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Sixty-fifth Legislative Assembly of North Dakota

FIRST ENGROSSMENT with Senate Amendments ENGROSSED HOUSE BILL NO. 1020

Introduced by

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Appropriations Committee

1 A BILL for an Act to amend and reenact section 57-51.1-07, subsection 1 of section 61-02-78, 2 and sections 61-02-79, 61-29-06, 61-40-05, and 61-40-11 of the North Dakota Century Code, 3 relating to the allocation of moneys in the oil extraction tax development fund, the infrastructure 4 revolving loan fund, a Bank of North Dakota line of credit, management of the Little Missouri 5 scenic river, the authority of the western area water supply authority, and water rates of the 6 western area water supply authority; to provide for a legislative management study; to provide 7 for an industrial commission study; to provide for a legislative management study and reports; 8 to provide legislative intent; to designate funding; to provide an appropriation for defraying the 9 expenses of the state water commission and the industrial commission; to provide for a transfer; 10 to provide exemptions; to provide a contingent effective date; to provide an effective date; to 11 provide an expiration date; and to declare an emergency.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. APPROPRIATION. The funds provided in this section, or so much of the funds as may be necessary, are appropriated from special funds derived from federal funds and other income, to the state water commission for the purpose of defraying the expenses of the state water commission, for the biennium beginning July 1, 2017, and ending June 30, 2019, as follows:

18			Adjustments or	
19		Base Level	Enhancements	<u>Appropriation</u>
20	Administrative and support services	\$5,535,618	\$97,568	\$5,633,186
21	Water and atmospheric resources	863,400,218	(146,889,929)	716,510,289
22	Total all funds	\$868,935,836	(\$146,792,361)	\$722,143,475
23	Full-time equivalent positions	97.00	(4.00)	93.00

1	SEC	OITS	2. HEALTH INSURANCE INCREASE. The appropriation in section 1 of this Act			
2	includes the sum of \$257,498 of other funds, for increases in employee health insurance					
3	premiums from \$1,130 to \$1,241 per month.					
4	SECTION 3. ADDITIONAL INCOME - APPROPRIATION - BUDGET SECTION					
5	APPRO	VAL.	In addition to the amounts appropriated in section 1 of this Act, any additional			
6	amounts	nounts in the resources trust fund and water development trust fund which become available				
7	are app	are appropriated, subject to budget section approval, to the state water commission for the				
8	purpose	purpose of defraying the expenses of that agency, for the biennium beginning July 1, 2017, and				
9	ending June 30, 2019.					
10	SECTION 4. GRANTS - WATER-RELATED PROJECTS - CARRYOVER AUTHORITY.					
11	Section	Section 54-44.1-11 does not apply to funding for grants or water-related projects included in the				
12	water and atmospheric resources line item in section 1 of this Act. However, this exclusion is					
13	only in effect for two years after June 30, 2019. Any unexpended funds appropriated from the					
14	resources trust fund after that period has expired must be transferred to the resources trust fund					
15	and any unexpended funds appropriated from the water development trust fund after that period					
16	has expired must be transferred to the water development trust fund.					
17	SEC	CTION	5. STATE WATER COMMISSION PROJECT FUNDING DESIGNATIONS -			
18	TRANS	FERS	S - BUDGET SECTION APPROVAL.			
19	1.	Of t	he funds appropriated in the water and atmospheric resources line item in section			
20		1 of	this Act from funds available in the resources trust fund and water development			
21		trus	t fund, \$298,875,000 is designated as follows:			
22		a.	\$147,125,000 for water supply;			
23		b.	\$136,000,000 for flood control; and			
24		C.	\$15,750,000 for general water.			
25	2.	The	funding designated in this section is for the specific purposes identified; however,			
26		the	state water commission may transfer funding among these items, subject to			
27		bud	get section approval and upon notification to the legislative management's water			
28		topi	cs overview committee.			
29	SECTION 6. LEGISLATIVE INTENT - MOUSE RIVER FLOOD CONTROL PROJECT					
30	FUNDIN	IG. E	xcept for funding provided during bienniums prior to the 2017-19 biennium, it is the			
31	intent of the sixty-fifth legislative assembly that the state provide no more than \$193,000,000 of					

- 1 state funding for Mouse River flood control projects within the city limits of Minot. It is the intent
- 2 of the sixty-fifth legislative assembly that the \$193,000,000 be made available during the
- 3 2017-19, 2019-21, 2021-23, and 2023-25 bienniums.
- 4 SECTION 7. LEGISLATIVE INTENT RED RIVER VALLEY WATER SUPPLY PROJECT -
- 5 **REPORT TO LEGISLATIVE MANAGEMENT.** It is the intent of the sixty-fifth legislative
- 6 assembly that the state water commission provide up to \$30,000,000, for a ninety percent state
- 7 cost share to the Garrison diversion conservancy district to be used for the design, permitting,
- 8 property and easement acquisition related to the project, construction, and other related activity
- 9 for the Red River valley water supply project, for the biennium beginning July 1, 2017, and
- 10 ending June 30, 2019. The Garrison diversion conservancy district shall report on a regular
- 11 basis to the legislative management's water topics overview committee during the 2017-18
- 12 interim regarding the progress of the Red River valley water supply project.
- 13 SECTION 8. WESTERN AREA WATER SUPPLY AUTHORITY BANK OF NORTH
- 14 **DAKOTA LOAN REPORTS.** Notwithstanding section 5 of chapter 500 of the 2011 Session
- Laws, the Bank of North Dakota shall consolidate the \$40,000,000 loan to the western area
- water supply authority authorized in section 5 of chapter 20 of the 2013 Session Laws, the
- 17 \$50,000,000 loan to the western area water supply authority authorized in section 2 of chapter
- 18 500 of the 2011 Session Laws, and the \$25,000,000 loan from the general fund to the western
- area water supply authority authorized in section 3 of chapter 500 of the 2011 Session Laws.
- 20 The terms and conditions of the consolidation loan must be negotiated by the western area
- 21 water supply authority and the Bank of North Dakota. The western area water supply authority
- 22 is not obligated to repay principal on loans from the resources trust fund for the period
- beginning July 1, 2017, and ending June 30, 2018. The interest rate on the \$10,000,000 loan to
- 24 the western area water supply authority authorized in section 4 of chapter 500 of the 2011
- 25 Session Laws must be 2.5 percent on any outstanding balance remaining after the effective
- date of this Act. The Bank of North Dakota shall report the terms of the consolidation loan upon
- 27 its completion to the legislative management's water topics overview committee during the
- 28 2017-18 interim. The western area water supply authority shall provide its monthly financial
- 29 statements and industrial sales to the legislative council for the legislative management's water
- 30 topics overview committee's review during the 2017-18 interim.

1 SECTION 9. WESTERN AREA WATER SUPPLY AUTHORITY DEBT SERVICE

2 SHORTFALL - BUDGET SECTION APPROVAL. If the western area water supply authority

3 defaults on its payment of the principal or interest on the consolidation loan provided for in

4 section 8 of this Act, the Bank of North Dakota shall notify the legislative council, and the state

water commission shall provide a payment, subject to budget section approval, to the Bank of

6 North Dakota in an amount of the default as certified to the budget section by the Bank of North

7 Dakota.

SECTION 10. APPROPRIATION - INDUSTRIAL COMMISSION STUDY - WESTERN AREA WATER SUPPLY AUTHORITY - REPORT TO LEGISLATIVE MANAGEMENT. There is appropriated out of any moneys in the resources trust fund, in the state treasury, the sum of \$150,000, or so much of the sum as may be necessary, to the industrial commission for the purpose of conducting an independent study of the feasibility and desirability of the sale or lease of the industrial water supply assets of the western area water supply authority, for the period beginning with the effective date of this Act, and ending June 30, 2019. The study must provide information regarding the financial impact to the western area water supply authority, its members and customers, the financial viability of the authority, and options available to the authority for debt servicing. The industrial commission may form a nonvoting advisory committee chaired by the state engineer to provide input regarding the scope of the study and to receive reports on the status of the study. The industrial commission shall report to the legislative management's interim water topics overview committee on the results of the study by June 1, 2018.

SECTION 11. ACTIONS RESULTING FROM THE WESTERN AREA WATER SUPPLY AUTHORITY STUDY.

- 1. If the industrial commission determines, based on the study directed in section 10 of this Act, that it is feasible and desirable to lease or sell the industrial water supply assets of the western area water supply authority, the industrial commission shall develop a timeline to complete the lease or the sale of the industrial water assets of the western area water supply authority and report to the legislative management's interim water topics overview committee.
- 2. If the industrial commission determines, based on the study directed in section 10 of this Act, that it is not feasible and desirable to lease or sell the industrial water supply

assets of the western area water supply authority, notwithstanding section 5 of chapter 500 of the 2011 Session Laws, the western area water supply authority shall, with the assistance of the industrial commission and the Bank of North Dakota, repay its obligations to the Bank of North Dakota and the state water commission through the issuance of revenue bonds or other financing options acceptable to the industrial commission and Bank of North Dakota.

SECTION 12. AMENDMENT. Section 57-51.1-07 of the North Dakota Century Code is amended and reenacted as follows:

57-51.1-07. Allocation of moneys in oil extraction tax development fund.

Moneys deposited in the oil extraction tax development fund must be transferred monthly by the state treasurer as follows:

- Twenty percent must be allocated and credited to the sinking fund established for payment of the state of North Dakota water development bonds, southwest pipeline series, and any moneys in excess of the sum necessary to maintain the accounts within the sinking fund and for the payment of principal and interest on the bonds must be credited to a special trust fund, to be known as the resources trust fund. The resources trust fund must be established in the state treasury and the funds therein must be deposited and invested as are other state funds to earn the maximum amount permitted by law which income must be deposited in the resources trust fund.

 FiveThree percent of the amount credited to the resources trust fund must be transferred no less than quarterly into the renewable energy development fund, not to exceed three million dollars per biennium. One-half of one percent of the amount credited to the resources trust fund must be transferred no less than quarterly into the energy conservation grant fund not to exceed one million two hundred thousand dollars per biennium. The principal and income of the resources trust fund may be expended only pursuant to legislative appropriation and are available to:
 - a. The state water commission for planning for and construction of water-related projects, including rural water systems. These water-related projects must be those which the state water commission has the authority to undertake and construct pursuant to chapter 61-02; and

- b. The industrial commission for the funding of programs for development of
 renewable energy sources; for studies for development of cogeneration systems
 that increase the capacity of a system to produce more than one kind of energy
 from the same fuel; for studies for development of waste products utilization; and
 for the making of grants and loans in connection therewith.
 - c. The department of commerce for the funding of programs for development of energy conservation and for the making of grants and loans relating to energy conservation.
 - 2. Twenty percent must be allocated to the common schools trust fund and foundation aid stabilization fund as provided in section 24 of article X of the Constitution of North Dakota.
 - 3. Thirty percent must be allocated to the legacy fund as provided in section 26 of article X of the Constitution of North Dakota.
 - 4. Thirty percent must be allocated and credited to the state's general fund.
 - **SECTION 13. AMENDMENT.** Section 57-51.1-07 of the North Dakota Century Code is amended and reenacted as follows:
 - 57-51.1-07. Allocation of moneys in oil extraction tax development fund.
 - Moneys deposited in the oil extraction tax development fund must be transferred monthly by the state treasurer as follows:
 - Twenty percent must be allocated and credited to the sinking fund established for payment of the state of North Dakota water development bonds, southwest pipeline series, and any moneys in excess of the sum necessary to maintain the accounts within the sinking fund and for the payment of principal and interest on the bonds must be credited to a special trust fund, to be known as the resources trust fund. The resources trust fund must be established in the state treasury and the funds therein must be deposited and invested as are other state funds to earn the maximum amount permitted by law which income must be deposited in the resources trust fund. Three percent of the amount credited to the resources trust fund must be transferred no less than quarterly into the renewable energy development fund, not to exceed three million dollars per biennium. One-half of one percent of the amount credited to the resources trust fund must be transferred no less than quarterly into the energy

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- 1 conservation grant fund not to exceed <u>one million</u> two hundred thousand dollars per
 2 biennium. The principal and income of the resources trust fund may be expended only
 3 pursuant to legislative appropriation and are available to:
 - a. The state water commission for planning for and construction of water-related projects, including rural water systems. These water-related projects must be those which the state water commission has the authority to undertake and construct pursuant to chapter 61-02; and
 - b. The industrial commission for the funding of programs for development of renewable energy sources; for studies for development of cogeneration systems that increase the capacity of a system to produce more than one kind of energy from the same fuel; for studies for development of waste products utilization; and for the making of grants and loans in connection therewith.
 - c. The department of commerce for the funding of programs for development of energy conservation and for the making of grants and loans relating to energy conservation.
 - 2. Twenty percent must be allocated to the common schools trust fund and foundation aid stabilization fund as provided in section 24 of article X of the Constitution of North Dakota.
 - 3. Thirty percent must be allocated to the legacy fund as provided in section 26 of article X of the Constitution of North Dakota.
 - 4. Thirty percent must be allocated and credited to the state's general fund.
 - **SECTION 14. AMENDMENT.** Subsection 1 of section 61-02-78 of the North Dakota Century Code is amended and reenacted as follows:
 - 1. An infrastructure revolving loan fund is established on January 1, 2015, within the resources trust fund to provide loans for water supply, flood protection, or other water development and water management projects. Ten percent of oil extraction moneys deposited in the resources trust fund, not to exceed a total deposit from oil extraction moneys of twenty-six million dollars, are made available on a continuing basis for making loans in accordance with this section. Accounts may be established in the resources trust fund as necessary for its management and administration.

1	SECTION 15. AMENDMENT. Section 61-02-79 of the North Dakota Century Code is
2	amended and reenacted as follows:
3	61-02-79. Bank of North Dakota - Line of credit.
4	The Bank of North Dakota shall extend a line of credit not to exceed two hundredseventy-
5	five million dollars at a rate thatof one and one-half percent over the three month London
6	interbank offered rate, but may not exceed one and three-quartersthree percent to the state
7	water commission. The state water commission shall repay the line of credit from funds
8	available in the resources trust fund, water development trust fund, or other funds, as
9	appropriated by the legislative assembly. The state water commission may access the line of
0	credit, as necessary, to provide funding as authorized by the legislative assembly for water-
11	supply projects in suspense, water supply projects identified in section 19 of chapter 54 of the
2	2015 session laws, and water supply projects approved before June 30, 2017 2019, and flood
3	control projects that have approval for funding before June 30, 20172019.
4	SECTION 16. AMENDMENT. Section 61-29-06 of the North Dakota Century Code is
5	amended and reenacted as follows:
6	61-29-06. Management.
7	Channelization, reservoir construction, or diversion other than for agricultural er_
8	recreational, or temporary use purposes and the dredging of waters within the confines of the
9	Little Missouri scenic river and all Little Missouri River tributary streams are expressly
20	prohibited. Flood control dikes may be constructed within the floodplain of the Little Missouri
21	River. Diking and riprapping for bank erosion control shall be permitted within the confines of
22	the Little Missouri scenic river. The construction of impoundments for any purpose on the Little
23	Missouri mainstream shall be prohibited.
24	This chapter shall in no way affect or diminish the rights of owners of the land bordering the
25	river to use the waters for domestic purposes, including livestock watering, or any other rights of
26	riparian landowners.
27	SECTION 17. AMENDMENT. Section 61-40-05 of the North Dakota Century Code is
28	amended and reenacted as follows:
29	61-40-05. Authority of the western area water supply authority.
30	In addition to authority declared under section 61-40-01, the board of directors of the
31	western area water supply authority may:

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- 1 1. Sue and be sued in the name of the authority.
 - 2. Exercise the power of eminent domain in the manner provided by title 32 or as described in this chapter for the purpose of acquiring and securing any right, title, interest, estate, or easement necessary or proper to carry out the duties imposed by this chapter, and particularly to acquire the necessary rights in land for the construction of an entire part of any pipeline, reservoir, connection, valve, pumping installation, or other facility for the storage, transportation, or utilization of water and all other appurtenant facilities used in connection with the authority. However, if the interest sought to be acquired is a right of way for any project authorized in this chapter, the authority, after making a written offer to purchase the right of way and depositing the amount of the offer with the clerk of the district court of the county in which the right of way is located, may take immediate possession of the right of way. as authorized by section 16 of article I of the Constitution of North Dakota. Within thirty days after notice has been given in writing to the landowner by the clerk of the district court that a deposit has been made for the taking of a right of way as authorized in this subsection, the owner of the property taken may appeal to the district court by serving a notice of appeal upon the acquiring agency, and the matter must be tried at the next regular or special term of court with a jury unless a jury be waived, in the manner prescribed for trials under chapter 32-15.
 - 3. Accept funds, property, services, pledges of security, or other assistance, financial or otherwise, from federal, state, and other public or private sources for the purpose of aiding and promoting the construction, maintenance, and operation of the authority. The authority may cooperate and contract with the state or federal government, or any department or agency of state or federal government, or any city, water district, or water system within the authority, in furnishing assurances and meeting local cooperation requirements of any project involving treatment, control, conservation, distribution, and use of water.
 - 4. Cooperate and contract with the agencies or political subdivisions of this state or other states, in research and investigation or other activities promoting the establishment, construction, development, or operation of the authority.

- 5. Appoint and fix the compensation and reimbursement of expenses of employees as the board determines necessary to conduct the business and affairs of the authority and to procure the services of engineers and other technical experts, and to retain attorneys to assist, advise, and act for the authority in its proceedings.
 - 6. Operate and manage the authority to distribute water to authority members and others within or outside the territorial boundaries of the authority and this state.
 - 7. Hold, own, sell, or exchange any and all property purchased or acquired by the authority. All money received from any sale or exchange of property must be deposited to the credit of the authority and may be used to pay expenses of the authority.
 - 8. Enter contracts to obtain a supply of bulk water through the purchase of infrastructure, bulk water sale or lease, which contracts may provide for payments to fund some or all of the authority's costs of acquiring, constructing, or reconstructing one or more water supply or infrastructure.
 - 9. Acquire, construct, improve, and own water supply infrastructure, office and maintenance space in phases, in any location, and at any time.
 - 10. Enter contracts to provide for a bulk sale, lease, or other supply of water for beneficial use to persons within or outside the authority. The contracts may provide for payments to fund some or all of the authority's costs of acquiring, constructing, or reconstructing one or more water system projects, as well as the authority's costs of operating and maintaining one or more projects, whether the acquisition, construction, or reconstruction of any water supply project actually is completed and whether water actually is delivered pursuant to the contracts. The contracts the cities, water districts, and other entities that are members of the western area water supply authority are authorized to execute are without limitation on the term of years.
 - 11. Borrow money as provided in this chapter.
 - 12. Make all contracts, execute all instruments, and do all things necessary or convenient in the exercise of its powers or in the performance of its covenants or duties or in order to secure the payment of its obligations, but an encumbrance, mortgage, or other pledge of property of the authority may not be created by any contract or instrument.
 - 13. Accept from any authorized state or federal agency loans or grants for the planning, construction, acquisition, lease, or other provision of a project, and enter agreements

- with the agency respecting the loans or grants. Other than state-guaranteed loans,
 additional debt that may form the basis of a claim for territorial or franchise protection
 for industrial water sales for oil and gas exploration and production may be acquired
 by the authority or member entities only upon approval by the industrial commission
 and the emergency commission.
- 6 14. Contract debts and borrow money, pledge property of the authority for repayment of indebtedness, and provide for payment of debts and expenses of the authority.
- 8 15. Operate and manage the authority to distribute water to any out-of-state cities or water systems that contract with the authority.
- 10 16. Accept, apply for, and hold water allocation permits.
 - 17. Adopt rules concerning the planning, management, operation, maintenance, sale, and ratesetting regarding water sold by the authority. The authority may adopt a rate structure with elevated rates set for project industrial water depot and lateral supplies in recognition that a large component of the project expense is being incurred to meet the demands of industrial users. The industrial water depot and lateral rate structure must be approved in accordance with section 61-40-11.
 - 18. Develop water supply systems; store and transport water; and provide, contract for, and furnish water service for domestic, municipal, and rural water purposes; milling, manufacturing, mining, industrial, metallurgical, and any and all other beneficial uses; and fix the terms and rates therefore. The authority may acquire, construct, operate, and maintain dams, reservoirs, ground water storage areas, canals, conduits, pipelines, tunnels, and any and all treatment plants, works, facilities, improvements, and property necessary the same without any required public vote before taking action.
 - 19. Contract to purchase or improve water supply infrastructure or to obtain bulk water supplies without requiring any vote of the public on the projects or contracts. In relation to the initial construction of the system and for the purposes of entering a contract with the authority, municipalities are exempt from the public voting requirements or water contract duration limitations otherwise imposed by section 40-33-16.
 - 20. Accept assignment by member entities of contracts that obligate member entities to provide a water supply, contracts that relate to construction of water system

1 infrastructure, or other member entity contracts that relate to authorities transferred to 2 the authority under this chapter. 3 <u>21.</u> Issue revenue bonds to repay its loan obligations to the Bank of North Dakota and the 4 state water commission. 5 SECTION 18. AMENDMENT. Section 61-40-11 of the North Dakota Century Code is 6 amended and reenacted as follows: 7 61-40-11. Water rates. 8 The authority shall develop an industrial water depot and lateral retail rate and present the 9 rate to the industrial commission for approval. Any industrial water depot and lateral rate 10 adjustment must have approval of the industrial commission before going into effectThe 11 industrial commission may authorize the authority to contract at competitive, floating, market 12 rates for industrial water depot and lateral retail sales. The authority shall provide a report on 13 the rates to the commission and legislative management's water topics overview committee on 14 a regular basis. The authority shall develop domestic water rates that must include all costs for 15 operation, maintenance, and operating and capital reserves, and debt repayment of all 16 infrastructure managed or constructed by the authority, with the exception of the costs identified 17 in section 61-40-10 which are paid for by industrial water depot and lateral sales. 18 SECTION 19. TRANSFER - INFRASTRUCTURE REVOLVING LOAN FUND TO 19 **RESOURCES TRUST FUND.** On July 1, 2017, the state treasurer shall transfer any oil 20 extraction moneys exceeding \$26,000,000 which have been deposited in the infrastructure 21 revolving loan fund from the infrastructure revolving loan fund to the resources trust fund. 22 SECTION 20. LEGISLATIVE MANAGEMENT STUDY - OIL AND GAS INDUSTRIAL 23 WATER USE. During the 2017-18 interim, the legislative management shall consider studying 24 industrial water use of the oil and gas industry. The study is to include the recapture of water 25 used in fracking, the recycling of water used in fracking, and other oil and gas activities, fracking 26 methods which do not require the use of water, and taxes or fees other states charge for water 27 used in the oil and gas industry. 28 SECTION 21. EFFECTIVE DATE - EXPIRATION DATE. Section 12 of this Act becomes 29 effective on July 1, 2017, is effective through June 30, 2019, and after that date is ineffective. 30 Section 13 of this Act becomes effective on July 1, 2019.

- 1 **SECTION 22. CONTINGENT EFFECTIVE DATE.** Section 17 of this Act is contingent on
- 2 certification by the industrial commission to the legislative council that the industrial commission
- 3 has determined the western area water supply authority shall, with the assistance of the
- 4 industrial commission and the Bank of North Dakota, repay its obligations to the Bank of North
- 5 Dakota and the state water commission through the issuance of revenue bonds, as provided
- 6 under subsection 2 of section 11 of this Act.
- 7 **SECTION 23. EMERGENCY.** Sections 8, 9, 10, 11, 16, 17, and 22 of this Act are declared
- 8 to be an emergency measure.