

**Department 405 - Industrial Commission
Senate Bill Nos. 2014 and 2074**

Executive Budget Comparison to Prior Biennium Appropriations

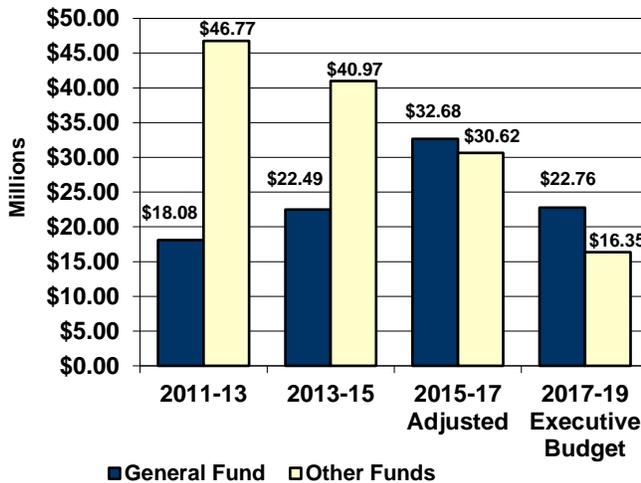
	FTE Positions	General Fund	Other Funds	Total
2017-19 Executive Budget	105.25	\$22,763,880	\$16,350,496	\$39,114,376
2015-17 Adjusted Legislative Appropriations ¹	116.75	32,675,889	30,619,769	63,295,658
Increase (Decrease)	(11.50)	(\$9,912,009)	(\$14,269,273)	(\$24,181,282)

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

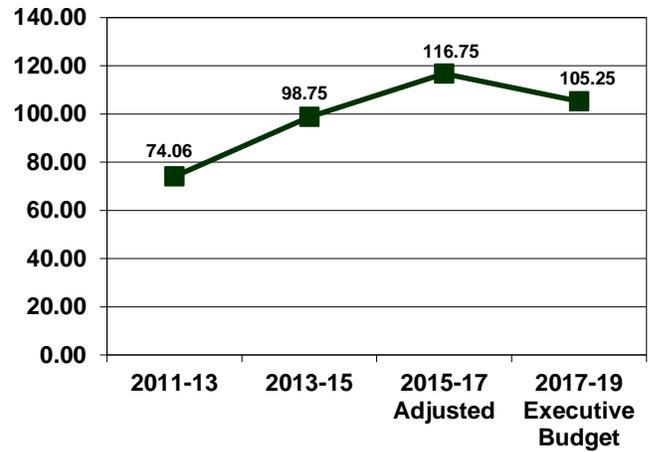
Ongoing and One-Time General Fund Appropriations

	Ongoing General Fund Appropriation	One-Time General Fund Appropriation	Total General Fund Appropriation
2017-19 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



Executive Budget Comparison to Base Level

	General Fund	Other Funds	Total
2017-19 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)

Attached as an appendix is a detailed comparison of the executive budget to the agency's base level appropriations.

Executive Budget Highlights

	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	\$405,777	\$25,872	\$431,649
2. Removes 11.5 FTE positions, including 9 engineering technician FTE positions and 2 administrative assistant FTE positions	(\$1,016,028)		(\$1,016,028)
3. Underfunds salaries and wages	(\$900,000)		(\$900,000)
4. Adjusts funding for operating expenses primarily related to travel, information technology software and services, and professional services	(\$75,356)	\$78,000	\$2,644
5. Reduces funding for operating expenses	(\$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 Recommended to be Added in the Executive Budget (As Detailed in Senate Bill No. 2074)

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.

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.

Lignite research - Section 6 provides an exemption to allow any unexpended 2015-17 biennium appropriations for lignite research grants to be continued into 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.

Advanced energy technology development - Section 8 provides a transfer of \$3 million from the strategic investment and improvements fund to the lignite research fund during the 2017-19 biennium. Section 16 identifies the funding must 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.

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 - The bill 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.

Industrial Commission - Budget No. 405
Senate Bill Nos. 2014 and 2074
Base Level Funding Changes

	Executive Budget Recommendation			
	FTE Positions	General Fund	Other Funds	Total
2017-19 Biennium Base Level	116.75	\$24,957,746	\$16,994,447	\$41,952,193
2017-19 Ongoing Funding Changes				
Base payroll changes		\$66,741	\$82,522	\$149,263
Salary increase - Performance		90,958	5,838	96,796
Health insurance increase		314,819	20,034	334,853
Removes FTE positions	(11.50)	(1,016,028)		(1,016,028)
Reduces funding for salaries and wages		(900,000)		(900,000)
Adjusts funding operating expenses		(75,356)	78,000	2,644
Reduces funding for operating expenses		(675,000)		(675,000)
Decreases funding for bond payments			(1,830,345)	(1,830,345)
Total ongoing funding changes	(11.50)	(2,193,866)	(1,643,951)	(3,837,817)
One-time funding items				
Federal litigation costs			\$1,000,000	\$1,000,000
Total one-time funding changes	0.00	\$0	\$1,000,000	\$1,000,000
Total Changes to Base Level Funding	(11.50)	(2,193,866)	(643,951)	(2,837,817)
2017-19 Total Funding	105.25	\$22,763,880	\$16,350,496	\$39,114,376

Other Sections in Industrial Commission - Budget No. 405

	Executive Budget Recommendation
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.
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.
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.
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.

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
Executive Budget changes	(2,193,866)	(7,718,143)	(9,912,009)
2017-19 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%

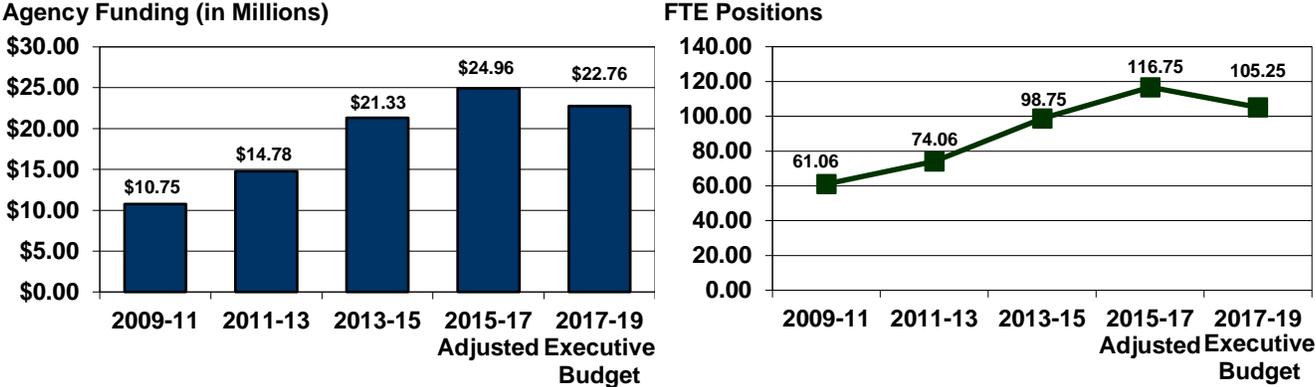
2017-19 Executive Budget Changes to the Original and Adjusted Base Budgets

	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 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 petroleum engineering FTE position \$199,865
- 3. Added funding for 6 engineering technician field inspector FTE positions \$841,086
- 4. Added funding for 1 engineering technician measurement specialist FTE position \$186,371
- 5. Added funding for 1 production analyst FTE position \$124,841
- 6. Added funding for 1 subsurface geologist FTE 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 engineering technician FTE positions authorized by the Emergency Commission in the 2011-13 biennium \$390,820
- 2. Added funding for 4 engineering technician FTE positions, 1 geology analyst FTE position, and 1 accounting specialist FTE position \$930,223
- 3. Added funding for 1 geologist FTE position \$215,251
- 4. Added funding for 3 petroleum engineering field inspector FTE positions, 3 engineering technician field inspector FTE positions, and 1 engineering technician core library specialist FTE position \$1,356,581
- 5. Added funding for 1 petroleum engineering production supervisor FTE position, 1 engineering technician measurement analyst FTE position, and 2 administrative assistant FTE positions \$534,900
- 6. Added funding for 3 contingent engineering technician FTE 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 engineering technician FTE positions	\$1,513,195
2. Added funding for 1 petroleum engineering FTE position	\$162,018
3. Added funding for 1 safety officer FTE position	\$187,717
4. Added funding for 1 human resources specialist FTE position	\$139,380
5. Added funding for 1 budget specialist FTE position	\$174,519
6. Added funding for 1 reclamation specialist FTE position	\$230,911
7. Added funding for 1 surface geologist FTE position	\$244,192
8. Added funding for 2 survey engineering technician FTE positions	\$323,769
9. Added funding for 1 pipeline regulatory supervisor FTE position	\$240,339
10. Added funding for 1 pipeline regulatory administrative assistant FTE position	\$139,639
11. Added funding for operating expenses, including travel and ongoing costs related to the core library	\$233,125

2017-19 Biennium (Executive Budget Recommendation)

1. Removes 11.5 FTE positions, including 9 engineering technician FTE positions and 2 administrative assistant FTE positions	(\$1,016,028)
2. Underfunds salaries and wages	(\$900,000)
3. Adjusts funding for operating expenses primarily related to travel, information technology software and services, and professional services	(\$75,356)
4. Reduces funding for operating expenses	(\$675,000)