

**Department 405 - Industrial Commission  
Senate Bill No. 2014**

**Dalrymple Executive Budget Comparison to Prior Biennium Appropriations**

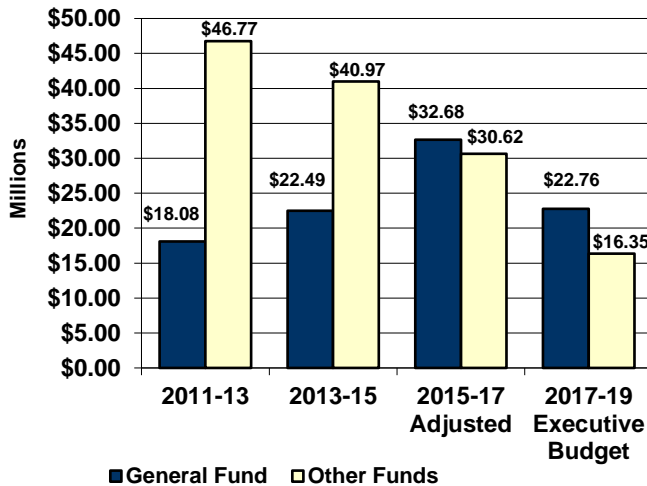
	FTE Positions	General Fund	Other Funds	Total
2017-19 Dalrymple Executive Budget	105.25	\$22,763,880	\$16,350,496	\$39,114,376
2015-17 Adjusted Legislative Appropriations <sup>1</sup>	116.75	32,675,889	30,619,769	63,295,658
Increase (Decrease)	(11.50)	(\$9,912,009)	(\$14,269,273)	(\$24,181,282)

<sup>1</sup>The 2015-17 biennium agency appropriations amounts reflect general fund budget reductions made in August 2016.

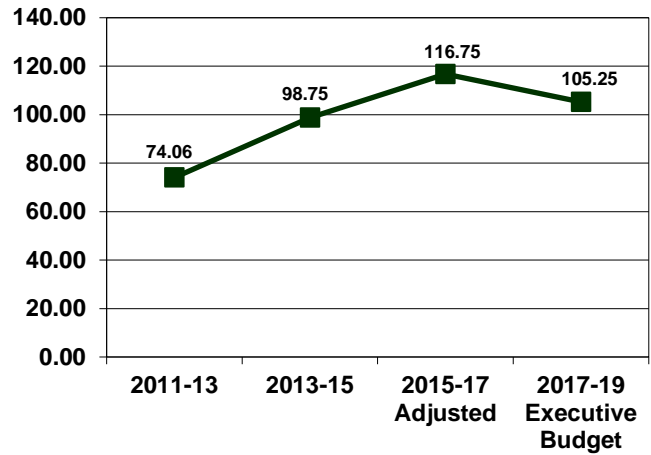
**Ongoing and One-Time General Fund Appropriations**

	Ongoing General Fund Appropriation	One-Time General Fund Appropriation	Total General Fund Appropriation
2017-19 Dalrymple Executive Budget	\$22,763,880	\$0	\$22,763,880
2015-17 Adjusted Legislative Appropriations	24,957,746	7,718,143	32,675,889
Increase (Decrease)	(\$2,193,866)	(\$7,718,143)	(\$9,912,009)

**Agency Funding**



**FTE Positions**



**Dalrymple Executive Budget Comparison to Base Level**

	General Fund	Other Funds	Total
2017-19 Dalrymple Executive Budget	\$22,763,880	\$16,350,496	\$39,114,376
2017-19 Base Level	24,957,746	16,994,447	41,952,193
Increase (Decrease)	(\$2,193,866)	(\$643,951)	(\$2,837,817)

**First House Action**

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

**Dalrymple and Burgum 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 \$96,796 is for salary increases and \$334,853 is for health insurance increases. (The Burgum budget removed funding for salary increases and provided for employees to pay for a portion of health insurance.) <b>The Senate removed funding for the salary increases.</b>                   | \$405,777     | \$25,872    | \$431,649     |
| 2. Removes 11.5 FTE positions, including 9 FTE engineering technician positions and 2 FTE administrative assistant positions. (The Burgum budget removed an additional 2 FTE positions and \$380,500 from the general fund.) <b>The Senate restored funding for 5 of the 13.5 FTE positions and added 6 contingent FTE positions and \$1,254,462 from the general fund.</b> | (\$1,016,028) |             | (\$1,016,028) |

3. Underfunds salaries and wages. <b>The Senate restored this funding.</b>	(\$900,000)		(\$900,000)
4. Adjusts funding for operating expenses primarily related to travel, information technology software and services, and professional services. <b>The Senate restored the general fund reduction and added \$448,753 from the general fund for operating expenses.</b>	(\$75,356)	\$78,000	\$2,644
5. Reduces funding for operating expenses. (The Burgum budget reduced funding for operating expenses by an additional \$66,700 from the general fund.) <b>The Senate restored the funding for operating expenses.</b>	(\$675,000)		(\$675,000)
6. Decreases funding for bond payments		(\$1,830,345)	(\$1,830,345)
7. Adds one-time funding from the strategic investment and improvements fund for litigation costs		\$1,000,000	\$1,000,000

### Other Sections in Senate Bill No. 2014

**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 2017-19 biennium.

**Contingent FTE positions** - Section 6 identifies \$1,254,462 from the general fund and 6 FTE positions included in the appropriation as contingent funding and contingent FTE position authorization. The funding and positions are available if the total number of wells capable of production and injection exceeds certain amounts, subject to Budget Section approval.

**Administrative cost transfers** - Section 7 allows the Industrial Commission to transfer up to \$1,103,986 from special funds from the entities under the control of the Industrial Commission for administrative services. Section 27 provides an exemption and allows any unspent 2015-17 biennium appropriations for administrative costs to continue in the 2017-19 biennium.

**Advanced energy technology development** - Section 14 provides a transfer of \$3 million from the strategic investment and improvements fund to the lignite research fund during the 2017-19 biennium, identifies the funding must be used for advanced energy technology research and development, and provides matching requirements for grant recipients. Section 25 reduces the allocation of coal severance tax allocations to the coal development trust fund from 30 to 15 percent and provides an allocation of 15 percent to the lignite research fund for developing advanced energy technology. Section 29 provides a statement of intent related to grant applications for advanced energy research from the renewable energy development fund.

**Litigation expenses** - Section 15 identifies \$1 million in the estimated income line item from the strategic investment and improvements fund for litigation expenses.

**Lignite research** - Section 28 provides an exemption to allow any unexpended 2015-17 biennium appropriations for lignite research grants to be continued into the 2017-19 biennium. Section 31 provides intent that \$4.5 million is available from the lignite research fund for lignite marketing studies, the Lignite Vision 21 program, or possible lignite related litigation.

### 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 2015-16 interim identified the following significant audit findings:

- Untimely approval of meeting minutes.
- Lack of supporting documentation for in-kind matching funds related to grants from the North Dakota outdoor heritage fund.

### **Major Related Legislation**

**House Bill No. 1151** - Restricts the Industrial Commission from requiring well operators to report spills of 10 barrels or less when the spills are contained on the well pad.

**House Bill No. 1152** - Changes the allocation of the state's share of oil and gas tax revenue to increase the allocation to the general fund and provide allocations to the budget stabilization fund and the lignite research fund, providing up to \$3 million of allocations to the lignite research fund.

**House Bill No. 1347** - Authorizes \$5 million from the abandoned oil and gas well plugging and site reclamation fund for restoration projects related to pipelines and facilities that were abandoned or inadequately reclaimed before August 1, 1983, and for demonstration projects related to reclamation. This bill also provides an appropriation of \$5 million from the abandoned oil and gas well plugging and site reclamation fund for brine pond and remediation studies and designates \$500,000 under the continuing appropriation from the oil and gas research fund to continue a study of pipeline leak detection technology.

**Senate Bill No. 2333** - Requires any land disturbed by oil and gas activity to be reclaimed as close as possible to its original condition and allows the Industrial Commission to waive the requirement.

**Industrial Commission - Budget No. 405**  
**Senate Bill No. 2014**  
**Base Level Funding Changes**

	<b>Burgum Executive Budget Recommendation</b> <b>(Changes to Dalrymple Budget in Bold)</b>				<b>Senate Version</b>			
	<b>FTE Positions</b>	<b>General Fund</b>	<b>Other Funds</b>	<b>Total</b>	<b>FTE Positions</b>	<b>General Fund</b>	<b>Other Funds</b>	<b>Total</b>
<b>2017-19 Biennium Base Level</b>	116.75	\$24,957,746	\$16,994,447	\$41,952,193	116.75	\$24,957,746	\$16,994,447	\$41,952,193
<b>2017-19 Ongoing Funding Changes</b>								
Base payroll changes		\$66,741	\$82,522	\$149,263		\$66,741	\$82,522	\$149,263
<b>Salary increase - Performance</b>				<b>0</b>				<b>0</b>
Health insurance increase		314,819	20,034	334,853		314,819	20,034	334,853
<b>Employee portion of health insurance</b>		<b>(161,902)</b>	<b>(10,514)</b>	<b>(172,416)</b>				<b>0</b>
Removes FTE positions	(11.50)	(1,016,028)		(1,016,028)	(8.50)	(577,999)		(577,999)
<b>Removes additional FTE positions</b>	<b>(2.00)</b>	<b>(380,500)</b>		<b>(380,500)</b>				<b>0</b>
Reduces funding for salaries and wages		(900,000)		(900,000)				<b>0</b>
Adds funding for contingent FTE positions				0	6.00	1,254,462		1,254,462
Adjusts funding operating expenses		(75,356)	78,000	2,644		448,753	78,000	526,753
Reduces funding for operating expenses		(675,000)		(675,000)				<b>0</b>
Decreases funding for bond payments			(1,830,345)	(1,830,345)			(1,830,345)	(1,830,345)
<b>Reduces operating expenses - 2 percent</b>		<b>(66,700)</b>		<b>(66,700)</b>				<b>0</b>
Total ongoing funding changes	(13.50)	(\$2,893,926)	(\$1,660,303)	(\$4,554,229)	(2.50)	\$1,506,776	(\$1,649,789)	(\$143,013)
<b>One-time funding items</b>								
Federal litigation costs			\$1,000,000	\$1,000,000			\$1,000,000	\$1,000,000
Total one-time funding changes	0.00	\$0	\$1,000,000	\$1,000,000	0.00	\$0	\$1,000,000	\$1,000,000
<b>Total Changes to Base Level Funding</b>	<b>(13.50)</b>	<b>(\$2,893,926)</b>	<b>(\$660,303)</b>	<b>(\$3,554,229)</b>	<b>(2.50)</b>	<b>\$1,506,776</b>	<b>(\$649,789)</b>	<b>\$856,987</b>
<b>2017-19 Total Funding</b>	<b>103.25</b>	<b>\$22,063,820</b>	<b>\$16,334,144</b>	<b>\$38,397,964</b>	<b>114.25</b>	<b>\$26,464,522</b>	<b>\$16,344,658</b>	<b>\$42,809,180</b>

**Other Sections in Industrial Commission - Budget No. 405**

	<b>Burgum Executive Budget Recommendation</b> <b>(Changes to Dalrymple Budget in Bold)</b>	<b>Senate Version</b>
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 2017-19 biennium.	Section 3 provides legislative intent for bond payments, and Section 5 provides appropriation authority, subject to Emergency Commission approval, for bond issuances during the 2017-19 biennium.

**Other Sections in Industrial Commission - Budget No. 405**

**Burgum Executive Budget Recommendation  
(Changes to Dalrymple Budget in Bold)**

**Senate Version**

Contingent FTE positions

Section 6 identifies \$1,254,462 from the general fund and 6 FTE positions included in the appropriation as contingent funding and contingent FTE position authorization. The funding and positions are available if the total number of wells capable of production and injection exceeds certain amounts, subject to Budget Section approval.

Administrative cost transfers

Section 9 allows the Industrial Commission to transfer up to \$1,107,337 from special funds from the entities under the control of the Industrial Commission for administrative services.

Section 7 allows the Industrial Commission to transfer up to \$1,103,986 from special funds from the entities under the control of the Industrial Commission for administrative services. Section 27 provides an exemption and allows any unspent 2015-17 biennium appropriations for administrative costs to continue in the 2017-19 biennium.

Advanced technology development

Section 8 provides a transfer of \$3 million from the strategic investment and improvements fund to the lignite research fund for the 2017-19 biennium. Section 16 identifies the funding may be used for advanced energy technology research and development and provides matching requirements for grant recipients. Section 17 provides a statement of intent related to grant applications for advanced energy research from the renewable energy fund. Section 21 reduces the allocation of coal severance tax allocations to the coal development trust fund from 30 to 15 percent and provides an allocation of 15 percent to the lignite research fund for developing advanced energy technology.

Section 14 provides a transfer of \$3 million from the strategic investment and improvements fund to the lignite research fund for the 2017-19 biennium, identifies the funding for advanced energy technology research and development, and provides matching requirements for grant recipients. Section 25 reduces the allocation of coal severance tax allocations to the coal development trust fund from 30 to 15 percent and provides an allocation of 15 percent to the lignite research fund for developing advanced energy technology. Section 29 provides a statement of intent related to grant applications for advanced energy research from the renewable energy development fund.

Litigation expenses

Section 15 identifies \$1 million in the estimated income line item from the strategic investment and improvements fund for litigation expenses.

Lignite research

Section 6 provides an exemption for lignite research grants to allow any unexpended 2015-17 biennium funds to be available during the 2017-19 biennium. Section 15 designates \$4.5 million from the lignite research fund for lignite marketing studies, the Lignite Vision 21 program, or possible lignite-related litigation.

Section 28 provides an exemption for lignite research grants to allow any unexpended 2015-17 biennium funds to be available during the 2017-19 biennium. Section 31 provides intent that \$4.5 million is available from the lignite research fund for lignite marketing studies, the Lignite Vision 21 program, or possible lignite-related litigation.

## Department 405 - Industrial Commission

## Appropriations Comparisons to the Original and Adjusted Base Budgets

### General Fund Appropriations Adjustments (As a result of the August 2016 General Fund Budget Reductions)

	Ongoing	One-Time	Total
2015-17 original general fund appropriations	\$26,289,270	\$8,676,903	\$34,966,173
General fund reductions	(1,331,524)	(958,760)	(2,290,284)
Adjusted 2015-17 appropriations	\$24,957,746	\$7,718,143	\$32,675,889
Dalrymple Executive Budget changes	(2,193,866)	(7,718,143)	(9,912,009)
2017-19 Dalrymple Executive Budget	\$22,763,880	\$0	\$22,763,880

### Summary of August 2016 General Fund Budget Reductions

	Ongoing	One-Time	Total
Vacant positions salary savings	(\$363,102)		(\$363,102)
Contingent positions salary and operating savings		(\$556,260)	(556,260)
Reduced funding for operating expenses primarily related to travel, information technology software and services, and professional services	(968,422)		(968,422)
Reduced funding for lignite research council grants		(327,500)	(327,500)
Reduced funding for a seismic profile digital conversion project		(75,000)	(75,000)
Total reductions	(\$1,331,524)	(\$958,760)	(\$2,290,284)
Percentage reduction to ongoing and one-time general fund appropriations	5.06%	11.05%	6.55%

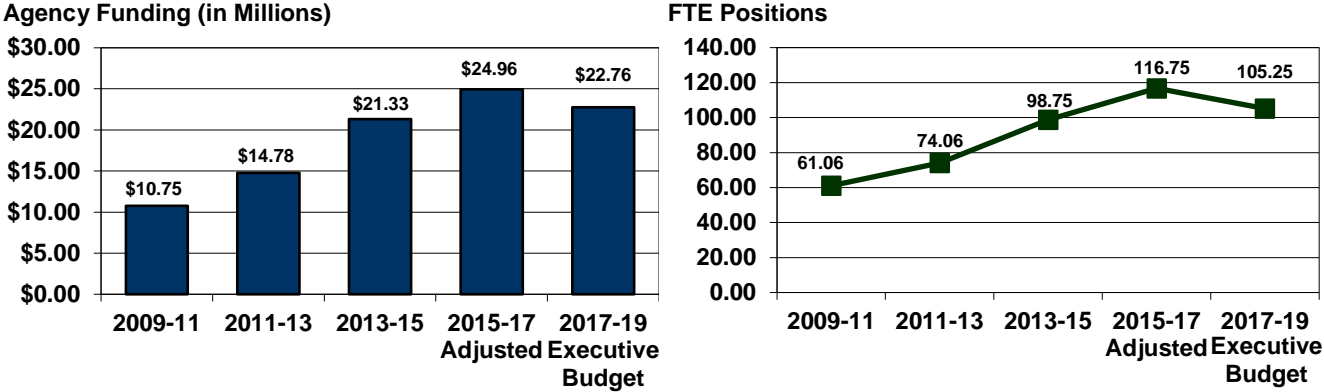
### 2017-19 Dalrymple Executive Budget Changes to the Original and Adjusted Base Budgets

	Changes to Original Budget	Budget Reduction Adjustments	Changes to Adjusted Budget
Base payroll changes	\$66,741		\$66,741
Adds funding for state employee salary and benefit increases	405,777		405,777
Adjusts funding for vacant FTE positions, FTE positions reductions, and 2015-17 biennium contingent FTE positions	(1,379,130)	\$363,102	(1,016,028)
Underfunds salaries and wages	(900,000)		(900,000)
Adjusts funding for operating expenses primarily related to travel, information technology software and services, and professional services	(1,043,778)	968,422	(75,356)
Reduces funding for operating expenses	(675,000)		(675,000)
Total	(\$3,525,390)	\$1,331,524	(\$2,193,866)

Department 405 - Industrial Commission

# Historical Appropriations Information

## Ongoing General Fund Appropriations Since 2009-11



Ongoing General Fund Appropriations					
	2009-11	2011-13	2013-15	2015-17 Adjusted	2017-19 Dalrymple Executive Budget
Ongoing general fund appropriations	\$10,747,102	\$14,776,213	\$21,333,325	\$24,957,746	\$22,763,880
Increase (decrease) from previous biennium	N/A	\$4,029,111	\$6,557,112	\$3,624,421	(\$2,193,866)
Percentage increase (decrease) from previous biennium	N/A	37.5%	44.4%	17.0%	(8.8%)
Cumulative percentage increase (decrease) from 2009-11 biennium	N/A	37.5%	98.5%	132.2%	111.8%

### Major Increases (Decreases) in Ongoing General Fund Appropriations

**2011-13 Biennium**

- 1. Changed funding source for 2 FTE positions previously funded from the lands and minerals trust fund \$319,219
- 2. Added funding for 1 FTE petroleum engineering position \$199,865
- 3. Added funding for 6 FTE engineering technician field inspector positions \$841,086
- 4. Added funding for 1 FTE engineering technician measurement specialist position \$186,371
- 5. Added funding for 1 FTE production analyst position \$124,841
- 6. Added funding for 1 FTE subsurface geologist position \$221,314
- 7. Added funding for the carbon dioxide storage facility administration fund, including 1 FTE position \$532,000
- 8. Added funding for contingent engineering technician positions \$743,972
- 9. Added funding for temporary employees for the Geological Survey Division \$90,000
- 10. Added funding for salary equity increases for geologists and engineers \$255,819
- 11. Added funding for retention bonuses for the Department of Mineral Resources' staff \$247,013
- 12. Added funding for increased operating expenses due to inflationary increases \$158,317

**2013-15 Biennium**

- 1. Added funding for 2 FTE engineering technician positions authorized by the Emergency Commission in the 2011-13 biennium \$390,820
- 2. Added funding for 4 FTE engineering technician positions, 1 FTE geology analyst position, and 1 FTE accounting specialist position \$930,223
- 3. Added funding for 1 FTE geologist position \$215,251
- 4. Added funding for 3 FTE petroleum engineering field inspector positions, 3 FTE engineering technician field inspector positions, and 1 FTE engineering technician core library specialist position \$1,356,581
- 5. Added funding for 1 FTE petroleum engineering production supervisor position, 1 FTE engineering technician measurement analyst position, and 2 FTE administrative assistant positions \$534,900
- 6. Added funding for 3 FTE contingent engineering technician positions \$586,230

- 7. Removed funding for the carbon dioxide storage facility administration fund, including 1 FTE position, which had been added in the 2011-13 biennium (\$532,000)
- 8. Added funding to allow the department to hire 5 FTE positions prior to the start of the biennium \$61,751
- 9. Added funding for lease payments in a new space for the additional staff \$224,868
- 10. Added funding for travel expenses related to State Fleet Services rate increases \$244,872

**2015-17 Biennium**

- 1. Added funding for 7 FTE engineering technician positions \$1,513,195
- 2. Added funding for 1 FTE petroleum engineering position \$162,018
- 3. Added funding for 1 FTE safety officer position \$187,717
- 4. Added funding for 1 FTE human resources specialist position \$139,380
- 5. Added funding for 1 FTE budget specialist position \$174,519
- 6. Added funding for 1 FTE reclamation specialist position \$230,911
- 7. Added funding for 1 FTE surface geologist position \$244,192
- 8. Added funding for 2 FTE survey engineering technician positions \$323,769
- 9. Added funding for 1 FTE pipeline regulatory supervisor position \$240,339
- 10. Added funding for 1 FTE pipeline regulatory administrative assistant position \$139,639
- 11. Added funding for operating expenses, including travel and ongoing costs related to the core library \$233,125

**2017-19 Biennium (Dalrymple and Burgum Executive Budget Recommendations)**

- 1. Removes 11.5 FTE positions, including 9 FTE engineering technician positions and 2 FTE administrative assistant positions. (The Burgum budget removed an additional 2 FTE positions and \$380,500 from the general fund.) (The Senate restored funding for 5 of the 13.5 FTE positions and added 6 contingent FTE positions and \$1,254,462 from the general fund.) (\$1,016,028)
- 2. Underfunds salaries and wages. (The Senate restored this funding.) (\$900,000)
- 3. Adjusts funding for operating expenses primarily related to travel, information technology software and services, and professional services. (The Senate restored the general fund reduction and added \$448,753 from the general fund for operating expenses.) (\$75,356)
- 4. Reduces funding for operating expenses. (The Burgum budget reduced funding for operating expenses by an additional \$66,700 from the general fund.) (The Senate restored the funding for operating expenses.) (\$675,000)