

**Department 408 - Public Service Commission
House Bill Nos. 1008 and 1068**

Executive Budget Comparison to Prior Biennium Appropriations

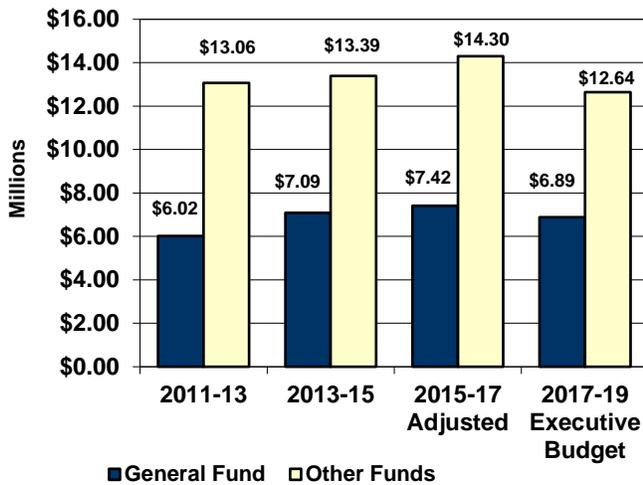
| | FTE Positions | General Fund | Other Funds | Total |
|--|---------------|--------------|---------------|---------------|
| 2017-19 Executive Budget | 45.00 | \$6,891,777 | \$12,642,263 | \$19,534,040 |
| 2015-17 Adjusted Legislative Appropriations ¹ | 46.00 | 7,415,451 | 14,300,575 | 21,716,026 |
| Increase (Decrease) | (1.00) | (\$523,674) | (\$1,658,312) | (\$2,181,986) |

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

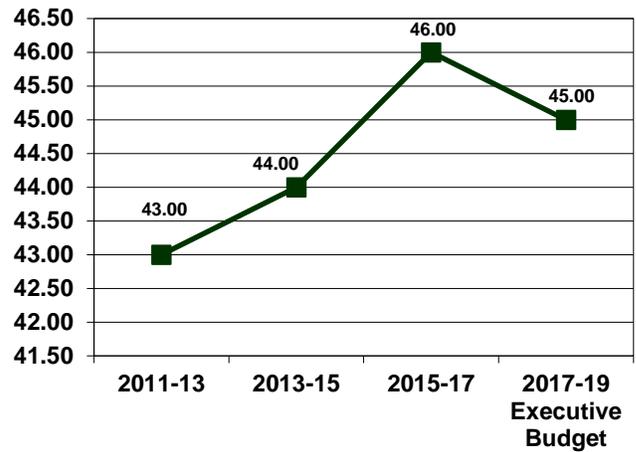
Ongoing and One-Time General Fund Appropriations

| | Ongoing General Fund Appropriation | One-Time General Fund Appropriation | Total General Fund Appropriation |
|---|------------------------------------|-------------------------------------|----------------------------------|
| 2017-19 Executive Budget | \$6,891,777 | \$0 | \$6,891,777 |
| 2015-17 Adjusted Legislative Appropriations | 7,175,827 | 239,624 | 7,415,451 |
| Increase (Decrease) | (\$284,050) | (\$239,624) | (\$523,674) |

Agency Funding



FTE Positions



Executive Budget Comparison to Base Level

| | General Fund | Other Funds | Total |
|--------------------------|--------------|---------------|---------------|
| 2017-19 Executive Budget | \$6,891,777 | \$12,642,263 | \$19,534,040 |
| 2017-19 Base Level | 7,175,827 | 13,964,575 | 21,140,402 |
| Increase (Decrease) | (\$284,050) | (\$1,322,312) | (\$1,606,362) |

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. Adds funding for state employee salary and benefit increases, of which \$45,065 is for salary increases and \$125,934 is for health insurance increases | \$103,858 | \$67,141 | \$170,999 |
| 2. Removes 2 FTE positions | (\$286,240) | \$0 | (\$286,240) |
| 3. Increases funding from the state rail fund to convert a temporary railroad inspection employee into a FTE position | \$0 | \$35,966 | \$35,966 |
| 4. Reduces federal spending authority | \$0 | (\$2,000,000) | (\$2,000,000) |
| 5. Reduces funding for operating expenses | (\$25,864) | \$0 | (\$25,864) |
| 6. Reduces funding for specialized legal services | (\$56,000) | \$0 | (\$56,000) |
| 7. Adds one-time funding for specialized legal services | \$0 | \$636,000 | \$636,000 |

Other Sections in Bill

Special funds transfer - Strategic investment and improvements fund - Section 3 provides that \$300,000 from the strategic investment and improvements fund may be used for specialized legal services.

Salary of Public Service Commissioners - Section 4 provides for the statutory changes to increase the Public Service Commissioners' salaries by 1 percent in the second year as follows:

| | Current Level | July 1, 2017 | July 1, 2018 |
|---|---------------|--------------|--------------|
| Public Service Commissioners' annual salaries | \$108,656 | \$108,656 | \$109,743 |

Railroad safety pilot program - Section 5 amends North Dakota Century Code Section 57-43.2-19 to increase the amount of special fuels taxes deposited into the rail safety fund from \$275,000 per year to \$285,000 per year through June 30, 2019.

Continuing Appropriations

Siting process expense recovery fund - Section 49-22-22 - Siting process application fees received are deposited in the siting process expense recovery fund to pay expenses incurred in the siting process.

Credit-sale contract indemnity fund - Sections 60-02-19.1 and 60-10-02 - An assessment is placed on the value of all grain sold in this state under a credit-sale contract, which is submitted by the licensee purchasing the grain to the Public Service Commission for reimbursement to any person who sold grain under a credit-sale contract and who was not fully compensated in accordance with the contract and associated administration costs.

Performance assurance fund - Section 49-21-31 - The performance assurance plan is a component of Qwest's performance assurance plan to provide long-distance service. Money received by the Public Service Commission under the performance assurance plan is to be deposited in the performance assurance fund until the balance equals \$100,000. The money in the fund may be used by the Public Service Commission to monitor the operation and effect of the performance assurance plan.

Utility valuation expense recovery - Section 49-05-04 - Any public utility requesting an increase in its rates above the maximum approved or prescribed by the commission shall furnish the commission the required documents and an application fee in the amount of \$175,000. Upon request of the commission and with the approval of the emergency commission, the applicant shall pay such additional fees as are reasonably necessary for completion of the application process by the commission. The commission shall pay the expenses of investigating a rate increase application under this section from the application fee paid by the public utility in accordance with Section 49-02-02. The commission may waive or reduce the fee.

Significant Audit Findings

The operational audit for the Public Service Commission conducted by the State Auditor's office during the 2015-16 interim identified no significant audit findings.

Major Related Legislation

House Bill No. 1125 - Repeals Chapter 60-03 relating to licensing of hay buyers and declares an emergency.

House Bill No. 1126 - Amends several sections in Title 60 relating to public warehouse and grain buyer licensing, conditions and attributes of licensure and accepting delivery of grain when a licensee is insolvent, the insolvency process, the credit-sale contract indemnity fund and the grain indemnity fund. The bill also repeals several sections in Title 60 relating to duties of the commission, receipt holders' lien, warehouse closure, grain of insolvent warehouseman as trust asset, and suspension of indemnity fund assessments; and provides that the State Treasurer transfer the balance of the credit-sale contract indemnity fund to the grain indemnity fund.

Public Service Commission - Budget No. 408
House Bill Nos. 1008 and 1068
Base Level Funding Changes

| | Executive Budget Recommendation | | | |
|--|--|-------------------------|--------------------|---------------|
| | FTE Position | General Fund | Other Funds | Total |
| 2017-19 Biennium Base Level | 46.00 | \$7,175,827 | \$13,964,575 | \$21,140,402 |
| 2017-19 Ongoing Funding Changes | | | | |
| Base payroll changes | | (\$19,804) | (\$61,419) | (\$81,223) |
| Salary increase - Performance | | 27,371 | 17,694 | 45,065 |
| Health insurance increase | | 76,487 | 49,447 | 125,934 |
| Removes 2 FTE positions | (2.00) | (286,240) | | (286,240) |
| Adds funding to convert temp railroad inspector to FTE | 1.00 | | 35,966 | 35,966 |
| Reduces federal grant funding | | | (2,000,000) | (2,000,000) |
| Reduces funding for operating expenses | | (25,864) | | (25,864) |
| Reduces funding for specialized legal services | | (56,000) | | (56,000) |
| Total ongoing funding changes | (1.00) | (\$284,050) | (\$1,958,312) | (\$2,242,362) |
| One-time funding items | | | | |
| Adds funding for specialized legal services | | | \$636,000 | \$636,000 |
| Total one-time funding changes | 0.00 | \$0 | \$636,000 | \$636,000 |
| Total Changes to Base Level Funding | (1.00) | (\$284,050) | (\$1,322,312) | (\$1,606,362) |
| 2017-19 Total Funding | 45.00 | \$6,891,777 | \$12,642,263 | \$19,534,040 |

Other Sections in Public Service Commission - Budget No. 408

| | Executive Budget Recommendation |
|---|--|
| Special funds transfer - Strategic investment and improvements fund | Section 3 provides that \$300,000 from the strategic investment and improvements fund may be used for specialized legal services. |
| Public Service Commissioners' salaries | Section 4 provides for the statutory changes to increase the Public Service Commissioners' salaries by 1 percent in the second year from \$108,656 to \$109,743. |
| Railroad safety pilot program | Section 5 amends Section 57-43.2-19 to change the amount of special fuels taxes deposited into the rail safety fund from \$275,000 per year to \$285,000 per year through June 30, 2019. |

Department 408 - Public Service Commission

**Reductions to 2015-17 Biennium General Fund Appropriations
(As a result of the August 2016 General Fund Budget Reductions)**

| | Ongoing | One-Time | Total |
|--|-------------|-----------|-------------|
| 2015-17 original general fund appropriations | \$7,521,207 | \$414,000 | \$7,935,207 |
| General fund reductions | (345,380) | (174,376) | (519,756) |
| Adjusted 2015-17 appropriations | \$7,175,827 | \$239,624 | \$7,415,451 |
| Executive Budget changes | (284,050) | (239,624) | (523,674) |
| 2017-19 Executive Budget | \$6,891,777 | \$0 | \$6,891,777 |

Summary of August 2016 General Fund Budget Reductions

| | Ongoing | One-Time | Total |
|--|-------------|-------------|-------------|
| Reduced funding for salaries and wages | (\$47,380) | \$0 | (\$47,380) |
| Reduced funding for operating expenses | (98,000) | 0 | (98,000) |
| Removed funding for a temporary weights and measures inspection position | (200,000) | 0 | (200,000) |
| Reduced one-time funding provided for specialized legal services | 0 | (174,376) | (174,376) |
| Total reductions | (\$345,380) | (\$174,376) | (\$519,756) |
| Percentage reduction to ongoing and one-time general fund appropriations | 4.59% | 42.12% | 6.55% |

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

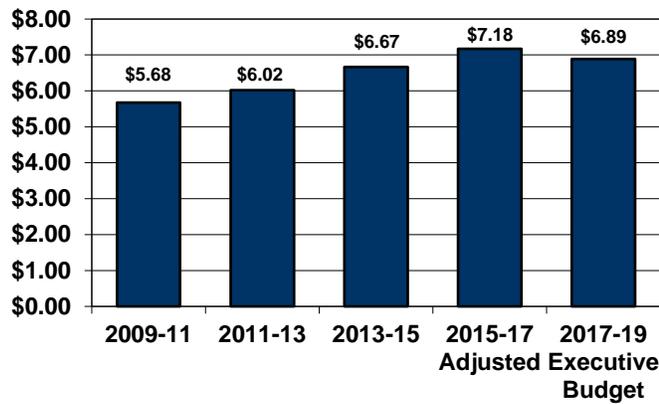
| | Changes to Original Budget | Budget Reduction Adjustments | Changes to Adjusted Budget |
|---|----------------------------|------------------------------|----------------------------|
| Adds funding for recommended salary and benefit increases | \$103,858 | \$0 | \$103,858 |
| Reduces funding for salaries and wages | (19,804) | 0 | (19,804) |
| Removes 2 FTE positions | (333,620) | 47,380 | (286,240) |
| Reduces funding for operating expenses | (123,864) | 98,000 | (25,864) |
| Reduces funding for specialized legal services | (56,000) | 0 | (56,000) |
| Removes weights and measures temporary position | (200,000) | 200,000 | 0 |
| Total | (\$629,430) | \$345,380 | (\$284,050) |

Department 408 - Public Service Commission

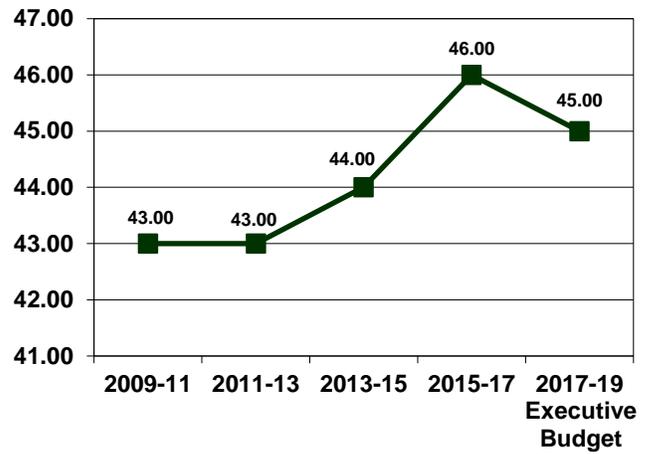
Historical Appropriations Information

Ongoing General Fund Appropriations Since 2009-11

Agency Funding (in Millions)



FTE Positions



■ Ongoing General Fund Appropriations

| Ongoing General Fund Appropriations | | | | | |
|---|-------------|-------------|-------------|------------------|--------------------------|
| | 2009-11 | 2011-13 | 2013-15 | 2015-17 Adjusted | 2017-19 Executive Budget |
| Ongoing general fund appropriations | \$5,676,165 | \$6,020,215 | \$6,667,660 | \$7,175,827 | \$6,891,777 |
| Increase (decrease) from previous biennium | N/A | \$344,050 | \$647,445 | \$508,167 | (\$284,050) |
| Percentage increase (decrease) from previous biennium | N/A | 6.06% | 10.75% | 7.62% | (3.96%) |
| Cumulative percentage increase (decrease) from 2009-11 biennium | N/A | 6.06% | 17.47% | 26.42% | 21.42% |

Major Increases (Decreases) in Ongoing General Fund Appropriations

2011-13 Biennium

1. No major increases or decreases

2013-15 Biennium

1. Added 1 weights and measures FTE position and related operating expenses \$203,828
2. Added 1 gas pipeline inspector FTE position \$113,201
3. Added 1 public utility analyst III FTE position \$199,345
4. Increased funding for travel costs \$54,956
5. Added funding for legal fees relating to grain elevator insolvency cases and reclamation/abandoned mined lands lawsuits \$500,000

2015-17 Biennium (Original)

1. Added 1 public utility analyst FTE position (\$257,747) and relating operating expenses (\$40,000) \$297,747
2. Added funding for temporary weights and measures inspector (this item was affected by agency budget reductions) \$200,000

2017-19 Biennium (Executive Budget Recommendation)

1. Removes 2 FTE positions (\$286,240)
2. Reduces funding for operating expenses (\$25,864)
3. Reduces funding for specialized legal services (\$56,000)