

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

| | FTE Positions | General Fund | Other Funds | Total |
|--|----------------------|---------------------|---------------------|---------------------|
| 2015-17 legislative appropriations | 121.75 | \$34,966,173 | \$30,619,769 | \$65,585,942 |
| 2015-17 base budget | 98.75 | 21,333,325 | 40,973,792 | 62,307,117 |
| Legislative increase (decrease) to base budget | 23.00 | \$13,632,848 | (\$10,354,023) | \$3,278,825 |

ONGOING AND ONE-TIME GENERAL FUND APPROPRIATIONS

| | Ongoing General Fund Appropriation | One-Time General Fund Appropriation | Total General Fund Appropriation |
|---|---|--|---|
| 2015-17 legislative appropriations | \$26,845,530 | \$8,120,643 | \$34,966,173 |
| 2013-15 legislative appropriations | 21,333,325 | 1,160,800 | 22,494,125 |
| 2015-17 legislative increase (decrease) to 2013-15 appropriations | \$5,512,205 | \$6,959,843 | \$12,472,048 |
| Percentage increase (decrease) to 2013-15 appropriations | 25.8% | 599.6% | 55.4% |

SUMMARY OF LEGISLATIVE CHANGES TO THE BASE 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 Senate Bill No. 2015.

Changes to Base Budget

| | FTE Positions | General Fund | Other Funds | Total |
|---|----------------------|---------------------|--------------------|--------------|
| The legislative action: | | | | |
| Added funding for base payroll changes for cost-to-continue 2013-15 biennium salaries and benefit increases and for other base payroll changes. | | \$201,132 | (\$8,147) | \$192,985 |
| Added funding for 2015-17 biennium performance salary adjustments of 2 to 4 percent per year. | | 765,984 | 47,233 | 813,217 |
| Added funding for employee health insurance premiums to reflect a premium estimate of \$1,130.22 per month. | | 379,525 | 24,063 | 403,588 |
| Added funding for engineering technician positions. | 7.00 | 1,513,195 | | 1,513,195 |
| Added funding for a petroleum engineering position. | 1.00 | 162,018 | | 162,018 |
| Added funding for a safety officer position. | 1.00 | 187,717 | | 187,717 |

| | | | | |
|--|--------------|---------------------|-----------------------|--------------------|
| Added funding for a human resources specialist position. | 1.00 | 139,380 | | 139,380 |
| Added funding for a budget specialist position. | 1.00 | 174,519 | | 174,519 |
| Added funding for a reclamation specialist position. | 1.00 | 230,911 | | 230,911 |
| Added funding for a surface geologist position. | 1.00 | 244,192 | | 244,192 |
| Added funding for survey engineering technician positions. | 2.00 | 323,769 | | 323,769 |
| Added funding for a pipeline regulatory supervisor position. | 1.00 | 240,339 | | 240,339 |
| Added funding for an administrative assistant position related to the pipeline regulatory program. | 1.00 | 139,639 | | 139,639 |
| Added funding for an industrial water sales position. | 1.00 | | 150,000 | 150,000 |
| Added funding for contingent petroleum engineering positions. | 5.00 | 556,260 | | 556,260 |
| Decreased funding for bond payments. | | | (4,769,140) | (4,769,140) |
| Removed funding for lignite grants since the grants will be distributed pursuant to a continuing appropriation from the lignite research fund. | | | (19,500,000) | (19,500,000) |
| Adjusted operating expenses primarily related to increased travel expenses. | | 233,125 | 76,646 | 309,771 |
| Added funding for ongoing core library operating expense increases related to the expansion project. | | 20,500 | | 20,500 |
| Added one-time funding for possible litigation costs. | | 2,500,000 | | 2,500,000 |
| Added one-time funding from the strategic investment and improvements fund for a core library expansion project. | | | 13,625,322 | 13,625,322 |
| Added one-time funding for Lignite Research Council grants. | | 5,000,000 | | 5,000,000 |
| Added one-time funding for aerial photography (\$104,143), core analyses (\$125,000), seismic profile digital conversion (\$100,000), information technology costs (\$250,000), and ATV's and trailers (\$41,500). | | 620,643 | | 620,643 |
| Total | 23.00 | \$13,632,848 | (\$10,354,023) | \$3,278,825 |

FTE Changes

The 2015-17 biennium appropriation includes funding for 121.75 FTE positions, an increase of 23 FTE positions from the 2013-15 biennium authorized level of 98.75 FTE positions. The Legislative Assembly added 7 engineer technician positions, 1 petroleum engineering position, 1 safety officer position, 1 human resources specialist position, 1 budget specialist position, 1 reclamation specialist position, 1 surface geologist position, 2 survey engineering technician positions, 1 pipeline regulatory supervisor position, 1 administrative assistant position related to the pipeline regulatory program, 1 industrial water sales position, and 5 contingent petroleum engineering contingency positions.

Of the FTE positions authorized by the 2015 Legislative Assembly, the Industrial Commission anticipates using the following 8 FTE positions for the implementation of a pipeline regulatory program (House Bill No. 1358):

- 4 engineering technician FTE positions;
- 1 reclamation specialist FTE position;
- 1 pipeline engineering technician FTE position;
- 1 pipeline regulatory supervisor FTE position; and
- 1 administrative assistant FTE position.

One-Time Funding

In Section 2 of House Bill No. 1014, the Legislative Assembly identified the following as one-time funding items:

| | General Fund | Other Funds | Total |
|---------------------------------|--------------------|---------------------|---------------------|
| Possible litigation | \$2,500,000 | | \$2,500,000 |
| Lignite research council grants | 5,000,000 | | 5,000,000 |
| ATV's | 41,500 | | 41,500 |
| Aerial photography | 104,143 | | 104,143 |
| Contract analysis | 125,000 | | 125,000 |
| Digital conversion | 100,000 | | 100,000 |
| Migration to RBDMS.net | 250,000 | | 250,000 |
| Core library expansion project | | 13,625,322 | 13,625,322 |
| Total | \$8,120,643 | \$13,625,322 | \$21,745,965 |

Lease Payments

The Legislative Assembly provided \$15,040,829 for lease payments on outstanding bonded indebtedness, a decrease of \$4,769,140 from the 2013-15 biennium appropriation of \$19,809,969. The following schedule lists the 2013-15 and 2015-17 biennium lease payments:

| | 2013-15 Biennium | 2015-17 Biennium | Increase (Decrease) |
|---|---------------------|---------------------|----------------------|
| Higher education institutions | \$10,436,045 | \$8,368,836 | (\$2,067,209) |
| North Dakota University System energy conservation projects | \$491,397 | 491,161 | (236) |
| Department of Corrections and Rehabilitation - State Penitentiary | 1,289,450 | 1,279,524 | (9,926) |
| Department of Corrections and Rehabilitation energy conservation projects | | 16,206 | 16,206 |
| State Department of Health | 642,688 | 637,940 | (4,748) |
| Job Service North Dakota | 540,376 | 427,131 | (113,245) |
| Adjutant General | 28,586 | | (28,586) |
| Information Technology Department - ConnectND | 2,504,100 | | (2,504,100) |
| Office of Management and Budget | 665,272 | 664,952 | (320) |
| Attorney General | 765,851 | 765,483 | (368) |
| State Historical Society | 1,392,337 | 1,391,668 | (669) |
| Parks and Recreation Department | 73,627 | 73,592 | (35) |
| Research and Extension Service | 571,400 | 571,126 | (274) |
| Veterans' Home | 408,840 | 353,210 | (55,630) |
| Total | \$19,809,969 | \$15,040,829 | (\$4,769,140) |

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 North Dakota Century Code 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.

Section 19 of House Bill No. 1014 amends Section 54-17.5-02 to allow the Governor to appoint out-of-state residents to the Lignite Research Council.

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

Other Sections in Bill

Bond Payments - Section 3 provides legislative intent for bond payments, and Section 5 provides appropriation authority, subject to Emergency Commission approval, for bond issuances during the 2015-17 biennium.

Transfer authority - Section 6 allows the Industrial Commission to transfer up to \$930,000 from special funds from the entities under the control of the commission for administrative services.

Contingency funding and FTE positions - Department of Mineral Resources - Section 15 provides that \$556,260 in Section 1 of the bill may be used to hire up to 5 petroleum engineering FTE positions if the monthly average drilling rig count exceeds 140 drilling rigs. One new position and the related funding is added for every 15 drilling rigs above 140 drilling rigs.

Amendment to House Bill No. 1358 - Section 22 amends Section 9 of House Bill No. 1358 to provide technical corrections related to a transfer from the abandoned oil and gas well plugging and site reclamation fund to the oil and gas research fund.

Carryover authority - Section 24 provides an exemption for 2013-15 biennium possible litigation funding from the general fund to allow the funding to be spent in the 2015-17 biennium.

Core library expansion project - Section 25 requires the Industrial Commission to report to the Legislative Management on the progress of the core library expansion project and provides carryover authority for the funding into the 2017-19 biennium. Section 28 provides an emergency clause for the project.

Related Legislation

House Bill No. 1032 - Changes the allocation of oil and gas gross production tax collections to the abandoned oil and gas well plugging and site reclamation fund from \$5 million per fiscal year to \$7.5 million per fiscal year contingent upon the "large" trigger being ineffective during the first six months of the 2015-17 biennium.

House Bill No. 1358 - Requires controls, inspections, and bonding for underground gathering pipelines; expands the use of the fund to include reclamation of sites developed prior to August 1, 1983; and provides for studies related to pipelines and saltwater reclamation.

House Bill No. 1409 - Increases the allocation of oil and gas gross production tax to the North Dakota outdoor heritage fund from 4 percent limited to \$15 million per fiscal year to 8 percent limited to \$20 million per fiscal year and identifies projects that are not eligible for grants.

House Bill No. 1432 - Creates an environmental impact litigation advisory committee and an environmental impact litigation fund for possible litigation costs and transfers \$1.5 million from the general fund to the newly created fund.

Senate Bill No. 2190 - Allows funding from the abandoned oil and gas well plugging and site reclamation fund to be used to address environmental emergencies.