

**Industrial Commission
Budget No. 405
Senate Bill No. 2014**

	FTE Positions	General Fund	Other Funds	Total
2013-15 executive budget (bills as introduced)	98.75	\$22,419,118	\$40,937,857	\$63,356,975
2013-15 legislative appropriations	98.75	22,494,125	40,973,792	63,467,917
Legislative increase (decrease) to executive budget	0.00	\$75,007	\$35,935	\$110,942
Legislative increase (decrease) to 2011-13 appropriations	24.69	\$4,418,512	(\$5,792,964)	(\$1,374,452)

ONGOING AND ONE-TIME GENERAL FUND APPROPRIATIONS

	Ongoing General Fund Appropriation	One-Time General Fund Appropriation	Total General Fund Appropriation
2011-13 legislative appropriations	\$14,776,213	\$3,299,400	\$18,075,613
2013-15 legislative appropriations	21,333,325	1,160,800	22,494,125
2013-15 legislative increase (decrease) to 2011-13 appropriations	\$6,557,112	(\$2,138,600)	\$4,418,512
Percentage increase (decrease) to 2011-13 appropriations	44.4%	(64.8%)	24.4%
2013-15 legislative increase (decrease) to executive budget	\$475,007	(\$400,000)	\$75,007
Percentage increase (decrease) to executive budget	2.3%	(25.6%)	0.3%

SUMMARY OF LEGISLATIVE CHANGES TO THE EXECUTIVE BUDGET AND MAJOR FUNDING ITEMS

Salaries and Wages

The legislative action affecting the recommended appropriation for the Industrial Commission is in accordance with legislative salary and fringe benefits guidelines as contained in House Bill No. 1015. Consistent with the guidelines, a portion of salaries and wages funding from the general fund (\$323,357) and from other funds (\$24,339) for permanent employees' compensation and benefits is reallocated to an accrued leave payments line item for paying accrued annual leave and sick leave for eligible employees.

	Major Items FTE Positions	General Fund	Other Funds	Total
The legislative action:				
Adjusted funding for state employee salaries and benefits consistent with the legislative compensation package guidelines included in House Bill No. 1015. (The amount shown includes \$445,186, of which \$409,333 is from the general fund, which was inadvertently added for salary adjustments.) The correct adjustment should have been an increase of \$4,005, of which \$3,923 is from the general fund.		\$413,256	\$35,935	\$449,191

Added funding to allow the Department of Mineral Resources to hire five of its new FTE positions during the 2011-13 biennium.	61,751	61,751
Removed funding for housing allowances for employees in oil-impacted areas.	(400,000)	(400,000)
Total	0.00	\$75,007
		\$35,935
		\$110,942

FTE Changes

The 2013-15 biennium appropriation includes funding for 98.75 FTE positions, an increase of 24.69 FTE positions from the 2011-13 biennium authorized level of 74.06 FTE positions. The Legislative Assembly did not change the executive recommendation to remove 1 FTE carbon dioxide storage facility administrator position and add the following FTE positions:

- 4 engineer technicians which were authorized by the Emergency Commission as contingent FTE positions for the 2011-13 biennium.
- 4 engineering technicians, 1 geology analyst, and 1 account budget specialist for the Bismarck office.
- 1 geologist to conduct preapplication waste disposal site reviews.
- 3 petroleum engineer field inspectors.
- 3 engineering technician field inspectors.
- 1 engineering technician for the core library.
- 1 petroleum engineer production supervisor.
- 1 engineering technician measurement analyst.
- 1 administrative assistant for legal and audit duties.
- 1 administrative assistant for filing and receptionist duties.
- .69 administrative position to add to a .31 position, currently authorized, to create a full-time position for the Industrial Commission office.
- 3 contingent engineering technician field inspectors upon notification to the Office of Management and Budget (OMB) that the number of wells capable of production or injection exceed 15,000.

One-Time Funding

In Section 2 of Senate Bill No. 2014, the Legislative Assembly identified \$1,160,800 from the general fund as one-time funding, of which \$1,000,000 is for possible federal agency litigation, \$80,000 is for an oil-bearing rock study, \$50,000 is for a temperature profiles study, and \$25,000 is for architect services for the core library. This amount is not to be considered part of the agency's base budget for preparing the 2015-17 executive budget, and the Industrial Commission is to report to the Appropriations Committees during the 2015 legislative session on the use of this funding.

Lease Payments

The Legislative Assembly did not change the executive recommendation to provide \$19,809,969 for lease payments on outstanding bonded indebtedness, a decrease of \$5,579,764 from the 2011-13 biennium appropriation of \$25,389,733. The following schedule lists the 2011-13 and 2013-15 biennium lease payments:

	2011-13 Biennium	2013-15 Biennium	Increase (Decrease)
Higher education institutions	\$12,254,770	\$10,436,045	(\$1,818,725)
Department of Corrections and Rehabilitation - State Penitentiary	1,337,752	1,289,450	(48,302)
State Department of Health	672,898	642,688	(30,210)
Job Service North Dakota	710,735	540,376	(170,359)
Adjutant General	70,225	28,586	(41,639)
Information Technology Department - ConnectND	5,406,666	2,504,100	(2,902,566)

OMB	665,143	665,272	129
Attorney General	765,704	765,851	147
State Historical Society	1,392,069	1,392,337	268
Department of Parks and Recreation	73,613	73,627	14
Research and Extension Service	571,290	571,400	110
Veterans' Home	520,475	408,840	(111,635)
Subtotal	\$24,441,340	\$19,318,572	(\$5,122,768)
North Dakota University System energy conservation projects	\$929,789	\$491,397	(\$438,392)
Department of Corrections and Rehabilitation energy conservation projects	18,604		(18,604)
Total	\$25,389,733	\$19,809,969	(\$5,579,764)

Lignite Research Grants

The Legislative Assembly did not change the executive recommendation providing \$19,971,300 for lignite research grants, a decrease of \$3,000,000 from the 2009-11 biennium appropriation of \$22,971,300. Total funding anticipated to be available for the 2011-13 biennium of \$21,218,358 for lignite research grants is generated from the following sources:

Anticipated carryover from the 2011-13 biennium	\$15,058,394
Two-cent per ton coal severance tax for research and development	1,200,000
Fifty percent of the coal severance taxes deposited in the coal development trust fund	3,375,000
Twenty percent of the coal severance taxes deposited in the coal development trust fund (clean coal projects)	1,350,000
Investment income on Dakota Gasification Company ammonia plant and Red Trail	1,149,700
Five percent of the general fund share of coal conversion tax	2,500,000
Interest income	25,000
Total	\$24,658,094

Section 17 of Senate Bill No. 2014 provides that up to \$4.5 million of the lignite research grants funding is for contracting for an independent, nonmatching lignite marketing feasibility study or studies that determine those focused priority areas where near-term, market-driven projects, activities, or processes will generate matching private industry investment and have the most potential of preserving existing lignite production and jobs or that will lead to increased development of lignite and its products and create new lignite jobs and economic growth for the general welfare of this state. This section also provides that a portion of the funds appropriated may be used for the purpose of contracting for nonmatching studies and activities in support of the Lignite Vision 21 Project; for litigation that may be necessary to protect and promote the continued development of lignite resources; for nonmatching externality studies and activities in externality proceedings; or other marketing, environmental, or transmission activities that assist with marketing of lignite-based electricity and lignite-based byproducts. Money not needed for these purposes is available to the commission for funding projects, processes, or activities under the lignite research, development, and marketing program.

Please refer to the **TRUST FUND ANALYSES** section of this report for an analysis of the lignite research fund.

Other Sections in Bill

Department of Commerce appropriations - Section 12 provides \$500,000 from the general fund to the Department of Commerce for a study to evaluate value-added market opportunities for renewable energy resources and oil and gas. Section 16 directs the Department of Commerce to conduct this study. Section 13 provides \$2 million from the general fund to the Department of Commerce for providing grants to homeless shelters. Section 14 provides \$2.6 million from the general fund to the Department of Commerce for providing grants to child care facilities.

State Treasurer's office appropriation - Section 15 provides \$13,247 from the general fund to the State Treasurer's office for defraying additional information technology development costs relating to changes in oil revenue distributions and other changes.

Oil and gas development impact studies - Section 18 authorizes the Industrial Commission to use \$150,000 from the oil and gas research fund for nonmatching followup studies to provide updates and refinements to employment models used to track and forecast changes in the oil and gas industry

workforce and estimate housing and populations in the Williston Basin and to make a comprehensive assessment of the demographic makeup of the current and expected oil and gas industry workforce.

Contingency funding - Department of Mineral Resources - Section 19 provides that \$430,518 included in the salaries and wages line item and \$155,712 in the operating line item in Section 1 of the bill may be used by the Oil and Gas Division to hire 3 FTE positions upon certification to OMB that the total number of wells in the state capable of production or injection exceeds \$15,000.

Oil and Gas Research Council - Section 24 amends North Dakota Century Code (NDCC) Section 54-17.6-05 to reduce the size of the Oil and Gas Research Council from eight to seven members by removing the representative from an organization that is no longer active--the Northern Alliance of Independent Producers.

Engineering technicians unclassified - Section 25 amends NDCC Section 54-44.3-20(17) to include engineering technicians in the list of unclassified employees of the Department of Mineral Resources.

Energy conservation grant fund - Section 26 adds a new section to NDCC Chapter 54-45.5 to create an energy conservation grant fund and provide a continuing appropriation to the Department of Commerce to provide grants to political subdivisions for energy conservation projects in nonfederal public buildings.

Transfer of funds in resources trust fund - Section 29 amends NDCC Section 57-51.1-07 to provide for a transfer of 5 percent of the oil extraction tax deposited in the resources trust fund to the renewable energy development fund, not to exceed \$3 million per biennium and one-half of 1 percent to the energy conservation fund, not to exceed \$1.2 million per biennium.

Oil and gas research fund - Section 30 amends NDCC Section 57-51.1-07.3 to increase the amount allocated to the oil and gas research fund from up to \$4 million to up to \$10 million per biennium.

Legislative intent - Oil and gas research fund - Section 33 provides legislative intent that the Industrial Commission give special emphasis to value-added processing of oil and gas projects in the awarding of funds from the oil and gas research fund during the 2013-15 biennium.

Legislative intent - Reserve pits - Section 34 provides legislative intent that the Industrial Commission's Department of Mineral Resources Oil and Gas Division include in its next administrative rules review and revision process, the effect of provisions included in North Dakota Administrative Code Section 43-02-03-19.5 relating to reserve pits for drilling mud and drill cuttings from shallow wells drilled and completed outside of the Bakken and Three Forks Formations for the biennium beginning July 1, 2013, and ending June 30, 2015.

Related Legislation

House Bill No. 1134 provides an exemption from the oil and gas gross production tax for natural gas to encourage use of gas that might otherwise be flared.

House Bill No. 1333 allocates a portion of the first 1 percent of oil and gas gross production tax to the abandoned oil and gas well plugging and site reclamation fund, not to exceed \$5 million per fiscal year and not in an amount that would bring the balance of the fund to more than \$75 million.