



WATER FUNDING ____ FOR ALL NORTH DAKOTA ____

Water is North Dakota's most valuable natural resource. North Dakota's water resources are used for drinking water, agriculture, industry, power production, and recreation. Water is necessary to grow the state's economy through its vital use in oilfield development, value-added agriculture, and many more industries.

Why is Water Funding Important?

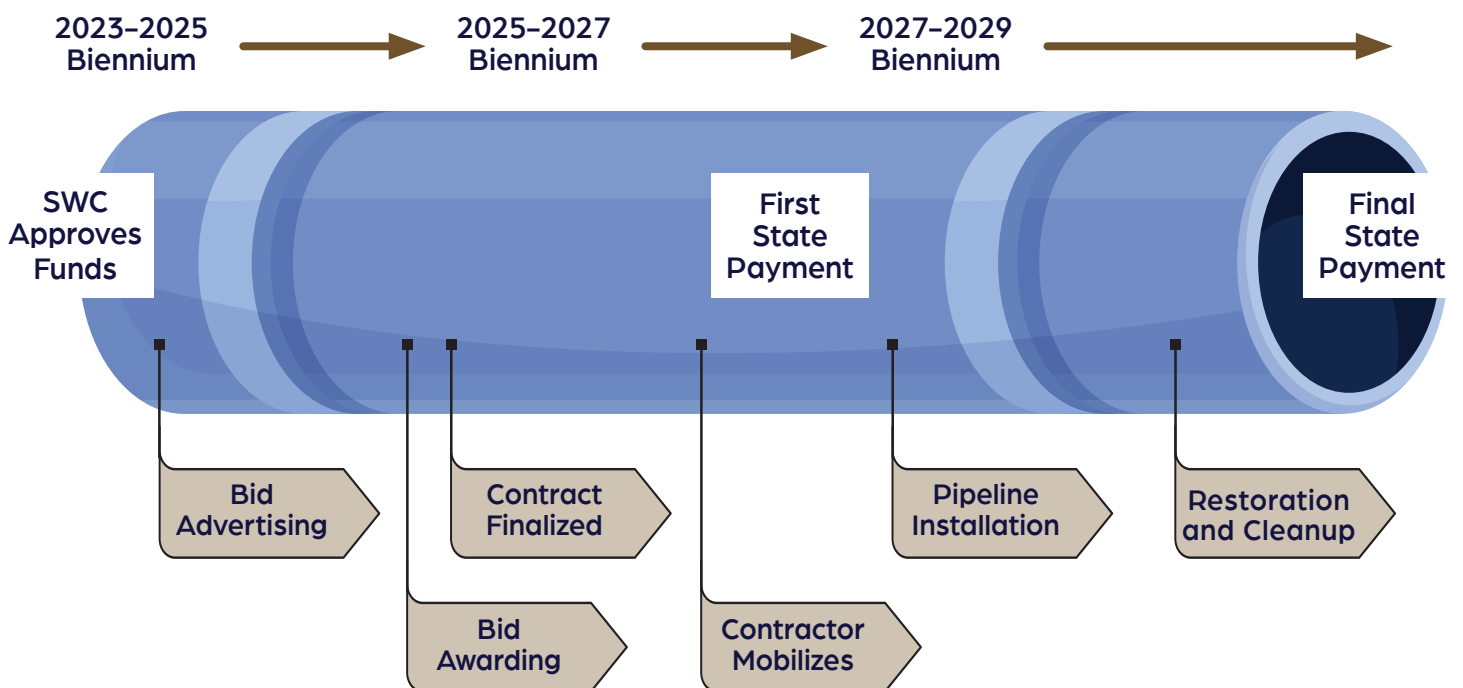
- North Dakota has benefited from a \$3 billion impact for water infrastructure projects.
- When projects are complete, there will be flood protection for more than half of the state's population.
- The Missouri River is the water source for the four major regional systems: Southwest Pipeline Project (SWPP), Northwest Area Water Supply (NAWS), Western Area Water Supply Project (WAWS), and Red River Valley Water Supply Project (RRVWSP). When completed, these systems will provide reliable quality drinking water to 80% of the state's population.
- Investing in water supply is critical for growing future oil production, which in turn drives more tax revenue for the state.
- Top industries (agriculture, energy, tourism, and more) and all North Dakota citizens benefit from water infrastructure.



How Is Water Funded?

North Dakota was visionary when the Resources Trust Fund was established by the people in 1991 to develop water infrastructure for the state. Today, 20.5% of the oil extraction tax is dedicated to the Resources Trust Fund. Water projects are funded with oil extraction tax dollars, matched by local, and where applicable, federal dollars. The local share is typically raised through some form of property tax or user fees.

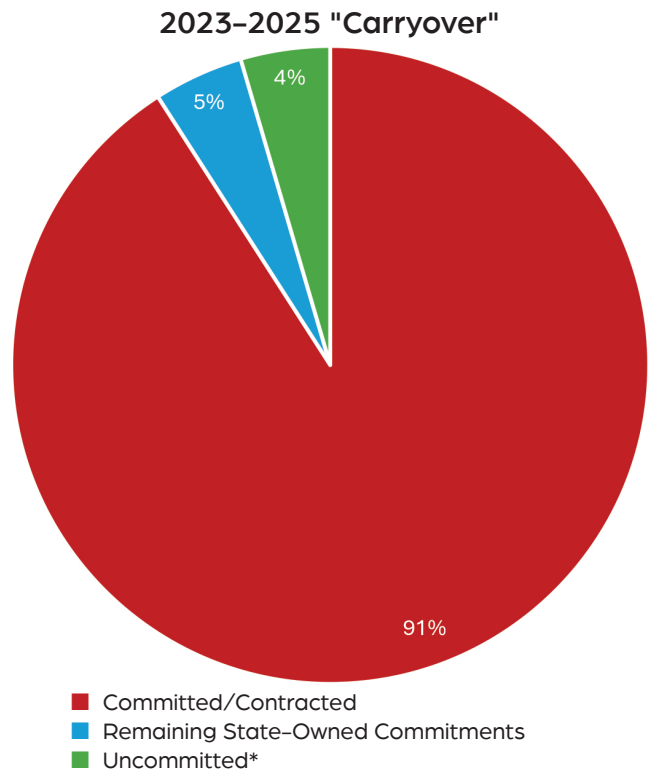
- Projects that receive state funding make an application to the State Water Commission (SWC), a 10-member board that approves project funding.
- Based on State Water Commission approval, projects move forward with securing the local and federal share of projects, bid the project, and start construction.
- The State Water Commission releases dollars to projects on a reimbursement basis after costs are incurred.
- The complexity of water projects, combined with the way in which the State Water Commission reimburses projects, results in committed, contracted dollars, appearing as carryover when reported to the legislature.



Carryover – What Is and What Isn't

In general, the term "carryover" is used to describe dollars that have been appropriated but not spent in the current biennium. These dollars need to be transferred to the appropriation for the following biennium. It's important to note that not all dollars commonly called carryover are truly carryover. A breakdown of the types of dollars sometimes referred to as "carryover" is below:

- **Committed** project dollars: These dollars have been committed to a specific project by the State Water Commission. These dollars are not true carryover.
- **Contracted** project dollars: These dollars have been committed by the State Water Commission to a specific project, and the project sponsor has contracted to build the project. These dollars are not true carryover.
- **Uncommitted** carryover dollars: These are dollars that have not been committed or contracted by the Commission and would be available for other purposes.
- **Turnback** dollars: These are dollars returned to the Resources Trust Fund when projects come in below budget.



*Includes turnback from projects which were completed under budget. The State Water Commission will meet to approve project requests two more times this biennium (2023–2025).

How Do We Enhance Cash Management and Speed Up Projects?

HB 1020, the budget bill for the State Water Commission, authorizes a line of credit that will reduce carryover, spend cash available in the Resources Trust Fund, and ensure important water projects get completed quicker. The line of credit will act like an overdraft privilege, helping the State Water Commission and project sponsors more efficiently use Resources Trust Fund dollars to complete projects. The Bank of North Dakota and State Water Commission are working together with project sponsors to enter into multi-biennial contracts when the project specifications and contracting market indicate that it would be beneficial.

- The line of credit gives the State Water Commission the authority to work with projects to bid out larger contracts while using existing cash, as well as cash that is deposited in the Resources Trust Fund every month, to reimburse projects as work is completed. It's likely the line of credit wouldn't even be tapped!
- Even under the current model for water funding, most projects get multiple contractors to bid. The ability to advertise bids for long-term contracts increases the competitiveness of these projects and attracts more interest in project work. More competition is expected to yield better rates for projects.
- This enhanced cash management strategy also allows projects to accelerate construction, yielding additional inflationary savings.

Q: Are there enough contractors to complete water projects?

A: Yes. Since 2021, the Garrison Diversion Conservancy District bid five pipeline construction contracts for the RRVWSP, each receiving three to four contractor bids.

When the Souris River Joint Board last bid Phase MI-7 (July 2024), they had five bidders.



What Happens If The Current Percentage Of Oil Extraction Tax (20.5%) That Goes To The Resources Trust Fund Is Lowered?

- All projects, large and small, will see a reduction in funding for projects. This includes rural water projects, municipal and rural flood control projects, conveyance projects, and irrigation projects.
- This would inevitably slow project completion and increase costs. This is counterproductive and would increase carryover as projects are delayed.
- Both the decrease in total funding and the decrease in cost share will increase the tax burden on North Dakota citizens, as locals would inevitably see an increase in property taxes or water rates.

The Oil Extraction Tax Funds The Resources Trust Fund. What If Oil Revenues Decrease and The Percentage Of Oil Extraction Tax Is Lowered?

- As oil wells continue to age and fall below 35 barrels per day, they qualify for the "stripper well" exemption and no longer pay an oil extraction tax.
- The latest revenue forecast reduced the Resources Trust Fund projected revenue by \$114 million for the 2025–2027 biennium – a 20% cut.
- Oil extraction tax revenues are expected to continue to decline at a much faster rate than oil production taxes.
- If the 20% cut in the revenue forecast is paired with a 25% reduction in the oil extraction tax formula that funds the Resources Trust Fund, strategic investments in water infrastructure would no longer be possible.



The oil extraction tax formula is not arbitrary; it has been carefully crafted and refined by the Legislature to maximize the returns on investment for the state. Maintaining the 20.5% oil extraction tax into the Resources Trust Fund is essential for ensuring future growth and revenues for our state. Reducing the oil extraction tax percentage would lead to a negative trickle-down that will impact all North Dakota citizens.

**PLEASE SUPPORT
FUNDING FOR WATER PROJECTS
AT THE CURRENT RATE!**