is not requesting additional funds from North Dakota. While the project is being completed, the diversion authority is collaborating with the

Federal Emergency Management Agency (FEMA) to create and release new floodplain maps by 2030. Testimony indicated if water is temporarily diverted to land as part of the project, the land will not be reclassified as wetlands under federal programs.

Red River Valley Water Supply Project

The committee received testimony from representatives of the Lake Agassiz Water Authority and the Garrison Diversion Conservancy District regarding the status of the RRVWSP. The testimony indicated funds appropriated to the RRVWSP under the state cost-share program have reduced project costs for individual Lake Agassiz Water Authority users. Property tax revenue from the 28 member counties within the Garrison Diversion Conservancy District is the source of the district's share of the project. Political subdivisions have borrowed funds from the Bank of North Dakota to cover the local share of the project. Testimony contended if the state cost-share is reduced from 75 to 50 percent for this project, the users on smaller systems likely would not be able to participate in the project, which would hinder the participation of Grand Forks and Fargo in the project. As of September 2026, 168 of 169 landowners have signed agreements related to property acquisitions for the RRVWSP. The estimated state cost-share funding that may be requested for the RRVWSP during the 2027-29 biennium is $199 million, and $150 million in federal funding may be available. The accelerated funding plan for the RRVWSP targets completion by 2032, but if SWC cannot meet the project's funding obligation, the completion date likely will be extended past 2032.

Southwest Pipeline Project

A representative of DWR informed the committee that the SWPP is undergoing water supply expansion, water treatment plant expansion, and reservoir expansion. Future projects include building additional raw water intake sites, improving hydraulic and pump-station infrastructure, and replacing metallic water pipelines. Testimony indicated additional expansion is scheduled for users in the Hebron area. The committee was informed DWR received $12,487,500 as part of a settlement agreement signed in September 2025, related to a new intake under Lake Sakakawea as part of the SWPP.

Carryover Funding for Water Projects

A representative of DWR informed the committee that DWR had $570.1 million in carryover funding at the beginning of the 2025-27 biennium. Through August 2026, DWR spent $297 million of the $570.1 million and obligated $237.8 million for water projects, and $35.3 million remains unobligated. The testimony asserted SWC is focused on reducing carryover funds from one biennium to the next and is requiring project applicants to be substantially ready for construction before requesting funding from SWC. Additionally, to reduce excessive carryover funds, SWC and DWR implemented a two-tiered funding system that provides funding for preconstruction and construction costs separately.

SUMMARY OF PROJECTS RECEIVED UNDER SECTION 54-35-02.7(2)

Background

As applied to the 2025-26 interim, Section 54-35-02.7(2) requires each request anticipated to be submitted to SWC or to the 70th Legislative Assembly for which the state cost-share is estimated to be $10 million or more to be reported to the committee before May 31, 2026. This provision requires the committee to review each request and recommend the project's priority for consideration by the 70th Legislative Assembly. If a water project requesting $10 million or more in state funds is introduced in either house without a committee report, the committee must consider the project and report its recommendation. The committee is required to submit a copy of all reports to the Appropriations Committees of the 70th Legislative Assembly.

Testimony

A representative of the All Seasons Water Users District informed the committee of an anticipated $18 million request for the district's expansion of existing water distribution systems. The testimony indicated when determining the feasibility of the request, the project sponsors assumed a state cost-share rate of 75 percent. If approved, the project would serve approximately 740 users and each user would be charged approximately $100 per month for water use. Upon completion, the NAWS system would supply water to the project's residents.

Representatives of the City of Bismarck informed the committee of anticipated project requests for the city's water treatment plant expansion, water main replacement project, and flood control project. The appropriation request of approximately $36 million for the water treatment plant expansion project reflects the discovery of unknown infrastructure issues not listed in, or covered by, the project master plan. If the city does not receive state cost-share funding for the water main replacement project, which is slated to cost $12 million total, the city will consider bonding for the project, postponing the project, or postponing other capital improvement projects. The updated flood control request of approximately $10.6 million for south Bismarck is less expensive than the original plan presented to the 69th Legislative Assembly. The City of Bismarck has worked with DWR to ensure the updated flood control plan's project components align with cost-share policies. If SWC elects to change the existing cost-share policy, the flood control project for the city would be subject to the current cost-share policy, not the updated policy.

A representative of the Fort Berthold Rural Water System informed the committee of an anticipated request for a new Four Bears Water Treatment Plant, for which the estimated construction cost is $30 million, excluding the cost of installing a raw water line and upgrading existing intake infrastructure.

A representative of the Garrison Diversion Conservancy District informed the committee that estimated state cost-share funding for the RRVWSP during the 2027-29 biennium may total $199 million. The testimony indicated the project plans to collect an additional $66.3 million from local project participants.

A representative of the Lower Heart River Water Resource District informed the committee of an anticipated request for the City of Mandan's flood control project. According to the testimony, although the Army Corps of Engineers must approve improvements to a community's levee system, FEMA ultimately will determine whether the levee system complies with federal 100-year flood requirements. Testimony indicated FEMA deemed Mandan's levee system inadequate because the system would not meet federal standards if an ice jam event occurred in the Heart River. All future awards from SWC for the levee system improvement project, which is approximately $10.2 million for the 2027-29 biennium, will be used for final phase construction costs.

A representative of the South Central Regional Water District informed the committee of an anticipated request for the district's water treatment plant expansion. According to the testimony, approximately 4,500 residents in rural Burleigh County are not being served by the district either because the residents have other means of obtaining water or the district lacks the necessary infrastructure to deliver water in certain areas. Although the district obtained cost estimates for the water treatment plant expansion and an improved intake structure in 2024, with an anticipated cost-share of approximately $22 million, the district is working with an engineering firm to refine and update the cost estimate for all project components.

A representative of the Southwest Water Authority (SWA) informed the committee SWA may request approximately $71.2 million for the authority's water supply infrastructure during the 2027-29 biennium.

A representative of the Walsh County Rural Water District informed the committee of an anticipated request for the district's water supply project. According to the testimony, because the district is the primary supplier of water to Walsh County residents, the district views the $10 million cost-share request during the 2027-29 biennium for its water supply expansion project as necessary. The district owns and maintains between 700 and 800 miles of water supply infrastructure within the county.

The committee received testimony from a representative from Houston Engineering, Inc., on behalf of the Stutsman County Commission, who provided information about a proposed flood control project around Crystal Springs. The testimony indicated project sponsors plan to seek funding for the Crystal Springs watershed management project from FEMA, SWC, or both. Other public and private stakeholders plan to contribute 25 percent of the project funding. Project sponsors are in contact with Long Lake National Wildlife Refuge managers to determine the feasibility of pumping water from the Crystal Springs area to the refuge. The refuge managers want assurances the quality of the pumped water would not be lower than the quality of the water currently in the refuge. The testimony contended pumping water into Long Lake is the most cost-effective option for removing excess water in and around Crystal Springs. According to the testimony, project sponsors studied the feasibility of pumping the excess water north of Jamestown; however, cost estimates were three times higher than under the proposed plan. While the estimated construction cost for the entire project is approximately $24.6 million, with construction anticipated to begin in late 2029, the anticipated request for the 2027-29 biennium likely will be less than $10 million. Testimony contended approximately $292 billion of interstate commerce is conducted each year using the state's railway system. Removing excess water in the Crystal Springs area would ensure interstate commerce is not disrupted.

The committee received testimony from a resident of Kidder County contending the proposed project to remove excess water in the Crystal Springs area would divert additional water to Kidder County, negatively affecting the individual's property and livelihood.

Projects Received by the Committee

The information provided below summarizes each project request for the 2027-29 biennium the committee received directly from project sponsors by May 31, 2026, pursuant to Section 54-35-02.7(2).

Project Sponsor	Nature of Project	Anticipated Request for the 2027-29 Biennium
All Seasons Water Users District	Rural water supply system expansion	$17.8 million
City of Bismarck	Flood control	$10.6 million
City of Bismarck	Water treatment plant construction	$36 million
Fort Berthold Rural Water	Water treatment plant construction	$27 million
Garrison Diversion Conservancy District and Lake Agassiz Water Authority	Red River Valley water supply project	$199 million
Lower Heart River Water Resource District	Flood control	$10.2 million
South Central Regional Water District	Water treatment plant construction	$22 million
Southwest Water Authority	Southwest Pipeline Project	$71.2 million
Walsh County Rural Water District	Rural water supply system expansion	$10.06 million

The information below summarizes the projects DWR provided to the committee, but that project sponsors did not directly present to the committee.

Project Sponsor	Nature of Project	Anticipated Request for the 2027-29 Biennium
City of Christine	Flood control	$18 million
City of Dickinson	Reuse water pipeline	$60 million
City of Valley City	Flood control	$18 million
Souris River Joint Board and City of Minot	Mouse River flood protection project	$115 million
Stutsman Rural Water District	Water treatment plant construction	$10.2 million
Turtle Mountain Public Utilities	Water supply and water treatment plant construction	$10 million
Western Area Water Supply Authority	Miscellaneous project components	$54.4 million

Committee Discussion

Committee members noted the rationale for adding the statutory duties under Section 54-35-02.7(2) and (4) through House Bill 1020 (2025) was to ensure members of the Legislative Assembly are made aware of the major water project funding requests before each regular legislative session. Committee members generally supported the project funding requests the committee received from project sponsors and DWR and indicated the Appropriations Committees should further consider the requests at the upcoming legislative session.

Committee Considerations

The committee unanimously approved and recommends that SWC and DWR review the water projects with an estimated state cost-share of $10 million or more that were submitted to the committee pursuant to Section 54-35-02.7 to determine the feasibility of funding the projects based on available funding and water needs throughout the state, and that the committee's recommendation and the recommendations of SWC and DWR be forwarded to the Appropriations Committees of the 70th Legislative Assembly.

STORM WATER AND WASTEWATER PROJECT FUNDING STUDIES

Section 19 of House Bill 1020 directed a study of funding for storm water projects in the state, including current funding sources, related statutes, and the policies of SWC. The study required a review of information regarding recently completed storm water projects and funding needs for future storm water projects in the state.

Section 3 of House Bill 1577 (2025) directed a study of the feasibility and desirability of establishing a wastewater projects fund to provide grants for upgrading, constructing, or replacing wastewater infrastructure. The study required consideration of input from cities, counties, townships, and water resource districts.

Background

Water Distribution and Wastewater Systems Operators

Chapter 23.1-07 provides for the regulation and administration of water distribution and wastewater systems operators. The Department of Environmental Quality is required to classify all water treatment plants, water distribution systems, wastewater treatment plants, and wastewater collection systems. The department is required to certify

wastewater system operators and document the classification of treatment plant or system the operator is qualified to supervise. The department may charge fees for wastewater system operator initial certifications and annual renewal certification which must be deposited in the operators' certification fund for use by the department in enforcing Chapter 23.1-07 and for conducting operator training programs.

Onsite Wastewater Treatment Systems

Senate Bill 2267 (2025) created Chapter 23.1-07.1 related to onsite wastewater treatment systems and the authority of DEQ to license individuals engaged in the business of installing an onsite wastewater treatment system. The department may charge fees for issuing onsite wastewater system installer licenses, which must be deposited in the DEQ operating fund. Section 4 of the bill repealed Sections 23-35-02.2 and 23-35-02.3, related to public health units adopting an onsite wastewater recycling treatment guide and the Onsite Wastewater Recycling Technical Committee. Section 5 of the bill included an appropriation of $99,500 of one-time funding from the General Fund for the regulation of onsite wastewater treatment systems for the 2025-27 biennium. It is anticipated the fees collected pursuant to Chapter 23.1-07.1 will be sufficient to pay for expenditures related to onsite wastewater treatment system certifications after the 2025-27 biennium.

Wastewater Infrastructure Grant Program

Section 1 of House Bill 1577 enacted Section 23.1-07-09 to establish a Wastewater Infrastructure Grant Program and require DEQ to award grants to cities, counties, townships, water resource districts, recreation service districts, and water districts operating wastewater systems in the state to upgrade, replace, or construct infrastructure for a wastewater collection system, wastewater disposal system, or wastewater treatment plant. The department is required to prioritize eligible entities that have experienced a reduction in previously approved federal funds or federal assistance related to wastewater infrastructure projects and entities that are prepared to begin the wastewater infrastructure project upon receipt of the grants. Eligible projects may not include operations and maintenance costs. The department may not award a grant in excess of 60 percent of the total cost of a project. Communities are limited to grant funding for one project per biennium. Section 4 of the bill included an appropriation of $9.7 million of one-time funding through a Bank of North Dakota line of credit to DEQ for providing wastewater infrastructure grants during the 2025-27 biennium. The department is required to provide grants of $7.8 million and $1.9 million to entities with eligible wastewater infrastructure projects. The department is required to request a deficiency appropriation from the 2027 Legislative Assembly to repay the line of credit. If an entity awarded funding under this section receives federal funding for the same wastewater infrastructure project, the entity is required to remit the federal funding to DEQ for the repayment of the line of credit.

Municipality Special Assessments

Section 40-22-01 provides any municipality may defray community improvements or expenses through special assessments, including the construction of a water supply system or sewerage system, the construction and erection of wells, intakes, pumping stations, settling basins, filtration plants, standpipes, water towers, reservoirs, water mains, sanitary and storm sewer mains and outlets, facilities for the treatment and disposal of sewage and other municipal, industrial, and domestic wastes, and all other appurtenances, contrivances, and structures used or useful for a complete water supply and sewerage system.

Municipality Sewer or Water Improvements

Section 40-22-16 provides a municipality constructing a sewer or water improvement or a parking lot under the special assessment method may require a portion of the cost of the improvement be raised by service charges for the use of the improvement. The governing body of the municipality is required to provide for the establishment, imposition, and collection of service charges for the services furnished by the improvement.

Water Resource Districts Sanitary and Storm Sewer Systems

Section 61-16.1-09 provides each water resource board has the power and authority to plan, locate, relocate, construct, reconstruct, modify, extend, improve, operate, maintain, and repair sanitary and storm sewer systems, including sewage and water treatment plants, and regulate the quantity of sewage discharged from municipal lagoons. The section provides water resource districts may contract with the federal government, state agencies, political subdivisions, private or public corporations or limited liability companies, and any municipality or individual for work related to sanitary and storm sewer systems.

Water Districts Water Supply System and Sewerage System

Section 61-35-48 provides a water district may defray the expense of special assessments, including the construction, improvement, extension, or replacement of all or a part of a water supply system or a sewerage system, including the construction and erection of wells, intakes, pumping stations, settling basins, filtration plants, standpipes, water towers, reservoirs, water mains, sanitary and storm sewer mains and outlets, facilities for the treatment and disposal of sewage and other district, industrial, and domestic wastes, and all other structures used for a complete water supply and sewerage system.

Major Water-Related State Funds

The committee received the following summary of estimated 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

[1]DWR has allocated funding available in the Water Projects Stabilization Fund for the RRVWSP and the Western Area Water Supply Project.

[2]Expenditures 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 1020 (2025).

[3]Expenditures 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 committee received the following 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

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

[2]Funding 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 estimated total available funding from all major state water loan fund sources at the beginning of the 2025-27 biennium was $1,859,200,000, of which $1,351,800,000 is outstanding among 661 loans and $507,400,000 remains available.

Testimony

Department of Water Resources

A representative of DWR informed the committee historically, wastewater and storm water projects have not been eligible for 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 SWC's cost-share policy. The Department of Environmental Quality primarily focuses on water quality in the state, including managing wastewater and storm water, while DWR primarily focuses on water quantity. The current cost-share program faces sustainability issues, which may require the state to implement budgetary and policy changes to ensure its long-term viability. Adding storm water and wastewater funding only would exacerbate the budgetary challenges of the cost-share program.

According to the testimony, FEMA has not changed National Flood Insurance Program policies or other flood control requirements that would affect local storm water projects. Under federal law and regulations, FEMA considers storm water surface runoff from precipitation, such as rain, snowmelt, or hail, unrelated to flood control projects. The Department of Water Resources 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, 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

A representative of the Bank of North Dakota informed the committee 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 infrastructure. As of June 30, 2025, there was approximately $99 million available in the Infrastructure Revolving Loan Fund and the Legacy Infrastructure Loan Fund, and over $200 million in outstanding loans. The Water Infrastructure Revolving Loan Fund is funded by revenues generated by the Resources Trust Fund. 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

A representative from DEQ informed the committee the department 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 its local share of funding under these programs. Testimony indicated 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

A representative of the North Dakota Association of Counties informed the committee that while most 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

A representative of the North Dakota League of Cities informed the committee that cities estimate they need $1.7 billion to complete 292 wastewater projects. A survey of 11 of the state's largest cities found that deferred maintenance costs for wastewater infrastructure are anticipated to be $203 million, and the cities only 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 testimony indicated 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.

Committee Considerations

Committee members acknowledged the costs local governments incur to construct and maintain necessary storm water and wastewater infrastructure. Committee members also acknowledged the lack of state resources to provide cost-share funding for local storm water and wastewater projects.

Conclusion

The committee makes no recommendation regarding its study of funding for storm water projects or its study of the feasibility and desirability of establishing a wastewater projects fund.

WATERSHED MANAGEMENT STUDY

Senate Bill 2210 (2025) directed a study of the feasibility and desirability of assigning management authority for the waters of the state to the area located within the naturally occurring watershed, rather than assigning management authority based on political subdivision boundaries. The study required a review of the approaches used for managing water in surrounding states; the powers, duties, and organizational structure of watershed boards; dispute resolution procedures afforded to individuals residing within the boundaries of a watershed district; the mechanism to initiate, implement, and improve works projects within a watershed district; and the role of DWR in mapping and establishing watershed boundaries.

Background

The state has regulated the management of its water resources since statehood. In 1895, the Legislative Assembly authorized the establishment of legal drain boards to drain agricultural lands. In 1935, the Legislative Assembly established water control and conservation districts separate from legal drain boards and directed the State Water Conservation Commission not to consider county and township boundaries when creating water resource districts. Water

conservation districts were responsible for a broad range of water management and water development matters at a local level. The initial water management laws, codified as Chapter 61-16, remained virtually unchanged until 1957. At that time, the Legislative Assembly enacted comprehensive reforms to water management provisions and renamed local water conservation districts water conservation and flood control districts. The State Water Conservation Commission retained authority to create districts and set boundaries upon receiving a petition. The commission also was given authority to include additional watershed areas benefited by the district's creation. In 1973, the Legislative Assembly determined that each county should have a water conservation and resource district and renamed these districts water management districts. In 1977, the Legislative Assembly authorized joint boards, allowing two or more water management districts to do what one board could do alone. The first joint board, the Red River Joint Board, was created in 1979. In 1981, the state combined all water management districts and drain boards into water resource districts.

Senate Bill 2372 (2023) created Section 61-16.1-15.1. This section authorized the water resource districts from two or more counties to agree to construct or assign benefits and assessments for a project jointly. If such an agreement is entered, the participating districts are required to create a joint board under Section 61-16.1-11. This section authorized, but did not require, two or more districts to form a joint board if a project affects more than one county. However, Senate Bill 2276 (2025) further amended Section 61-16.1-15.1. This statute now requires the creation of a joint water resource board for any water project that benefits more than one county before levying an assessment for or commencing construction of the project. Section 61-16.1-15.1 provides that if a joint board cannot agree on the project's necessity, it must submit the dispute to mediation; if mediation is unsuccessful, a joint board member may appeal to DWR. This statute authorizes a joint board member to appeal DWR's decision to the district court. The bill also amended Section 61-16.1-59, which provides if water resource district board members fail to form a joint board when required by law, a board within the common river basin may commence an action in district court to resolve the dispute. The bill also amended Section 61-16.1-11, which now requires a joint water resource board to have equal representation from each county comprising the joint board. Under Section 61-16.1-15.1, joint water resource boards are required to follow the procedures under Sections 61-16.1-15 through 61-16.1-36 regarding the creation, construction, alteration, repair, operation, and maintenance of a project and an assessment district; the determination and levy of assessments against property benefited by the project; and special warrants.

Testimony

Department of Water Resources

A representative of DWR informed the committee that in the state, 52 water resource districts are organized by county boundaries under Section 61-16-06; 28 joint water resource districts are organized by basin-level and project-level boundaries under Section 61-16.1-11; and 6 sub-county water resource districts are organized by watershed and county boundaries under Section 61-16-06.1. During the 2023-24 interim, DWR surveyed 21 geographically similar states regarding each state's surface water management programs. The study recommended ongoing tracking across key states; direct followup with key state agencies; supporting cross-political-boundary water management; incentivizing research into surface water data collection and mapping; and furthering research on appeal and dispute resolution pathways. As part of the study, DWR reviewed the management, advisory, and dispute resolution practices of Minnesota, Iowa, and Utah to compare practices that may work in North Dakota. In Iowa, local jurisdictions may opt to participate in advisory management structures based on watershed boundaries. In Minnesota, local jurisdictions may opt to participate in regulatory and advisory management structures based on watershed boundaries. Conversely, in Utah, local jurisdictions must participate in watershed-based regulatory and advisory management structures. According to the testimony, the United States Geological Survey created hydrologic unit codes to define and manage drainage basins in the state. The department considers watershed and drainage basin boundaries when determining whether to issue a drainage permit.

North Dakota Water Users Association

A representative of the North Dakota Water Users Association informed the committee as a result of Senate Bill 2276 (2025), all counties affected by a water project must participate in a joint project board, and remedies are provided if a county refuses to participate. However, the bill did not require projects to be approved by the board. Testimony indicated statutory changes that could be considered during the 2027 legislative session include removing DWR from the list of administrative remedy options, creating board membership flexibility, providing clarification regarding whether a project can proceed if a county refuses to join a joint project board, and providing clarification on processes when new projects are proposed or when there is a reassessment of existing projects. Testimony contended that assigning management authority for waters of the state on a watershed basis, rather than a political subdivision basis, could shift water management challenges rather than solve the challenges. Testimony contended if water management authority changes, discussion will be needed on the definition of a watershed, the method for determining board memberships, the effect on water project funding, and the selection of jurisdictional boundaries. If a county enters litigation against another county for failing to levy an assessment, a court may require the losing party to pay the reasonable attorney's fees of the prevailing party. Testimony asserted most disagreements between counties involve maintaining or replacing existing water systems rather than constructing new water projects.

North Dakota Association of Counties

A representative of the North Dakota Association of Counties indicated almost all water challenges are handled amicably between counties, with only a limited number becoming contentious. Testimony contended any changes to water management authority should be made slowly and carefully to avoid unintended consequences.

Nebraska Association of Resource Districts

A representative of the Nebraska Association of Resource Districts informed the committee that in Nebraska, natural resource districts (NRDs), which manage agricultural drainage, are formed along watershed basin boundaries, rather than political subdivision boundaries. The testimony indicated an NRD is statutorily responsible for erosion prevention and control; prevention of damages from flood water and sediment; flood prevention and control; soil conservation; water supply for any beneficial uses; development, management, utilization, and conservation of ground water and surface water; pollution control; solid waste disposal and sanitary drainage; drainage improvement and channel rectification; development and management of fish and wildlife habitat; development and management of recreational and park facilities; and forestry and range management. County conservation districts were abolished when Nebraska created NRDs in 1972. The authority to levy assessments for a project within a given watershed basin is vested in an NRD, rather than a county board or officer. All NRD members are elected, and the number of members varies from 5 to 21. To access state and federal funds for an NRD project, an economic analysis must be conducted and show the project has a positive economic benefit.

Minnesota Board of Water and Soil Resources

A representative of the Minnesota Board of Water and Soil Resources informed the committee generally, there is an appetite to manage water on a watershed basis through watershed districts, but disagreements have arisen because several different local jurisdictions have water management authority in Minnesota. Watershed districts are special-purpose units of government based on watershed management and governed by a board of managers. The One Watershed, One Plan Program is a state initiative that manages water on a watershed basis and strengthens relationships among the various local jurisdictions that manage water in the state.

Committee Considerations

Some committee members expressed interest in eventually moving to a water management system based on naturally occurring watershed boundaries rather than county boundaries. Committee members also acknowledged that shifting to a watershed-based water management system, rather than county boundaries, is a major departure from current practices and would require support from the local water resource districts currently managing water. Committee members generally supported the changes included in Senate Bill 2372 (2023), which created Section 61-16.1-15.1, and Senate Bill 2276 (2025), which further amended Section 61-16.1-15.1. Rather than replacing county-based water resource districts with watershed-based political subdivisions, some committee members expressed support for improving the joint board process under Section 61-16.1-15.1 to create efficiencies when multiple county-based water resource districts approve and construct projects affecting multiple counties.

Conclusion

The committee makes no recommendation regarding its study of the feasibility and desirability of assigning management authority for the waters of the state to the area located within the naturally occurring watershed, rather than assigning management authority based on political subdivision boundaries.

REQUIRED REPORTS

Missouri River Intake Sites Study

The committee received a report from representatives of DWR regarding the status of, and any recommendations from, Phase 2 of the Missouri River intake sites study pursuant to Section 20 of House Bill 1020 (2025). According to the testimony, Phase 2 of the Missouri River intake study requires DWR to conduct field investigations to determine potential intake sites. Under the study, DWR contracted with HDR Engineering to conduct bathymetric surveys, collect light detection and ranging data, perform geotechnical sampling, test aquifers, and assess cultural resources to support the necessary field investigations. The report indicated DWR solicited stakeholder feedback to guide funding priorities and identify potential intake sites on the Missouri River. Based on stakeholder input, DWR identified five potential sites, near Trenton, New Town, Douglas Creek Bay, Riverdale, and Stanton, for a new intake on the Missouri River. The testimony indicated HDR Engineering is scheduled to conduct field investigations at the potential sites near Trenton and Stanton in 2026, and at the potential sites near New Town, Douglas Creek Bay, and Riverdale in 2027. Before HDR Engineering can conduct a field investigation, the company must obtain approval from adjacent landowners to access the potential site along the Missouri River.

Cost-Share Policy Study

Department of Water Resources and Deloitte

The committee received a report from representatives of DWR and Deloitte regarding SWC's cost-share policy study pursuant to Section 22 of House Bill 1020 (2025). During the summer of 2025, DWR contracted with Deloitte to prepare

a report with recommendations from the cost-share policy study. After reviewing DWR's data, analyzing various cost-share programs at both the state and local government levels nationwide, and incorporating insights generated from a financial model developed under the study, Deloitte confirmed the state's need to address the forecasted aggregate shortfall for the state's water infrastructure, which is expected to reach $1.3 billion by 2039. The report recommended that the SWC adopt a dynamic and risk-based approach to cost-share allocations to address the anticipated shortfall and strengthen the long-term sustainability of the state's water infrastructure investments. The report asserted this approach should prioritize funding for projects that address critical infrastructure vulnerabilities, while incorporating periodic reassessments to keep resource allocation aligned with evolving circumstances and financial realities. The report contended by enhancing collaboration with other funding partners and leveraging innovative financing mechanisms, the state can better position itself to reduce the forecasted funding shortfall. The report indicated the potential options to reduce the anticipated shortfall include, for replacement projects, setting the cost-share percentage at 25 percent; instituting the state funding ceiling for the Mouse River enhanced flood protection project and for the RRVWSP; leveraging earnings from the Legacy Fund for $791 million to issue bonds to aid in funding the Mouse River enhanced flood protection project and for the RRVWSP; adjusting cost-share percentages and aligning to be a function of SWC's prioritization; delaying projects identified as moderate or low priority by SWC; fully obligating the $260 million line of credit available for water infrastructure projects; and delaying reimbursing the Water Infrastructure Revolving Loan Fund from the Resources Trust Fund. During the summer of 2026, DWR and SWC discussed potential changes to the state's cost-share policy at meetings held in each of the state's major drainage basins, with a primary focus on affordability for stakeholders undertaking a project. Based on DWR's cost-share policies study, the report provided by Deloitte, and the feedback from relevant stakeholders, SWC intends to shift from categorizing water project requests as high, moderate, or low priority to categorizing projects as tiers one, two, or three, and to incorporate affordability considerations into the prioritization process. Water projects that include snagging and clearing needs are eligible for up to a 50 percent state cost-share, but under the proposed changes to the state cost-share policies, snagging and clearing projects in rural areas would be eligible for up to a 40 percent state cost-share. In comparison, projects in urban areas would remain eligible for a 50 percent state cost-share.

North Dakota Rural Water Systems Association

A representative of the North Dakota Rural Water Systems Association expressed concern about the status of rural water supply funding allocations under the state's cost-share policy and welcomed continued collaboration to address the needs of rural water users statewide.

Regional Water Systems Governance and Finance Study

The committee received a report from representatives of DWR and Deloitte and testimony from interested stakeholders regarding SWC's regional water systems governance and finance study.

Deloitte

The governance and finance study evaluated major governing authorities, including DWR, SWC, Lake Agassiz Water Authority, Garrison Diversion Conservancy District, the NAWS Authority, and SWA, and major projects, including the NAWS project, SWPP, and RRVWSP.

The SWPP is a state-owned wholesale and retail water supply system in southwest North Dakota. The SWA manages day-to-day operations and maintenance. The state funds all construction costs, but user fees cover capital repayment. The testimony asserted that key challenges associated with the SWPP include that the project has limited formal local control over infrastructure decisions; a disincentive potentially exists in buildout decisions because of the lack of upfront local investment; replacement and extraordinary maintenance funding reserves may not be sufficient for long-term viability; perpetual capital repayment obligations limit the SWA's ability to reinvest revenues into the project if ownership is transferred; and the project lacks a clear and strategic long-term building and financial plan. The report outlined three potential options, including "Option 2," for the SWPP's future governance and finance, which would maintain state ownership and SWA operation and maintenance, and use capital repayment to backstop long-term financing.

The NAWS Project is a state-owned and operated wholesale water supply system in the northern part of the state. Local stakeholders have representation through the NAWS Authority. The state pays 65 percent of project costs, and the City of Minot pays the remainder through a 1 percent sales tax. The testimony asserted key challenges associated with the NAWS Project include the project lacks statutory guidance for the NAWS Authority to participate in decisionmaking processes; the NAWS Authority does not have staff to support its operations; communities in the NAWS service area pay different water rates; some communities in the NAWS service area must remain rural water customers; a long-term financial strategy and plan has not yet been developed; and there are no clear key performance indicators for tracking cost-effectiveness and operation and maintenance. The report outlined three potential options, including "Option 1," for the NAWS Project's future governance and finance, which would maintain state ownership and operation and maintenance and formalize and strengthen NAWS Authority consultation, strategy, staffing, and performance tracking.

The RRVWSP is a drought-mitigation project to deliver supplemental water from the McClusky Canal to the Red River Valley. The Garrison Diversion Conservancy District owns and will operate the pipeline, but the Lake Agassiz Water Authority will manage all downstream distribution. The state pays 75 percent of project costs, while the local participating communities pay the remaining 25 percent. The testimony asserted key challenges associated with the RRVWSP include significant disagreements and lack of trust between the Garrison Diversion Conservancy District and the Lake Agassiz Water Authority; decisionmaking authority not being adequately aligned with risk; the scope, roles, and responsibilities not being enforced in line with the governing cooperation agreement for the project; critical elements of project planning and structure not being fully developed; and a long-term financial strategy and business plan having yet to be defined. The report outlined three potential options, including "Option 3" for RRVWSP's future governance and finance, which would transfer ownership and operational authority to SWC.

Department of Water Resources

As a result of DWR's governance and finance study and the report provided by Deloitte, SWC recommended the following options related to major water projects in the state:

Water Project	Report Option	Report Recommendation
Southwest Pipeline Project	Option 2	Maintain the current governance model and leverage capital repayment options.
Northwest Area Water Supply	Option 1	Maintain the current governance model and include suggested improvements.
Red River Valley water supply project	Option 3	Transfer ownership of the project and operations and maintenance of the system to SWC.

Testimony indicated implementing the preferred options from the Deloitte report would require changes to internal policies, which DWR plans to implement in the 2027-29 biennium. Testimony indicated that, to fully implement the preferred options, the Legislative Assembly would need to amend statutory provisions governing the SWPP, NAWS Project, and the RRVWSP.

Lake Agassiz Water Authority

Representatives from the Lake Agassiz Water Authority informed the committee the Lake Agassiz Water Authority supports "Option 3" from Deloitte's final report, which proposes transferring ownership of the RRVWSP and the system's operations and maintenance to SWC.

Garrison Diversion Conservancy District

A representative from the Garrison Diversion Conservancy District informed the committee the district executed a resolution with Lake Agassiz Water Authority supporting "Option 3" from Deloitte's final report, which proposes transferring ownership of the RRVWSP and the system's operations and maintenance to SWC.

Northwest Area Water Supply Project

A representative from the NAWS Project informed the committee the NAWS Authority supports "Option 1" from Deloitte's final report for the NAWS Project, which maintains state ownership and operations and maintenance while formalizing and strengthening the NAWS Authority's consultation, strategic planning, staffing, and performance tracking.

Southwest Water Authority

A representative from the SWA informed the committee the SWA supports "Option 2" from Deloitte's final report, which proposes maintaining the SWPP's current governance model and leveraging capital repayment options. "Option 2" provides SWA would use bonding, loans, or other capital repayment options for future project improvements and needs, rather than using the Resources Trust Fund.

Onsite Wastewater Treatment Systems Report

The committee received a report from DEQ regarding the use of one-time funding for regulation of onsite wastewater treatment systems under Section 5 of Senate Bill 2267 (2025). The report indicated following the enactment of the bill, DEQ drafted administrative rules relating to the licensing, permitting, and inspection of onsite wastewater treatment systems. According to the report, DEQ worked with stakeholder groups, issued public notice of the draft administrative rules, held a public hearing, responded to public comments, received an opinion from the North Dakota Attorney General's office regarding the rules, and submitted the final administrative rules for publication. As of August 1, 2026, DEQ spent $59,646 of the $99,500 appropriated for regulating onsite wastewater treatment systems for the 2025-27 biennium. The report indicated DEQ anticipates a one-time expense of $10,000 for database expansion and ongoing program costs of approximately $190,800 during the 2027-29 biennium. To increase revenues for regulating onsite wastewater treatment systems, DEQ anticipates implementing annual license fees of $200 and soil assessment endorsement fees of $50.