

**Department 770 - State Water Commission
House Bill No. 1020**

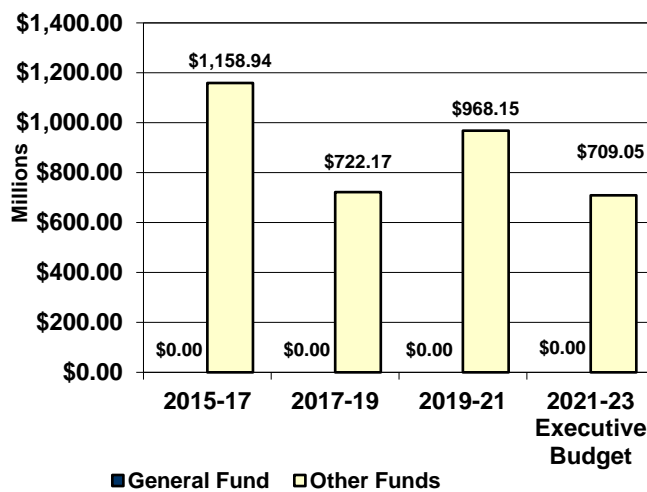
Executive Budget Comparison to Prior Biennium Appropriations

	FTE Positions	General Fund	Other Funds	Total
2021-23 Executive Budget	90.00	\$0	\$709,047,231	\$709,047,231
2019-21 Legislative Appropriations	90.00	0	968,154,091	968,154,091
Increase (Decrease)	0.00	\$0	(\$259,106,860)	(\$259,106,860)

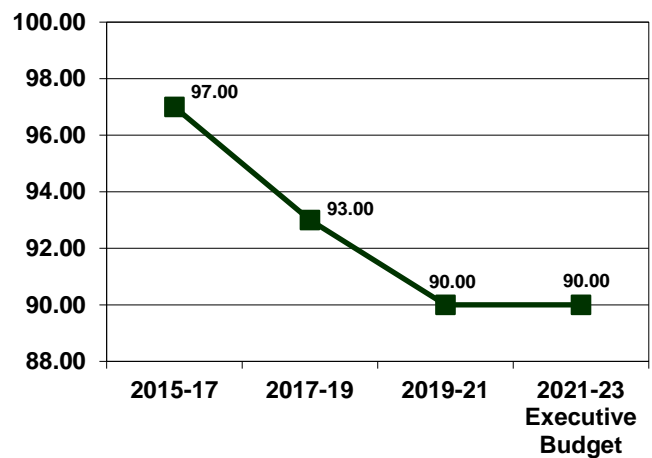
Ongoing and One-Time Other Funds Appropriations

	Ongoing Other Funds Appropriation	One-Time Other Funds Appropriation	Total Other Funds Appropriation
2021-23 Executive Budget	\$634,047,231	\$75,000,000	\$709,047,231
2019-21 Legislative Appropriations	867,254,091	100,900,000	968,154,091
Increase (Decrease)	(\$233,206,860)	(\$25,900,000)	(\$259,106,860)

Agency Funding



FTE Positions



Executive Budget Comparison to Base Level

	General Fund	Other Funds	Total
2021-23 Executive Budget	\$0	\$709,047,231	\$709,047,231
2021-23 Base Level	0	867,254,091	867,254,091
Increase (Decrease)	\$0	(\$158,206,860)	(\$158,206,860)

Attached as an appendix is a detailed comparison of the executive budget to the agency's base level appropriations.

Executive Budget Highlights

	General Fund	Other Funds	Total
1. Adds funding for state employee salary and benefit increases, of which \$488,936 is for salary increases, \$4,415 is for health insurance increases, and \$99,685 is for retirement contribution increases	\$0	\$593,036	\$593,036
2. Removes 1 FTE risk mapping position and related federal funds	\$0	(\$183,884)	(\$183,884)
3. Adds 1 FTE regulatory position and related funding	\$0	\$211,596	\$211,596
4. Reduces funding for state projects in capital assets to provide a total of \$165,284,777	\$0	(\$11,264,226)	(\$11,264,226)
5. Reduces funding for project carryover to provide a total of \$295,363,183	\$0	(\$12,970,635)	(\$12,970,635)
6. Reduces funding available for water supply grants to provide a total of \$54,165,877	\$0	(\$73,834,123)	(\$73,834,123)

7. Reduces funding available for rural water supply grants to provide a total of \$20,225,913	\$0	(\$16,974,087)	(\$16,974,087)
8. Removes funding for Fargo area flood control	\$0	(\$66,500,000)	(\$66,500,000)
9. Removes funding for Mouse River flood control	\$0	(\$82,500,000)	(\$82,500,000)
10. Increases funding available for flood control projects to provide a total of \$94,630,512	\$0	\$46,630,512	\$46,630,512
11. Reduces funding available for general water grants to provide a total of \$15,327,275	\$0	(\$11,766,501)	(\$11,766,501)
12. Increases funding for professional services to provide a total of \$23,421,105	\$0	\$1,817,420	\$1,817,420
13. Increases funding for utility expenses to provide a total of \$13,147,330	\$0	\$4,398,015	\$4,398,015
14. Increases funding for repairs to provide a total of \$1,604,750	\$0	\$497,250	\$497,250
15. Removes base level funding for Bank of North Dakota debt payment	\$0	(\$7,236,750)	(\$7,236,750)
16. Reduces funding for other operating expenses	\$0	(\$4,379,147)	(\$4,379,147)
17. Increases funding for IT and equipment over \$5,000	\$0	\$14,009	\$14,009
18. Adds funding for Microsoft Office 365 license expenses	\$0	\$10,245	\$10,245
19. Adds one-time funding from a Bank of North Dakota line of credit for the Northwest Area Water Supply Project	\$0	\$75,000,000	\$75,000,000

**Other Sections Recommended to be Added in the Executive Budget
(As Detailed in the Attached Appendix)**

Additional income - Section 3 would appropriate any additional federal or other funds available to the State Water Commission during the 2021-23 biennium.

Exemption - Water-related projects - Section 4 would authorize the State Water Commission to continue any unexpended 2021-23 biennium appropriation authority for grants or water-related projects for 2 years beyond June 30, 2023.

Line item transfers - Section 5 would authorize the agency to transfer appropriation authority between line items in Section 1 of the bill.

Line of credit authorization - Section 6 would extend authorization of a line of credit for the State Water Commission at the Bank of North Dakota, not to exceed \$75 million, at a rate of 1.5 percent over the 3-month London interbank offered rate (LIBOR).

Bank of North Dakota - Line of credit - Transfer - Section 7 authorizes the transfer of \$75 million of proceeds from a Bank of North Dakota line of credit to the State Water Commission during the 2021-23 biennium.

Continuing Appropriations

Infrastructure revolving loan fund - North Dakota Century Code Section 61-02-78 established the infrastructure revolving loan fund within the resources trust fund to provide loans for water supply, flood protection, or other water development and water management projects. A total of \$26 million of oil extraction money was deposited in the resources trust fund and, along with loan repayments and earnings of the fund, is available on a continuing basis for infrastructure loans.

Deficiency Appropriation

There are no deficiency appropriations for this agency.

Significant Audit Findings

The following two significant audit findings were identified in the agency's audit ending June 30, 2019:

- Improper emergency action plan process for dams
- Dam operating plans are not being tracked or reviewed

Major Related Legislation

House Bill No. 1063 - Amends Sections 61-24.6-02 and 61-24.6-10 relating to the membership on the Northwest Area Water Supply Advisory Committee and the areas to be served by the Northwest Area Water Supply Project.

Senate Bill No. 2081 - Amends Sections 61-16.2-06 and 61-16.2-08 relating to permissible uses in the floodway and flood fringe under the national flood insurance program.

State Water Commission - Budget No. 770
House Bill No. 1020
Base Level Funding Changes

Executive Budget Recommendation

	FTE Positions	General Fund	Other Funds	Total
2021-23 Biennium Base Level	90.00	\$0	\$867,254,091	\$867,254,091
2021-23 Ongoing Funding Changes				
Base payroll changes		\$0	\$230,410	\$230,410
Salary increase			488,936	488,936
Health insurance increase			4,415	4,415
Retirement contribution increase			99,685	99,685
Removes 1 FTE risk mapping position	(1.00)		(183,884)	(183,884)
Adds 1 FTE regulatory position	1.00		211,596	211,596
Reduce funding for state projects in capital assets			(11,264,226)	(11,264,226)
Reduce funding for project carryover			(12,970,635)	(12,970,635)
Reduce funding available for water supply grants			(73,834,123)	(73,834,123)
Reduce funding available for rural water supply grants			(16,974,087)	(16,974,087)
Remove funding for Fargo area flood control			(66,500,000)	(66,500,000)
Remove funding for Mouse River flood control			(82,500,000)	(82,500,000)
Increase funding for flood control projects			46,630,512	46,630,512
Reduce funding for general water grants			(11,766,501)	(11,766,501)
Increase funding for professional services			1,817,420	1,817,420
Increase funding for utility expenses			4,398,015	4,398,015
Increase funding for repairs			497,250	497,250
Increase funding for IT and equipment over \$5,000			14,009	14,009
Adds funding for Microsoft Office 365 license expenses			10,245	10,245
Reduce funding for other operating expenses			(4,379,147)	(4,379,147)
Removes base level funding for debt payments			(7,236,750)	(7,236,750)
Total ongoing funding changes	0.00	\$0	(\$233,206,860)	(\$233,206,860)
One-time funding items				
Adds funding from Bank of North Dakota line of credit		\$0	\$75,000,000	\$75,000,000
Total one-time funding changes	0.00	\$0	\$75,000,000	\$75,000,000
Total Changes to Base Level Funding	0.00	\$0	(\$158,206,860)	(\$158,206,860)
2021-23 Total Funding	90.00	\$0	\$709,047,231	\$709,047,231
<i>Total ongoing changes as a percentage of base level</i>	0.0%		(26.9%)	(26.9%)
<i>Total changes as a percentage of base level</i>	0.0%		(18.2%)	(18.2%)

Other Sections in State Water Commission - Budget No. 770

Executive Budget Recommendation

Additional income	Section 3 would appropriate any additional income from the resources trust fund or water development trust fund that becomes available to the State Water Commission during the 2021-23 biennium.
Exemption - Water-related projects	Section 4 would provide that funds appropriated for grants or water-related projects in Section 1 are exempt from North Dakota Century Code Section 54-44.1-11 for 2 years after June 30, 2023. Any unexpended funds appropriated from the resources trust fund or the water development trust fund after that period has expired must be transferred to the originating fund.
Line item transfers	Section 5 would authorize the State Water Commission to transfer funds between line items in Section 1 of the bill, when it is cost-effective for the construction of water projects. The department must report transfers to the Office of Management and Budget.

Other Sections in State Water Commission - Budget No. 770

Executive Budget Recommendation

Bank of North Dakota - Line of credit

Section 6 would extend authorization of a line of credit at the Bank of North Dakota, not to exceed \$75 million, at an annual percentage rate of 1.5 percent over the 3-month LIBOR rate, but may not exceed 3 percent to the State Water Commission. The State Water Commission must repay the line of credit from funds available in the resources trust fund, water development trust fund, or other funds, as appropriated by the Legislative Assembly. The State Water Commission may access the line of credit, as necessary, to provide funding as authorized by the Legislative Assembly for water supply and flood control projects approved for funding before June 30, 2023.

Bank of North Dakota - Line of credit - Transfer

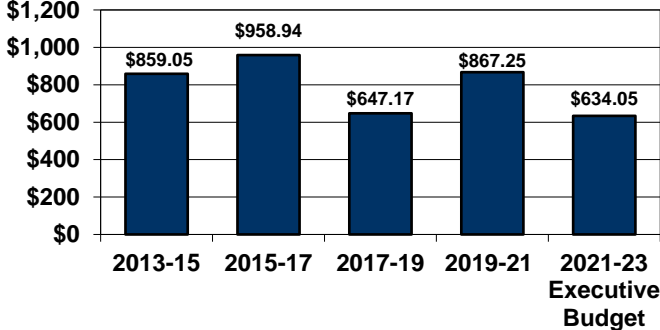
Section 7 authorizes the transfer of \$75 million of proceeds from a Bank of North Dakota line of credit to the State Water Commission during the 2021–23 biennium.

Department 770- State Water Commission

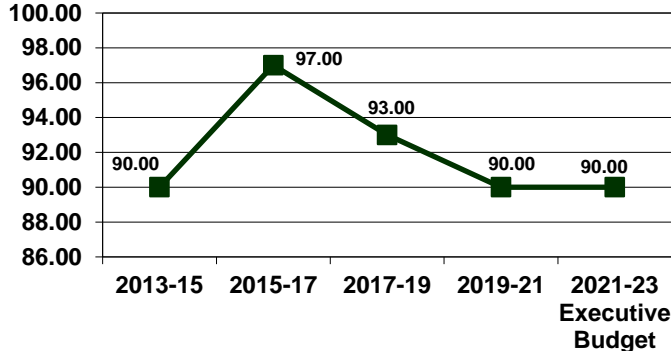
Historical Appropriations Information

Total Ongoing Other Funds Appropriations Since 2013-15

Agency Ongoing Funding (in Millions)



FTE Positions



Ongoing Other Funds Appropriations					
	2013-15	2015-17	2017-19	2019-21	2021-23 Executive Budget
Ongoing other funds appropriations	\$859,045,805	\$958,935,836	\$647,173,475	\$867,254,091	\$634,047,231
Increase (decrease) from previous biennium	N/A	\$99,890,031	(\$311,762,361)	\$220,080,616	(\$233,206,860)
Percentage increase (decrease) from previous biennium	N/A	11.6%	(32.5%)	34.0%	(26.9%)
Cumulative percentage increase (decrease) from 2013-15 biennium	N/A	11.6%	(24.7%)	1.0%	(26.2%)

Major Increases (Decreases) in Other Funds Appropriations

2015-17 Biennium

- 1. Added funding for 4 FTE water permitting positions \$768,831
- 2. Added funding for 1 FTE regulatory director position \$273,871
- 3. Added funding for 1 FTE water supply project manager position \$229,840
- 4. Added funding for 1 FTE sovereign lands position \$192,784
- 5. Increased funding for professional services \$10,727,828
- 6. Added funding for loan payment on Bank of North Dakota loan to refinance outstanding bonds \$7,000,000
- 7. Increased funding for water projects \$36,132,255

2017-19 Biennium

- 1. Removed 4 FTE positions and related funding (\$753,720)
- 2. Increased funding for Bank of North Dakota loan payments relating to State Water Commission outstanding bonds refinanced through the Bank during the 2015-17 biennium to provide \$7.5 million per biennium \$3,693,997
- 3. Added \$125,000 from the resources trust fund for the Agriculture Commissioner's wildlife services program \$125,000
- 4. Adjusted funding for operating expenses and water projects (\$225,437,836)
- 5. Added funding for a State Engineer study, of which \$15,000 is from the resources trust fund and \$15,000 is other funds received from Ward County \$30,000

2019-21 Biennium

- 1. Removed 4 FTE unspecified positions and related funding (\$693,912)
- 2. Added 1 FTE risk mapping position from federal funds \$174,126
- 3. Adjusted funding available for project carryover to provide a total of \$308,333,818 \$33,465,921
- 4. Adjusted funding for capital assets, which includes state-owned projects, to provide a total of \$105,938,758 in ongoing funding (\$18,880,684)

5. Removed funding in the new projects line item, to provide funding for new projects in multiple line items	(\$169,782,147)
6. Added funding for water supply projects	\$128,000,000
7. Added funding for rural water supply projects	\$37,200,000
8. Added funding for the Fargo area flood control project, including the FM Area Diversion Project	\$66,500,000
9. Added funding for the Mouse River flood control project	\$82,500,000
10. Added funding for other flood control projects	\$48,000,000
11. Added funding for general water projects	\$27,093,776
12. Adjusted funding for operating expenses to include a reduction to ongoing operating expenses (\$14,257,138), and additional funding for Microsoft Office 365 licensing expenses (\$68,200)	(\$14,188,938)

2021-23 Biennium (Executive Budget Recommendation)

1. Removes 1 FTE risk mapping position and related federal funds	(\$183,884)
2. Adds 1 FTE regulatory position and related funding	\$211,596
3. Reduces funding for state projects in capital assets to provide a total of \$165,284,777	(\$11,264,226)
4. Reduces funding for project carryover to provide a total of \$295,363,183	(\$12,970,635)
5. Reduces funding available for water supply grants to provide a total of \$54,165,877	(\$73,834,123)
6. Reduces funding available for rural water supply grants to provide a total of \$20,225,913	(\$16,974,087)
7. Removes funding for Fargo area flood control	(\$66,500,000)
8. Removes funding for Mouse River flood control	(\$82,500,000)
9. Increases funding available for flood control projects to provide a total of \$94,630,512	\$46,630,512
10. Reduces funding available for general water grants to provide a total of \$15,327,275	(\$11,766,501)
11. Increases funding for professional services to provide a total of \$23,421,105	\$1,817,420
12. Increases funding for utility expenses to provide a total of \$13,147,330	\$4,398,015
13. Increases funding for repairs to provide a total of \$1,604,750	\$497,250
14. Removes base level funding for Bank of North Dakota debt payment	(\$7,236,750)
15. Reduces funding for other operating expenses	(\$4,379,147)

**GOVERNOR'S RECOMMENDATION FOR THE
STATE WATER COMMISSION AS SUBMITTED
BY THE OFFICE OF MANAGEMENT AND BUDGET**

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, 2021, and ending June 30, 2023, as follows:

	<u>Base Level</u>	<u>Adjustments or Enhancements</u>	<u>Appropriation</u>
Salaries and Wages	\$ 19,831,986	\$ 851,158	\$ 20,683,144
Operating Expenses	26,619,003	16,747,547	43,366,550
Capital Assets	145,872,567	19,412,210	165,284,777
Project Carryover	308,333,818	(12,970,635)	295,363,183
Water Supply - Grants	105,302,941	(51,137,064)	54,165,877
Rural Water Supply - Grants	37,200,000	(16,974,087)	20,225,913
Fargo Area Flood Control (including the Fargo Moorhead Diversion)	66,500,000	(66,500,000)	0
Mouse River Flood Control	82,500,000	(82,500,000)	0
Flood Control Projects (other than Fargo Area Flood Control including the Fargo Moorhead Diversion)	48,000,000	46,630,512	94,630,512
General Water - Grants	<u>27,093,776</u>	<u>(11,766,501)</u>	<u>15,327,275</u>
Total Special Funds	\$867,254,091	(\$158,206,860)	\$709,047,231
Full-Time Equivalent Positions	90.00	0.00	90.00

SECTION 2. ONE-TIME FUNDING – EFFECT ON BASE BUDGET – REPORT TO SIXTY-EIGHTH LEGISLATIVE ASSEMBLY. The following amounts reflect the one-time funding items approved by the sixty- sixth legislative assembly for the 2019-21 biennium and the 2021-23 one-time funding items included in the grand total appropriation in section 1 of this Act:

<u>One-Time Funding Description</u>	<u>2019-21</u>	<u>2021-23</u>
Line of Credit – Bank Of North Dakota	\$ 75,000,000	\$75,000,000
Payoff of Outstanding Debt	<u>25,900,000</u>	<u>0</u>
Total Special Funds	\$100,900,000	\$75,000,000

SECTION 3. ADDITIONAL INCOME - APPROPRIATION. In addition to the amounts included in the estimated income line item in section 1 of this Act, any additional amounts in the resources trust fund that become available are appropriated to the state water commission for the purpose of defraying the expenses of that agency, for the biennium beginning July 1, 2021 and ending June 30, 2023.

SECTION 4. GRANTS - WATER-RELATED PROJECTS - CARRYOVER AUTHORITY. Section 54-44.1-11 does not apply to funding for grants or water-related projects included in the capital assets, project carryover, water supply – grants, rural water supply – grants, Fargo area flood control including the Fargo Moorhead diversion, Mouse River flood control, flood control projects other than Fargo area flood control including the Fargo Moorhead diversion, and general water – grants line items in section 1 of this Act. However, this exclusion is only in effect for two years after June 30, 2023. Any unexpended funds appropriated from the resources trust fund after that period has expired must be transferred to the resources trust fund.

SECTION 5. LINE ITEM TRANSFERS. The chief engineer/secretary of the state water commission may transfer between the salaries and wages, operating, capital assets, project carryover, water supply – grants, rural water supply – grants, Fargo area flood control including the Fargo Moorhead diversion, Mouse River flood control, flood control projects other than Fargo area flood control including the Fargo Moorhead diversion, and general water – grants line items in Section 1 of this Act when it is cost-effective for construction of water projects. The state water commission shall notify the office of management and budget of any transfers made pursuant to this section.

SECTION 6. AMENDMENT. Section 61-02-79 of the North Dakota Century Code is amended and reenacted as follows:

61-02-79. Bank of North Dakota - Line of credit. The Bank of North Dakota shall extend a line of credit not to exceed seventy-five million dollars at a rate of one and one-half percent over the three month London interbank offered rate but may not exceed three percent to the state water commission. The state water commission shall repay the line of credit from funds available in the resources trust fund or other funds, as appropriated by the legislative assembly. The state water commission may access the line of credit, as necessary, to provide funding as authorized by the legislative assembly for water supply projects approved before June 30, ~~2021~~2023 and flood control projects that have approval for funding before June 30, ~~2021~~2023.

SECTION 7. BANK OF NORTH DAKOTA LINE OF CREDIT. The sum of \$75,000,000, or so much of the sum as necessary, from a Bank of North Dakota line of credit included in section 6 of this Act, may be transferred to the state water commission for the purpose of funding water projects for the biennium beginning July 1, 2021 and ending June 30, 2023.