

**Department 405 - Industrial Commission
 House Bill No. 1014**

Executive Budget Comparison to Prior Biennium Appropriations

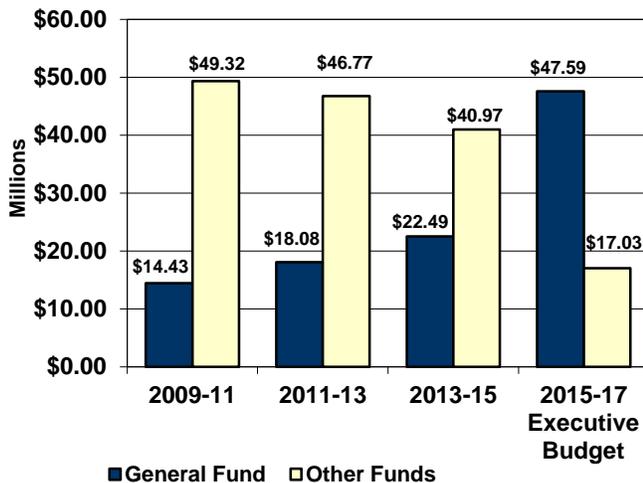
	FTE Positions	General Fund	Other Funds	Total
2015-17 Executive Budget	121.75	\$47,590,537	\$17,027,322	\$64,617,859
2013-15 Legislative Appropriations ¹	98.75	22,494,125	40,973,792	63,467,917
Increase (Decrease)	23.00	\$25,096,412	(\$23,946,470)	\$1,149,942

¹The 2013-15 appropriation amounts do not include general fund allocations of \$400,000 to the agency from the state agency energy impact funding pool for temporary salary adjustments (\$90,966) and rental assistance payments (\$309,034) for agency employees located in areas of the state affected by energy development.

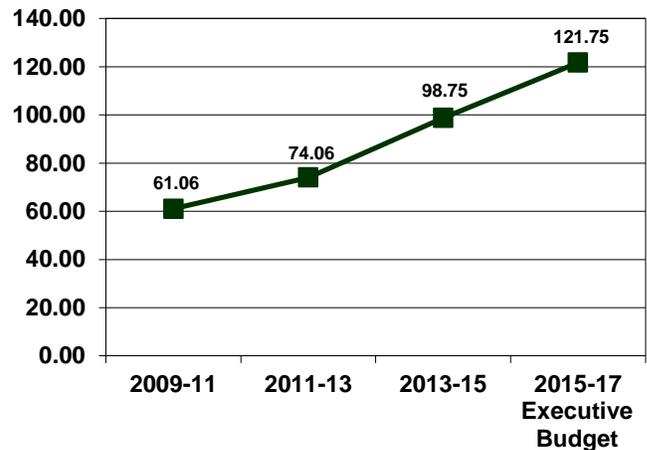
Ongoing and One-Time General Fund Appropriations

	Ongoing General Fund Appropriation	One-Time General Fund Appropriation	Total General Fund Appropriation
2015-17 Executive Budget	\$27,977,452	\$19,613,085	\$47,590,537
2013-15 Legislative Appropriations	21,333,325	1,160,800	22,494,125
Increase (Decrease)	\$6,644,127	\$18,452,285	\$25,096,412

Agency Funding



FTE Positions



Executive Budget Comparison to Base Level

	General Fund	Other Funds	Total
2015-17 Executive Budget	\$47,590,537	\$17,027,322	\$64,617,859
2015-17 Base Level	21,333,325	40,973,792	62,307,117
Increase (Decrease)	\$26,257,212	(\$23,946,470)	\$2,310,742

First House Action

Attached is a comparison worksheet detailing first house changes to base level funding and the executive budget.

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

- | | General Fund | Other Funds | Total |
|---|--------------|-------------|-------------|
| 1. Provides funding for state employee salary and benefit increases, of which \$1,137,357 relates to performance increases, \$22,019 is for market equity adjustments, \$513,818 is for health insurance increases, and \$117,592 is for retirement contribution increases. The House provided funding for performance salary increases of 2 to 4 percent per year and funding for health insurance increases, but did not include funding for market equity increases or funding for retirement contribution increases. | \$1,686,615 | \$104,171 | \$1,790,786 |

2. Other 2013-15 salary adjustments	\$157,056	(\$150,000)	\$7,056
3. Adds funding for 9 engineering technician FTE positions, of which \$1,376,449 is for salaries and wages and \$569,088 is for operating expenses. The House provided funding of \$1,513,195 for 7 engineering technician FTE positions.	\$1,945,537	\$0	\$1,945,537
4. Adds funding for 1 pipeline engineering technician FTE position, of which \$152,379 is for salaries and wages and \$9,639 is for operating expenses	\$162,018	\$0	\$162,018
5. Adds funding for 1 petroleum engineer FTE position, of which \$168,105 is for salaries and wages and \$54,403 is for operating expenses. The House did not include funding for 1 petroleum engineer FTE position.	\$222,508	\$0	\$222,508
6. Adds funding for 1 safety officer FTE position, of which \$178,078 is for salaries and wages and \$9,639 is for operating expenses	\$187,717	\$0	\$187,717
7. Adds funding for 1 human resources specialist FTE position, of which \$129,741 is for salaries and wages and \$9,639 is for operating expenses	\$139,380	\$0	\$139,380
8. Adds funding for 1 budget specialist FTE position, of which \$164,879 is for salaries and wages and \$9,640 is for operating expenses	\$174,518	\$0	\$174,518
9. Adds funding for 1 reclamation specialist FTE position, of which \$167,679 is for salaries and wages and \$63,232 is for operating expenses	\$230,911	\$0	\$230,911
10. Adds funding for 2 surface geologist FTE positions, of which \$360,902 is for salaries and wages and \$127,482 is for operating expenses. The House provided funding of \$244,192 for 1 surface geologist FTE position.	\$488,384	\$0	\$488,384
11. Adds funding for 2 survey engineering technician FTE positions, of which \$304,491 is for salaries and wages and \$19,278 is for operating expenses	\$323,769	\$0	\$323,769
12. Adds funding for 3 engineering technician contingency FTE positions, of which \$458,816 is for salaries and wages and \$189,696 is for operating expenses. The House did not include funding for 3 engineering technician contingency FTE positions.	\$648,512	\$0	\$648,512
13. Adds funding for 1 industrial water sales FTE position	\$0	\$150,000	\$150,000
14. Decreases funding for bond payments	\$0	(\$4,769,140)	(\$4,769,140)
15. Removes appropriation authority for lignite grants. The grants will be distributed pursuant to a continuing appropriation authorized for the lignite research fund.	\$0	(\$19,500,000)	(\$19,500,000)
16. Changes to operating expenses primarily related to increased travel costs	\$233,125	\$76,646	\$309,771
17. Adds one-time funding for possible litigation costs related to hydraulic fracturing, gas capture, and flaring reduction. The House did not include funding for possible litigation costs in House Bill No. 1014, but provided \$4 million for an environmental impact litigation fund in House Bill No. 1432.	\$3,000,000	\$0	\$3,000,000
18. Adds one-time funding to expand the core library. The House did not include funding to expand the core library. However, the House added one-time funding of \$5 million for Lignite Research Council grants and \$41,500 for ATVs and trailers.	\$16,033,942	\$0	\$16,033,942
19. Adds one-time funding for an aerial photography project	\$104,143	\$0	\$104,143
20. Adds one-time funding for contract costs related to core analyses	\$125,000	\$0	\$125,000
21. Adds one-time funding for a seismic profile digital conversion project	\$100,000	\$0	\$100,000
22. Adds one-time funding for information technology costs related to programing changes for a risk based management system	\$250,000	\$0	\$250,000

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

Lignite research - Section 12 designates \$4.5 million from the lignite research fund for lignite marketing studies, the Lignite Vision 21 program, or possible lignite related litigation.

Contingency funding - Department of Mineral Resources - Section 13 provides that \$458,816 included in the salaries and wages line item and \$189,696 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 the Office of Management and Budget that the total number of wells in the state capable of production or injection exceeds 20,000. **The House did not include this section.**

North Dakota outdoor heritage fund - Section 18 allows the Office of Management and Budget to increase the appropriation authority of state agencies that receive grant awards from the North Dakota outdoor heritage fund. **The House did not include this section.**

Continuing Appropriations

Abandoned oil and gas reclamation fund - North Dakota Century Code Section 38-08-04.5 - Abandoned oil and gas reclamation.

Carbon dioxide storage facility administration fund - Section 38-22-14 - 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 - Section 38-21-03 - 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 outdoor heritage fund - Section 54-17.8-02 - For grants to conserve natural areas, restore wildlife and fish habitats, and provide access to sportsmen.

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

Oil and gas research fund - Section 57-51.1-07.3 - Oil and gas research and education.

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

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 2013-14 interim identified no significant audit findings.

Major 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. 1187 - Provides that certain rules issued by the Industrial Commission are void beginning July 31, 2015.

House Bill No. 1358 - Requires controls, inspections, and bonding for underground gathering pipelines.

House Bill No. 1390 - Requires commercial oilfield special waste recyclers to be licensed by the State Department of Health and removes well operator liability after the waste has been converted to a beneficial use product.

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 \$4 million from the general fund to the newly created fund.

House Bill No. 1437 - Extends the "small" trigger through the end of the 2015-17 biennium, but repeals the "small" trigger if the "large" trigger becomes effective.

Senate Bill No. 2034 - Provides a sales and use tax exemption for materials used in the transmission of oil through a gathering pipeline.

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.

Senate Bill No. 2374 - Requires controls, inspections, and bonding for underground gathering pipelines.

Industrial Commission - Budget No. 405
House Bill No. 1014
Base Level Funding Changes

	Executive Budget Recommendation				House Version			
	FTE Positions	General Fund	Other Funds	Total	FTE Positions	General Fund	Other Funds	Total
2015-17 Biennium Base Level	98.75	\$21,333,325	\$40,973,792	\$62,307,117	98.75	\$21,333,325	\$40,973,792	\$62,307,117
2015-17 Ongoing Funding Changes								
Base payroll changes		\$44,076	\$141,853	\$185,929		\$44,076	\$141,853	\$185,929
Salary increase - Performance		1,073,112	64,245	1,137,357		765,984	47,233	813,217
Salary increase - Market equity		17,758	4,261	22,019				0
Retirement contribution increase		110,950	6,642	117,592				0
Health insurance increase		484,795	29,023	513,818		458,888	29,023	487,911
Other 2013-15 salary adjustments		157,056	(150,000)	7,056		157,056	(150,000)	7,056
FTE engineering technician positions	9.00	1,945,537		1,945,537	7.00	1,513,195		1,513,195
FTE pipeline engineering technician position	1.00	162,018		162,018	1.00	162,018		162,018
FTE petroleum engineer position	1.00	222,508		222,508				0
FTE safety officer position	1.00	187,717		187,717	1.00	187,717		187,717
FTE human resources specialist position	1.00	139,380		139,380	1.00	139,380		139,380
FTE budget specialist position	1.00	174,519		174,519	1.00	174,519		174,519
FTE reclamation specialist position	1.00	230,911		230,911	1.00	230,911		230,911
FTE surface geologist positions	2.00	488,384		488,384	1.00	244,192		244,192
FTE survey engineering technician positions	2.00	323,769		323,769	2.00	323,769		323,769
FTE engineering technician contingency positions	3.00	648,512		648,512				0
FTE industrial water sales position	1.00		150,000	150,000	1.00		150,000	150,000
Decreases funding for bond payments			(4,769,140)	(4,769,140)			(4,769,140)	(4,769,140)
Removes funding for lignite grants			(19,500,000)	(19,500,000)			(19,500,000)	(19,500,000)
Changes to operating expenses		233,125	76,646	309,771		233,125	76,646	309,771
Total ongoing funding changes	23.00	\$6,644,127	(\$23,946,470)	(\$17,302,343)	16.00	\$4,634,830	(\$23,974,385)	(\$19,339,555)
One-time funding items								
Possible litigation		\$3,000,000		\$3,000,000				\$0
Core library		16,033,942		16,033,942				0
Aerial photography		104,143		104,143		104,143		104,143
Core analyses		125,000		125,000		125,000		125,000
Seismic profile digital conversion		100,000		100,000		100,000		100,000
Information technology costs		250,000		250,000		250,000		250,000
ATV's and trailers				0		41,500		41,500
Lignite research council grants				0		5,000,000		5,000,000
Total one-time funding changes	0.00	\$19,613,085	\$0	\$19,613,085	0.00	\$5,620,643	\$0	\$5,620,643
Total Changes to Base Level Funding	23.00	\$26,257,212	(\$23,946,470)	\$2,310,742	16.00	\$10,255,473	(\$23,974,385)	(\$13,718,912)
2015-17 Total Funding	121.75	\$47,590,537	\$17,027,322	\$64,617,859	114.75	\$31,588,798	\$16,999,407	\$48,588,205

Other Sections in House Bill No. 1014

Executive Budget Recommendation

House Version

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.

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Transfer

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Lignite research

Section 12 designates \$4.5 million from the lignite research fund for lignite marketing studies, the Lignite Vision 21 program, or possible lignite related litigation.

Section 12 designates \$4.5 million from the lignite research fund for lignite marketing studies, the Lignite Vision 21 program, or possible lignite related litigation. Section 16 amends North Dakota Century Code Section 54-17.5-02 to allow the governor to appoint out-of-state residents to the lignite research council.

Contingency funding - Department of Mineral Resources

Section 13 provides that \$458,816 included in the salaries and wages line item and \$189,696 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 the Office of Management and Budget that the total number of wells in the state capable of production or injection exceeds 20,000.

North Dakota outdoor heritage fund

Section 18 allows the Office of Management and Budget to increase the appropriation authority of state agencies that receive grant awards from the North Dakota outdoor heritage fund.

Contingent funding priority list intent

Section 18 provides legislative intent to develop a list of priorities for contingent funding if the actual revenues exceed the legislative forecast in the 2015-17 biennium.