

**Industrial Commission
Budget 405
House Bill No. 1014**

	FTE Positions	General Fund	Other Funds	Total
2015-17 legislative appropriation (original)	121.75 ¹	\$34,966,173 ²	\$30,619,769	\$65,585,942
2013-15 legislative appropriation	<u>98.75</u>	<u>22,494,125</u>	<u>40,973,792</u>	<u>63,467,917</u>
2015-17 appropriation increase (decrease) to 2013-15 appropriation	23.00	\$12,472,048	(\$10,354,023)	\$2,118,025
2015-17 general fund budget allotment (4.05 percent)	<u>0.00</u>	<u>(1,416,130)</u>	<u>0</u>	<u>(1,416,130)</u>
Adjusted 2015-17 appropriation after budget allotment	121.75	\$33,550,043	\$30,619,769	\$64,169,812

¹The 2015-17 biennium authorized FTE positions include 5 contingent FTE positions that are authorized in Section 15 of House Bill No. 1014. See the **Contingent FTE positions** section below for additional information.

²The original legislative appropriation amount includes \$8,120,643 of one-time funding from the general fund. Excluding this amount, the agency's original ongoing general fund appropriation is \$26,845,530.

Item Description

General fund budget allotment - In February 2016 the Governor ordered a 4.05 percent general fund budget allotment for state agencies.

FTE changes - The 2015-17 biennium appropriation includes funding for 121.75 FTE positions, an increase of 23.00 FTE positions from the 2013-15 biennium authorized level of 98.75 FTE positions. The Legislative Assembly added the following FTE positions:

- 7 engineering technicians;
- 1 petroleum engineer;
- 1 safety officer;
- 1 human resources specialist;
- 1 budget specialist;

Status/Result

The budget allotment reduced general fund appropriations for the Industrial Commission by \$1,416,130. The commission reduced salaries and wages (\$572,485), operating expenses (\$641,145), and grants (\$202,500). Of the \$572,485 for salaries and wages, \$420,240 relates to not filling the 5 contingent FTE positions, and \$152,245 is anticipated savings related to not filling a vacant engineering technician FTE position. Of the \$641,145 for operating expenses, \$136,020 relates to the contingent positions, and \$505,125 relates to savings from reductions primarily related to travel and information technology services and software.

As of April 2016 the Industrial Commission has filled 17 of the 23 FTE positions authorized for the 2013-15 biennium. The commission is in the process of advertising for 1 of the 5 remaining FTE positions related to an engineering technician FTE position, and the commission anticipates the position will be filled by the end of the 2015-17 biennium. The Industrial Commission anticipates the contingencies will not be met for the 5 contingent petroleum engineer FTE positions, and as a result, the positions will not be filled during the 2015-17 biennium.

- 1 reclamation specialist;
- 1 surface geologist;
- 2 survey engineering technicians;
- 1 pipeline regulatory supervisor;
- 1 administrative assistant for the pipeline regulatory program;
- 1 industrial water sales specialist; and
- 5 contingent petroleum engineers.

Of the FTE positions authorized by the 2015 Legislative Assembly, the following 8 FTE positions relate to the implementation of a pipeline regulatory program (House Bill No. 1358):

- 4 engineering technicians;
- 1 reclamation specialist;
- 1 pipeline engineering technician;
- 1 pipeline regulatory supervisor; and
- 1 administrative assistant.

Contingent FTE positions - The Legislative Assembly provided a contingent appropriation of \$556,260 from the general fund and authorized up to 5 additional FTE positions for the Department of Mineral Resources for the 2015-17 biennium. The appropriation and positions are contingent upon the monthly average drilling rig count exceeding various thresholds beginning at 140 drilling rigs and increasing by 15 drilling rigs, up to 200 drilling rigs.

One-time funding - General fund - In Section 2 of House Bill No. 1014, the Legislative Assembly identified \$8,120,643 from the general fund as one-time funding, of which \$2,500,000 is for possible litigation, \$5,000,000 is for Lignite Research Council grants, \$41,500 is for ATV's, \$104,143 is for an aerial photography project, \$125,000 is for contract analysis, \$100,000 is for a digital conversion project, and \$250,000 is for a migration to a risk-based data management system.

The Industrial Commission anticipates the monthly average drilling rig count will not meet the contingency thresholds by the end of the 2015-17 biennium. As a result, the positions will not be filled and the related funding will not be spent during the 2015-17 biennium. The monthly average drilling rig count for February 2016 was 40 drilling rigs.

The following is a summary of the status of the Industrial Commission's one-time funding:

Possible litigation related to hydraulic fracturing and other regulatory disputes - \$2.5 million	As of February 29, 2016, the Industrial Commission spent \$266,000. The Industrial Commission anticipates spending the remaining \$2,234,000 by the end of the 2015-17 biennium.
Lignite Research Council grants - \$5 million	The Industrial Commission transferred \$4,797,500 to the lignite research fund. The remaining \$202,500 was identified as a reduction in the February 2016 general fund budget allotment.
ATV's - \$41,500	Through March 2016 the Industrial Commission spent the entire \$41,500 to purchase ATV's and trailers.

Aerial photography project - \$104,143	As of March 31, 2016, the Industrial Commission spent \$12,000. The agency is in the process of reviewing photo quality from the initial results. The commission anticipates spending the remaining \$92,143 by the end of the biennium.
Contracted core analysis - \$125,000	Spending for contracted core analysis totaled \$15,000 as of February 29, 2016. The Industrial Commission anticipates spending the remaining \$110,000 by the end of the biennium.
Digital conversion project of seismic profiles - \$100,000	The Industrial Commission is in the process of evaluating software for the digital conversion. The commission anticipates spending the entire appropriation by the end of the biennium.
Information technology costs for a migration to a risk-based data management system - \$250,000	The Industrial Commission is in the process of hiring a consultant to conduct a business analysis for the migration project and anticipates spending the entire appropriation by the end of the biennium.

One-time funding - Core library expansion project - In Section 2 of House Bill No. 1014, the Legislative Assembly identified \$13,625,322 from the strategic investment and improvements fund as one-time funding for a core library expansion project.

North Dakota Building Authority lease payments limitation - North Dakota Century Code Section 54-17.2-23 limits the general fund amount of lease payments associated with capital construction projects financed by the Building Authority for a biennium to 10 percent of an amount collected from an equivalent 1 percent sales, use, and motor vehicle excise tax.

The Industrial Commission spent \$3,635,000 through February 2016 for the core library expansion project. The project is anticipated to be complete by the end of the biennium and has a guaranteed maximum cost of \$13,633,902.

Based on the May 2015 legislative forecast for projected sales, use, and motor vehicle excise tax collections for the 2015-17 biennium, the maximum statutory general fund amount of lease payments for the 2015-17 biennium is approximately \$69.7 million. The estimated general fund debt service requirement for the 2015-17 biennium is approximately \$13.5 million, which is \$56.2 million less than the debt service limit.

The estimated limit for the 2017-19 biennium is approximately \$53.7 million, which reflects a 4 percent increase in sales, use, and motor vehicle excise tax collections for the 2017-19 biennium in comparison to the February 2016 revised revenue forecast for the 2015-17 biennium. The general fund debt service requirement for the 2017-19 biennium is estimated to be approximately \$11.7 million, which is \$42.0 million less than the limit. This amount will change when the legislative revenue forecast is complete for the 2017-19 biennium.

The 2015 Legislative Assembly did not provide for any capital projects funded through bonded indebtedness that affect the bonding limit for the 2015-17 biennium.

Lignite research grants - The Legislative Assembly removed \$19.5 million of appropriation authority from special funds for lignite grants. The grants will be distributed pursuant to a continuing appropriation from the lignite research fund under Section 57-61-01.5. The Legislative Assembly provided \$5 million of one-time funding from the general fund for Lignite Research Council grants for commercializing the capture, utilization, and storage of carbon dioxide and for next generation electric generation technology, including the Allam Cycle.

Section 14 of House Bill No. 1014 provides that up to \$4.5 million of the lignite research grants funding is available to contract 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 to contract 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 Industrial Commission for funding projects, processes, or activities under the lignite research, development, and marketing program.

The Industrial Commission transferred \$4,797,500 to the lignite research fund. The remaining \$202,500 will not be transferred because of the 4.05 percent general fund budget allotment.

The Industrial Commission has contracted with the Lignite Energy Council to assist with management of the Lignite Vision 21 Project. The objective of the Lignite Vision 21 Project is to construct new lignite-fired power plants in North Dakota. The Industrial Commission is in the process of determining the amounts to be designated for litigation, project management, and other planning services from the \$4.5 million identified as nonmatching funds. Through April 2016, the commission has spent \$483,121 of the \$4.5 million related to litigation and project management.