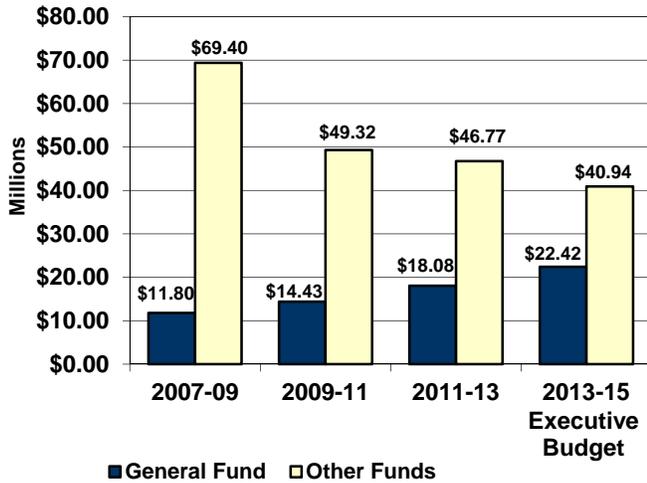


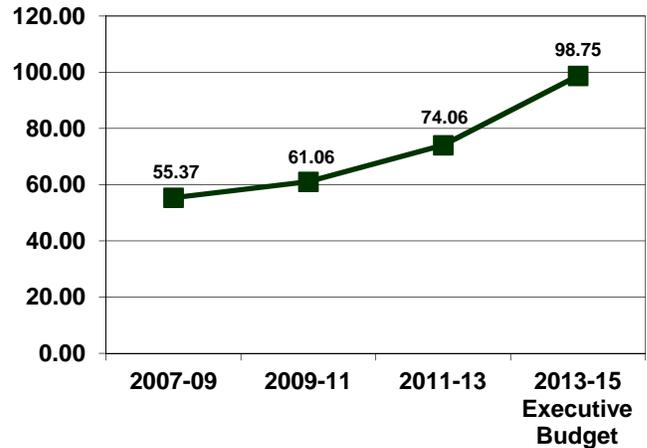
Department 405 - Industrial Commission
Senate Bill No. 2014

| | FTE Positions | General Fund | Other Funds | Total |
|------------------------------------|---------------|--------------|---------------|---------------|
| 2013-15 Executive Budget | 98.75 | \$22,419,118 | \$40,937,857 | \$63,356,975 |
| 2011-13 Legislative Appropriations | 74.06 | 18,075,613 | 46,766,756 | 64,842,369 |
| Increase (Decrease) | 23.69 | \$4,343,505 | (\$5,828,899) | (\$1,485,394) |

Agency Funding



FTE Positions



Ongoing and One-Time General Fund Appropriations

| | Ongoing General Fund Appropriation | One-Time General Fund Appropriation | Total General Fund Appropriation |
|------------------------------------|------------------------------------|-------------------------------------|----------------------------------|
| 2013-15 Executive Budget | \$20,858,318 | \$1,560,800 | \$22,419,118 |
| 2011-13 Legislative Appropriations | 14,776,213 | 3,299,400 | 18,075,613 |
| Increase (Decrease) | \$6,082,105 | (\$1,738,600) | \$4,343,505 |

First House Action

Attached is a summary of first house changes.

**Executive Budget Highlights
 (With First House Changes in Bold)**

| | General Fund | Other Funds | Total |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|---------------|---------------|
| 1. Provides one-time funding for potential litigation and other administrative proceedings relating to the regulation of hydraulic fracturing | \$1,000,000 | | \$1,000,000 |
| 2. Provides one-time funding for housing allowances for employees in oil-impacted areas | \$400,000 | | \$400,000 |
| 3. Provides additional funding for increased State Fleet Services rates | \$244,872 | | \$244,872 |
| 4. Decreases funding for bond payments to reflect bonds which have matured | | (\$5,579,764) | (\$5,579,764) |
| 5. Adds 2 FTE engineer technician positions for field inspections which were authorized by the Emergency Commission as contingent FTE positions for the 2011-13 biennium | \$390,820 | | \$390,820 |
| 6. Adds 4 FTE engineering technician positions, 1 FTE geology analyst position, and 1 FTE account budget specialist position to the Bismarck office | \$930,223 | | \$930,223 |
| 7. Adds 1 FTE geologist position to conduct preapplication waste disposal site reviews | \$215,251 | | \$215,251 |

| | | | |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|-------------|-------------|
| 8. Adds 3 FTE petroleum engineer field inspector positions, 3 FTE engineering technician field inspector positions, and 1 FTE engineering technician position for the core library | \$1,356,581 | | \$1,356,581 |
| 9. Adds 1 FTE petroleum engineer production supervisor position, 1 FTE engineering technician measurement analyst position, 1 FTE audit/legal administrative assistant position, and 1 FTE filing/reception administrative assistant | \$534,900 | | \$534,900 |
| 10. Adds 3 contingent FTE engineering technician field inspector positions upon notification to the Office of Management and Budget (OMB) that the number of wells capable of production or injection exceed 15,000 | \$586,230 | | \$586,230 |
| 11. Adds .69 FTE administrative position to a .31 FTE position currently authorized to create a full-time position for the Industrial Commission office | | \$78,159 | \$78,159 |
| 12. Removes 1 FTE position and funding provided for carbon dioxide storage administration for the 2011-13 biennium | | (\$532,000) | (\$532,000) |
| 13. Adds funding for leasing space for the new FTE positions | \$224,868 | | \$224,868 |
| 14. Adds one-time funding for studies on oil-bearing rocks (\$80,000) and temperature profiles (\$50,000) | \$130,000 | | \$130,000 |
| 15. Adds one-time funding for architectural services to develop a plan for expanding the core library | \$25,000 | | \$25,000 |
| 16. Provides funding for state employee salary increases of which \$704,031 relates to performance increases and \$89,785 is for market equity adjustments. The Senate added \$172,713 to correct the executive compensation package. | \$730,311 | \$63,505 | \$793,816 |

Other Sections in Bill

Contingency funding - Department of Mineral Resources - Section 13 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 three full-time equivalent positions upon certification to OMB that the total number of wells in the state capable of production or injection exceeds 15,000.

Transfer of funds in resources trust fund - Section 15 amends North Dakota Century Code Section 57-51.1-07 to provide for a transfer of one-half of 1 percent of the oil extraction tax deposited in the resources trust fund to the renewable energy development fund and one-half of 1 percent to the energy conservation fund.

Oil and gas research fund - The Senate added a section to amend Section 57-51.1-07.3 to increase the amount allocated to the oil and gas research fund from \$4 million to \$10 million per biennium.

Renewable energy development fund - The Senate added a section to amend Section 57-51.1-07 to provide for 5 percent of the amount of oil extraction tax revenue allocated to the resources trust fund, not to exceed \$3 million per biennium, to be transferred to the renewable energy development fund. The executive recommendation provided for an allocation of one-half of 1 percent with no maximum.

Oil and Gas Research Council - The Senate added a section 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.

Legislative intent - The Senate added two sections of legislative intent relating to the oil and gas research fund and administrative rules surrounding reserve pits.

Department of Commerce - The Senate added two sections to provide a general fund appropriation of \$500,000 to the Department of Commerce and to require the Department of Commerce to conduct a study on value-added market opportunities for renewable energy resources and oil and gas.

Continuing Appropriations

Abandoned oil and gas reclamation fund - Section 38-08-04.5 - Abandoned oil and gas reclamation

Carbon dioxide storage facility administration fund - Section 38-22-05 - For defraying costs of processing applications for regulating carbon dioxide storage facilities

Carbon dioxide storage facility trust fund - Section 38-22-15 - For costs associated with long-term monitoring and management of a closed carbon dioxide storage facility

Cartographic products fund - Section 54-17.4-10 - Topographic map sales and purchases

Cash bond fund - Section 38-08-04.11 - For defraying costs incurred in plugging and reclamation of abandoned oil and gas wells and related activities

Fossil excavation and restoration fund - Section 54-17.4-09.1 - Excavation and restoration of fossils

Geological data preservation fund - Section 54-17.4-13 - Data preservation

Geophysical, geothermal, subsurface minerals, and coal exploration fund - Chapter 38-21 - Reclamation of orphaned facilities and exploration holes

Global positioning system community base station - Section 54-17.4-12 - For maintenance of base station

Lignite research fund - Section 57-61-01.5 - Research, development, and marketing for lignite industry

North Dakota Pipeline Authority administrative fund - Section 54-17.7-11 - For operations of the Pipeline Authority

Oil and gas research fund - Chapter 57-51.1 - Oil and gas research and education

Oil and gas reservoir data fund - Section 38-08-04.6 - Oil and gas reservoir data

Pipeline authority administration fund - Section 54-17.7-11 - For the operations of the Pipeline Authority and to make grants and loans

Renewable energy development fund - Section 54-63-04 - Renewable energy research, development, and education

Significant Audit Findings

The operational audit for the Industrial Commission conducted by the State Auditor's office during the 2011-12 interim identified a significant audit finding relating to noncompliance with state procurement and contracting guidelines.

Major 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 one 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.

Senate Bill No. 2339 - Establishes an infrastructure revolving loan fund and provides a continuing appropriation to the Public Finance Authority to provide loans for housing-related public infrastructure projects. The bill also provides an appropriation of \$5 million from the strategic investment and improvements fund to the Industrial Commission for deposit in the newly created infrastructure development revolving loan fund.

ATTACH:1

STATEMENT OF PURPOSE OF AMENDMENT:

Senate Bill No. 2014 - Funding Summary

| | Executive Budget | Senate Changes | Senate Version |
|-----------------------------------|-----------------------------|---------------------------|---------------------------|
| Industrial Commission | | | |
| Salaries and wages | \$17,710,630 | \$172,713 | \$17,883,343 |
| Operating expenses | 6,330,576 | | 6,330,576 |
| Capital assets | 5,800 | | 5,800 |
| Grants - Lignite research | 19,500,000 | | 19,500,000 |
| Grants - Bond payments | <u>19,809,969</u> | | <u>19,809,969</u> |
| | | | |
| Total all funds | \$63,356,975 | \$172,713 | \$63,529,688 |
| Less estimated income | <u>40,937,857</u> | <u>13,817</u> | <u>40,951,674</u> |
| General fund | \$22,419,118 | \$158,896 | \$22,578,014 |
| | | | |
| FTE | 98.75 | 0.00 | 98.75 |
| Bank of North Dakota | | | |
| Capital assets | \$745,000 | | \$745,000 |
| BND operations | <u>51,707,928</u> | <u>153,480</u> | <u>51,861,408</u> |
| | | | |
| Total all funds | \$52,452,928 | \$153,480 | \$52,606,408 |
| Less estimated income | <u>52,452,928</u> | <u>153,480</u> | <u>52,606,408</u> |
| General fund | \$0 | \$0 | \$0 |
| | | | |
| FTE | 179.50 | 0.00 | 179.50 |
| Housing Finance Agency | | | |
| Salaries and wages | \$7,437,231 | \$7,868 | \$7,445,099 |
| Operating expenses | 3,791,758 | | 3,791,758 |
| Grants | 29,533,050 | | 29,533,050 |
| HFA contingencies | 100,000 | | 100,000 |
| Housing incentive fund | | <u>30,000,000</u> | <u>30,000,000</u> |
| | | | |
| Total all funds | \$40,862,039 | \$30,007,868 | \$70,869,907 |
| Less estimated income | <u>40,862,039</u> | <u>7,868</u> | <u>40,869,907</u> |
| General fund | \$0 | \$30,000,000 | \$30,000,000 |
| | | | |
| FTE | 46.00 | 0.00 | 46.00 |
| Mill and Elevator | | | |
| Salaries and wages | \$29,849,124 | | \$29,849,124 |
| Operating expenses | 21,796,000 | | 21,796,000 |
| Contingencies | 400,000 | | 400,000 |
| Agriculture promotion | <u>210,000</u> | | <u>210,000</u> |
| | | | |
| Total all funds | \$52,255,124 | \$0 | \$52,255,124 |
| Less estimated income | <u>52,255,124</u> | <u>0</u> | <u>52,255,124</u> |
| General fund | \$0 | \$0 | \$0 |
| | | | |
| FTE | 135.00 | 0.00 | 135.00 |
| Commerce Department | | | |
| Market Study | | <u>\$500,000</u> | <u>\$500,000</u> |
| | | | |
| Total all funds | \$0 | \$500,000 | \$500,000 |
| Less estimated income | <u>0</u> | <u>0</u> | <u>0</u> |
| General fund | \$0 | \$500,000 | \$500,000 |
| | | | |
| FTE | 0.00 | 0.00 | 0.00 |
| Bill Total | | | |
| Total all funds | \$208,927,066 | \$30,834,061 | \$239,761,127 |
| Less estimated income | <u>186,507,948</u> | <u>175,165</u> | <u>186,683,113</u> |
| General fund | \$22,419,118 | \$30,658,896 | \$53,078,014 |
| | | | |
| FTE | 459.25 | 0.00 | 459.25 |

Senate Bill No. 2014 - Industrial Commission - Senate Action

| | Executive Budget | Senate Changes | Senate Version |
|---------------------------|-------------------------|-----------------------|-----------------------|
| Salaries and wages | \$17,710,630 | \$172,713 | \$17,883,343 |
| Operating expenses | 6,330,576 | | 6,330,576 |
| Capital assets | 5,800 | | 5,800 |
| Grants - Lignite research | 19,500,000 | | 19,500,000 |
| Grants - Bond payments | 19,809,969 | | 19,809,969 |
| Total all funds | <u>\$63,356,975</u> | <u>\$172,713</u> | <u>\$63,529,688</u> |
| Less estimated income | <u>40,937,857</u> | <u>13,817</u> | <u>40,951,674</u> |
| General fund | \$22,419,118 | \$158,896 | \$22,578,014 |
| FTE | 98.75 | 0.00 | 98.75 |

Department 405 - Industrial Commission - Detail of Senate Changes

| | Corrects Executive Compensation Package¹ | Total Senate Changes |
|---------------------------|------------------------------------------------------------|-----------------------------|
| Salaries and wages | 172,713 | 172,713 |
| Operating expenses | | |
| Capital assets | | |
| Grants - Lignite research | | |
| Grants - Bond payments | | |
| Total all funds | <u>\$172,713</u> | <u>\$172,713</u> |
| Less estimated income | <u>13,817</u> | <u>13,817</u> |
| General fund | \$158,896 | \$158,896 |
| FTE | 0.00 | 0.00 |

¹ Funding is added due to a calculation error in the executive compensation package.

This amendment provides for the following:

- Amends Section 57-51.1-07.3 to increase the amount allocated to the oil and gas research fund from \$4 million to \$10 million per biennium.
- Amends Section 57-51.1-07 to provide for 5 percent of the amount of oil extraction tax revenue allocated to the resources trust fund, not to exceed \$3 million per biennium, to be transferred to the renewable energy development fund. The executive recommendation provided for an allocation of one-half of 1 percent with no maximum.
- Amends 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.
- Provides legislative intent relating to the oil and gas research fund and administrative rules for reserve pits.

Senate Bill No. 2014 - Bank of North Dakota - Senate Action

| | Executive Budget | Senate Changes | Senate Version |
|-----------------------|-------------------------|-----------------------|-----------------------|
| Capital assets | \$745,000 | | \$745,000 |
| BND operations | 51,707,928 | 153,480 | 51,861,408 |
| Total all funds | <u>\$52,452,928</u> | <u>\$153,480</u> | <u>\$52,606,408</u> |
| Less estimated income | <u>52,452,928</u> | <u>153,480</u> | <u>52,606,408</u> |
| General fund | \$0 | \$0 | \$0 |
| FTE | 179.50 | 0.00 | 179.50 |

Department 471 - Bank of North Dakota - Detail of Senate Changes

| | Corrects Executive Compensation Package¹ | Total Senate Changes |
|-----------------------|------------------------------------------------------------------------|-------------------------------------|
| Capital assets | | |
| BND operations | 153,480 | 153,480 |
| Total all funds | \$153,480 | \$153,480 |
| Less estimated income | 153,480 | 153,480 |
| General fund | \$0 | \$0 |
| FTE | 0.00 | 0.00 |

¹ Funding is added due to a calculation error in the executive compensation package.

Senate Bill No. 2014 - Housing Finance Agency - Senate Action

| | Executive Budget | Senate Changes | Senate Version |
|------------------------|-----------------------------|---------------------------|---------------------------|
| Salaries and wages | \$7,437,231 | \$7,868 | \$7,445,099 |
| Operating expenses | 3,791,758 | | 3,791,758 |
| Grants | 29,533,050 | | 29,533,050 |
| HFA contingencies | 100,000 | | 100,000 |
| Housing incentive fund | | 30,000,000 | 30,000,000 |
| Total all funds | \$40,862,039 | \$30,007,868 | \$70,869,907 |
| Less estimated income | 40,862,039 | 7,868 | 40,869,907 |
| General fund | \$0 | \$30,000,000 | \$30,000,000 |
| FTE | 46.00 | 0.00 | 46.00 |

Department 473 - Housing Finance Agency - Detail of Senate Changes

| | Corrects Executive Compensation Package¹ | Provides Transfer to Housing Incentive Fund² | Total Senate Changes |
|------------------------|------------------------------------------------------------------------|----------------------------------------------------------------------------|-------------------------------------|
| Salaries and wages | 7,868 | | 7,868 |
| Operating expenses | | | |
| Grants | | | |
| HFA contingencies | | | |
| Housing incentive fund | | 30,000,000 | 30,000,000 |
| Total all funds | \$7,868 | \$30,000,000 | \$30,007,868 |
| Less estimated income | 7,868 | 0 | 7,868 |
| General fund | \$0 | \$30,000,000 | \$30,000,000 |
| FTE | 0.00 | 0.00 | 0.00 |

¹ Funding is added due to a calculation error in the executive compensation package.

² This amendment provides for a transfer of \$30 million from the general fund to the housing incentive fund during the 2013-15 biennium. The executive budget provided for the transfer to occur during the 2011-13 biennium.

This amendment amends Section 11 of the bill to provide that the transfer of \$30 million from the general fund to the housing incentive fund be made during the period beginning with the effective date of the Act and ending June 30, 2015. The executive budget provided for the transfer to be made in the 2011-13 biennium.

Senate Bill No. 2014 - Mill and Elevator - Senate Action

The Senate did not change the executive recommendation for the Mill and Elevator.

Senate Bill No. 2014 - Commerce Department - Senate Action

| | Executive Budget | Senate Changes | Senate Version |
|-----------------------|-------------------------|-----------------------|-----------------------|
| Market Study | | \$500,000 | \$500,000 |
| Total all funds | \$0 | \$500,000 | \$500,000 |
| Less estimated income | 0 | 0 | 0 |
| General fund | \$0 | \$500,000 | \$500,000 |
| FTE | 0.00 | 0.00 | 0.00 |

Department 605 - Commerce Department - Detail of Senate Changes

| | Adds Funding for a Value-Added Market Study¹ | Total Senate Changes |
|-----------------------|----------------------------------------------------------------|-----------------------------|
| Market Study | 500,000 | 500,000 |
| Total all funds | \$500,000 | \$500,000 |
| Less estimated income | 0 | 0 |
| General fund | \$500,000 | \$500,000 |
| FTE | 0.00 | 0.00 |

¹ This amendment adds an appropriation for the Department of Commerce to provide for a value-added market study on renewable energy resources and oil and gas.