

Sixty-fifth
Legislative Assembly
of North Dakota

ENGROSSED HOUSE BILL NO. 1374

Introduced by

Representatives Schmidt, D. Anderson, J. Nelson, Sanford, Streyle, Zubke

Senators Bekkedahl, Kreun, G. Lee, Luick, Schaible, Sorvaag

1 A BILL for an Act to create and enact sections 61-02-14.3, 61-02-80, 61-02-81, and a new
2 section to chapter 61-03 of the North Dakota Century Code, relating to contracts and financial
3 assistance for water projects and duties of the state engineer; and to amend and reenact
4 sections 61-02-01.3, 61-02-01.4, 61-02-02, 61-02-04, 61-02-07, and 61-02-08, subsection 1 of
5 section 61-02-14, and subsection 4 of section 61-02-62 of the North Dakota Century Code,
6 relating to definitions of types of financial assistance for water projects and the composition and
7 operation of the state water commission.

8 **BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:**

9 **SECTION 1. AMENDMENT.** Section 61-02-01.3 of the North Dakota Century Code is
10 amended and reenacted as follows:

11 **61-02-01.3. Comprehensive water development plan.**

12 Biennially, the commission shall develop and maintain a comprehensive water development
13 plan organized on a river basin perspective, including an inventory of future water projects for
14 budgeting and planning purposes. As part of the commission's planning process, ~~in order to~~
15 facilitate local project sponsor participation and project prioritization and to assist in ~~project-~~
16 ~~cost-benefit analysis~~education regarding life cycle analyses for municipal water supply projects,
17 and economic analyses for flood control and water conveyance projects expected to cost more
18 than ~~five~~seven hundred ~~fifty~~ thousand dollars, the commission shall develop a policy that
19 outlines procedures for commissioner-hosted meetings within the Red River, James River,
20 Mouse River, upper Missouri River, lower Missouri River, and Devils Lake drainage basins.

21 **SECTION 2. AMENDMENT.** Section 61-02-01.4 of the North Dakota Century Code is
22 amended and reenacted as follows:

1 **61-02-01.4. State water commission cost-share policy.**

2 The state water commission shall adopt a cost-share policy for the financing of water
3 projects. The policy:

- 4 1. Must provide a water supply project is eligible for ~~grants~~a cost-share up to seventy-five
5 percent of the total eligible project costs.
- 6 2. May not determine program eligibility of water supply projects based on a population
7 growth factor. However, a population growth factor may be used in prioritizing projects
8 for that purpose.
- 9 3. Must consider all project costs potentially eligible for reimbursement, except the
10 commission shall exclude operations expense, regular maintenance, and
11 improvements for water conveyance projects and may exclude operations expense
12 and regular maintenance for other projects. The commission shall require a water
13 project sponsor to maintain a capital improvement fund from the rates charged
14 customers for future extraordinary maintenance projects as condition of funding an
15 extraordinary maintenance project.
- 16 4. May not determine program eligibility of water supply projects based on affordability.
17 However, affordability may be used in prioritizing projects for that purpose.

18 **SECTION 3. AMENDMENT.** Section 61-02-02 of the North Dakota Century Code is
19 amended and reenacted as follows:

20 **61-02-02. Definitions.**

21 In this chapter, unless the context or subject matter otherwise requires:

- 22 1. "Commission" means the state water commission.
- 23 2. "Cost of works" includes:
 - 24 a. The cost of construction, the cost of all lands, property rights, water rights,
25 easements, and franchises acquired which are deemed necessary for such
26 construction;
 - 27 b. The cost of all water rights acquired or exercised by the commission in
28 connection with such works;
 - 29 c. The cost of all machinery and equipment, financing charges, interest prior to and
30 during construction and for a period not exceeding three years after the
31 completion of construction;

- 1 d. The cost of engineering and legal expenses, plans, specifications, surveys,
2 estimates of cost, and other expenses necessary or incident to determining the
3 feasibility or practicability of any project;
- 4 e. Administrative expenses;
- 5 f. The construction of the works and the placing of the same in operation; and
- 6 g. Such other expenses as may be necessary or incident to the financing authorized
7 in this chapter, including funding of debt service, repair and replacement
8 reserves, capitalized interest, and the payment of bond issuance costs.
- 9 3. "Cost-share" means funds appropriated by the legislative assembly or otherwise
10 transferred by the commission to a local entity under commission policy as
11 reimbursement for a percentage of the total approved cost of a project approved by
12 the commission.
- 13 4. "Economic analysis" means an estimate of economic benefits and direct costs that
14 result from the development of a project.
- 15 5. "Grant" means a one-time sum of money appropriated by the legislative assembly and
16 transferred by the commission to a local entity for a particular purpose. A grant is not
17 dependent on the local entity providing a particular percentage of the cost of the
18 project.
- 19 6. "Life cycle analysis" means the summation of all costs associated with the anticipated
20 useful life of a project, including project development, land, construction, operation,
21 maintenance, and disposal or decommissioning.
- 22 7. "Loan" means an amount of money lent to a sponsor of a project approved by the
23 commission to assist with funding approved project components. A loan may be
24 stand-alone financial assistance.
- 25 8. "Owner" includes all individuals, associations, corporations, limited liability companies,
26 districts, municipalities, and other political subdivisions of this state having any title or
27 interest in any properties, rights, water rights, easements, or franchises to be acquired.
- 28 4.9. "Project" means any one of the works defined in subsection 5, or any combination of
29 such works, which are physically connected or jointly managed and operated as a
30 single unit.

1 ~~5-10.~~ "Water conveyance project" means any surface or subsurface drainage works, bank
2 stabilization, or snagging and clearing of water courses.

3 11. "Works" includes:

4 a. All property rights, easements, and franchises relating thereto and deemed
5 necessary or convenient for their operation;

6 b. All water rights acquired and exercised by the commission in connection with
7 such works;

8 c. All means of conserving and distributing water, including without limiting the
9 generality of the foregoing two subdivisions, reservoirs, dams, diversion canals,
10 distributing canals, channels, lateral ditches, pumping units, mains, pipelines,
11 treatment plants, and waterworks systems; and

12 d. All works for the conservation, control, development, storage, treatment,
13 distribution, and utilization of water, including without limiting the generality of the
14 foregoing subdivisions, works for the purpose of irrigation, flood control, watering
15 stock, supplying water for public, domestic, industrial, and recreational use, fire
16 protection, and the draining of lands injured or in danger of injury as a result of
17 such water utilization.

18 **SECTION 4. AMENDMENT.** Section 61-02-04 of the North Dakota Century Code is
19 amended and reenacted as follows:

20 **61-02-04. State water commission - Members - Terms - Qualifications.**

21 The state water commission ~~shall consist~~consists of the governor, agriculture commissioner,
22 and seven other members ~~to be appointed by the governor who shall take into account~~
23 ~~reasonable geographic considerations in making such appointments. The governor or the~~
24 ~~agriculture commissioner, or both, may appoint a representative to serve in that official's~~
25 ~~capacity at such meetings as that official may be unable to attend. Each of the six major~~
26 drainage basins in the state must be represented by at least one commissioner who resides in
27 the basin. The major basins are the upper Missouri River basin, the lower Missouri River basin,
28 the James River basin, the Red River basin, the Mouse River basin, and the Devils Lake basin.

29 The seven appointive members of the commission must be appointed for a term of six years
30 each with ~~their~~the terms of office so arranged that two terms and not more than three terms
31 expire on the first day of July of each odd-numbered year. Each appointive member must be a

1 qualified elector of the state and is subject to removal by judicial procedure. In case of a
2 vacancy, the vacancy must be filled by appointment by the governor for the remainder of the
3 unexpired term. Before entering upon the discharge of official duties, each appointive member
4 shall take, subscribe, and file with the secretary of state the oath prescribed for civil officers.

5 **SECTION 5. AMENDMENT.** Section 61-02-07 of the North Dakota Century Code is
6 amended and reenacted as follows:

7 **61-02-07. Quorum - What constitutes.**

8 A majority of the members of the commission ~~shall constitute~~constitutes a quorum, and the
9 affirmative or negative vote of five members ~~shall be~~is necessary to bind the commission except
10 for adjournment.

11 **SECTION 6. AMENDMENT.** Section 61-02-08 of the North Dakota Century Code is
12 amended and reenacted as follows:

13 **61-02-08. Meetings of commission.**

14 The commission ~~may hold meetings at such times and shall hold at least one meeting every~~
15 two months at such places as it, by resolution, may provide. The chairman, or in the chairman's
16 absence or disability, the vice chairman of the commission, may issue a call for any meeting at
17 any time. The ~~governor, as chairman,~~ shall preside at all meetings of the commission and in
18 case of the ~~governor's~~chairman's absence or disability, the vice chairman shall preside.

19 **SECTION 7. AMENDMENT.** Subsection 1 of section 61-02-14 of the North Dakota Century
20 Code is amended and reenacted as follows:

- 21 1. To investigate, plan, regulate, undertake, construct, establish, maintain, control,
22 operate, and supervise all works, dams, and projects, public and private, which in its
23 judgment may be necessary or advisable:
- 24 a. To control the low-water flow of streams in the state.
 - 25 b. To impound water for the improvement of municipal, industrial, and rural water
26 supplies.
 - 27 c. To control and regulate floodflow in the streams of the state to minimize the
28 damage of such floodwaters.
 - 29 d. To conserve and develop the waters within the natural watershed areas of the
30 state and, subject to vested rights, to divert the waters within a watershed area to

- 1 another watershed area and the waters of any river, lake, or stream into another
2 river, lake, or stream.
- 3 e. To improve the channels of the streams for more efficient transportation of the
4 available water in the streams.
- 5 f. To provide sufficient water flow for the abatement of stream pollution.
- 6 g. To develop, restore, and stabilize the waters of the state for domestic,
7 agricultural, and municipal needs, irrigation, flood control, recreation, and wildlife
8 conservation by the construction and maintenance of dams, reservoirs, and
9 diversion canals.
- 10 h. To promote the maintenance of existing drainage channels in agricultural lands
11 and to construct any needed channels.
- 12 i. To provide more satisfactory subsurface water supplies for the municipalities of
13 the state.
- 14 j. To finance the construction, establishment, operation, and maintenance of public
15 and private works, dams, and irrigation projects, which in its judgment may be
16 necessary and advisable, except the commission may not provide a cost-share
17 for the costs of operation and maintenance or improvement of a water
18 conveyance project.
- 19 k. To provide for the storage, development, diversion, delivery, and distribution of
20 water for the irrigation of agricultural land and supply water for municipal and
21 industrial purposes.
- 22 l. To provide for the drainage of lands injured by or susceptible of injury from
23 excessive rainfall or from the utilization of irrigation water, and subject to the
24 limitations prescribed by law, to aid and cooperate with the United States and any
25 department, agency, or officer thereof, and with any county, township, drainage
26 district, or irrigation district of this state, or of other states, in the construction or
27 improvement of such drains.
- 28 m. To provide water for stock.
- 29 n. To provide water for the generation of electric power and for mining and
30 manufacturing purposes.

1 **SECTION 8.** Section 61-02-14.3 of the North Dakota Century Code is created and enacted
2 as follows:

3 **61-02-14.3. Commission agreements - Terms, conditions, and reapplication.**

4 An agreement for funding which is approved by the commission to fund a water project
5 under this chapter may not have a term exceeding four years. If a water project is not
6 completed when the agreement for its funding terminates, the project sponsor responsible for
7 the project may reapply to the commission for another funding obligation to complete the
8 project. The commission shall prioritize the timing of its review of the reapplication.

9 **SECTION 9. AMENDMENT.** Subsection 4 of section 61-02-62 of the North Dakota Century
10 Code is amended and reenacted as follows:

- 11 4. Covenant to fix and establish such prices, rates, and charges for water and other
12 services made available in connection with the works or project as to provide at all
13 times funds together with other funds the commission may pledge which will be
14 sufficient:
- 15 a. To pay all costs of operation and maintenance of the works or project, as
16 permitted under this chapter, together with necessary repairs thereto;
 - 17 b. To meet and pay the principal and interest of all the bonds as they severally
18 become due and payable; and
 - 19 c. To create such reserves for the principal and interest of all the bonds and for the
20 meeting of contingencies in the operation, repair, replacement, and maintenance
21 of the works or project as the commission shall determine.

22 **SECTION 10.** Section 61-02-80 of the North Dakota Century Code is created and enacted
23 as follows:

24 **Flood control projects - Financial assistance limited.**

25 For flood control projects, the commission shall calculate the amount of its financial
26 assistance, including loans, grants, cost-share, and issuance of bonds, based on the needs for
27 protection of health, property, and enterprise against one hundred year flood events or the
28 equivalent alternative to the national economic development alternative.

29 **SECTION 11.** Section 61-02-81 of the North Dakota Century Code is created and enacted
30 as follows:

1 **Development in breach inundation zones - No financial assistance for dam**
2 **improvements.**

3 If a political subdivision permits building or development within a breach inundation zone
4 and the building or development causes a change in a dam's hazard classification necessitating
5 structural improvements or upgrades to the dam, state loans, grants, cost-share, and other
6 financial assistance may not be provided to pay for the dam improvements or upgrades.

7 **SECTION 12.** A new section to chapter 61-03 of the North Dakota Century Code is created
8 and enacted as follows:

9 **Economic analysis process required for certain projects.**

10 The state engineer shall develop an economic analysis process for water conveyance
11 projects and flood-related projects expected to cost more than seven hundred fifty thousand
12 dollars, and a life cycle analysis process for municipal water supply projects. When the state
13 water commission is considering whether to fund a water conveyance project, flood-related
14 project, or water supply project, the state engineer shall review the economic analysis or life
15 cycle analysis, and inform the state water commission of the findings from the analysis and
16 review.