

**Department 303 - Department of Environmental Quality  
House Bill No. 1024**

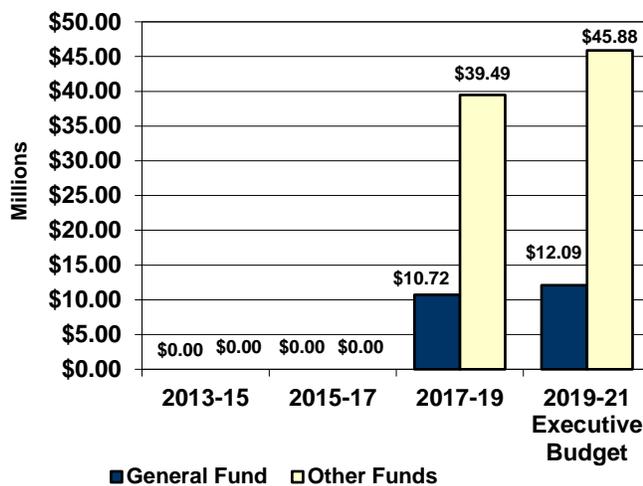
**Executive Budget Comparison to Prior Biennium Appropriations**

	FTE Positions	General Fund	Other Funds	Total
2019-21 Executive Budget	160.50	\$12,092,093	\$45,881,103	\$57,973,196
2017-19 Legislative Appropriations	152.50	10,724,151	39,487,520	50,211,671
Increase (Decrease)	8.00	\$1,367,942	\$6,393,583	\$7,761,525

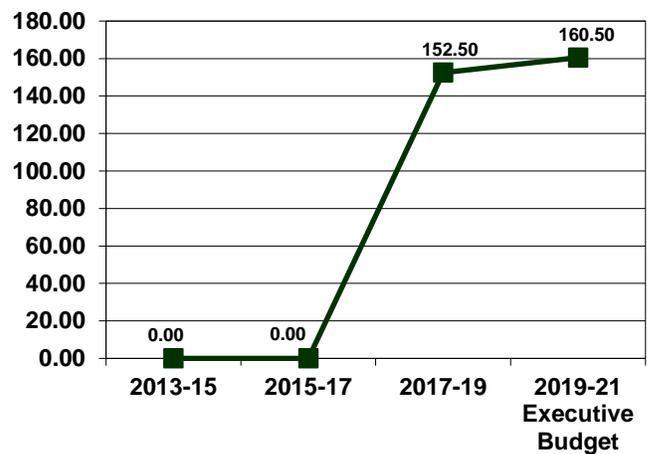
**Ongoing and One-Time General Fund Appropriations**

	Ongoing General Fund Appropriation	One-Time General Fund Appropriation	Total General Fund Appropriation
2019-21 Executive Budget	\$12,092,093	\$0	\$12,092,093
2017-19 Legislative Appropriations	10,724,151	0	10,724,151
Increase (Decrease)	\$1,367,942	\$0	\$1,367,942

**Agency Funding<sup>1</sup>**



**FTE Positions<sup>1</sup>**



<sup>1</sup>In 2017 Senate Bill No. 2327, the Legislative Assembly transferred the Environmental Health Section of the State Department of Health to the new Department of Environmental Quality. Funding and FTE positions prior to the 2017-19 biennium are not available.

**Executive Budget Comparison to Base Level**

	General Fund	Other Funds	Total
2019-21 Executive Budget	\$12,092,093	\$45,881,103	\$57,973,196
2019-21 Base Level	10,724,151	38,987,520	49,711,671
Increase (Decrease)	\$1,367,942	\$6,893,583	\$8,261,525

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 \$1,157,728 is for salary increases, \$570,640 is for health insurance increases, and \$143,783 is for retirement contribution increases	\$637,372	\$1,234,779	\$1,872,151
2. Adjusts base payroll	(\$175,616)	\$322,006	\$146,390
3. Cost-to-continue program adjustments, including increases in operating expenses of \$1,239,823 and decreases in grants of \$445,000	(\$162,976)	\$957,799	\$794,823
4. Removes 3 FTE positions	(\$94,123)	(\$271,407)	(\$365,530)

5. Adds 2 FTE positions related to the transfer of the petroleum tank release program from the Insurance Department to the Department of Environmental Quality, including funding for salaries and wages of \$336,481 and operating expenses of \$238,588	\$0	\$575,069	\$575,069
6. Transfers 1 FTE computer and network specialist III position to the Information Technology Department for the information technology unification initiative and reduces salaries and wages \$207,423 and increases operating expenses \$222,805	\$3,078	\$12,304	\$15,382
7. Adds 10 FTE positions in the 2 <sup>nd</sup> year of the biennium for the supremacy of federal programs, including funding for salaries and wages of \$889,640 and operating expenses of \$359,305. The appropriation is contingent on federal Environmental Protection Agency approval of the Department of Environmental Quality assuming the duties of federal air pollution programs.	\$1,248,945	\$0	\$1,248,945
8. Reduces funding for operating expenses related to training water treatment system operators to provide a total of \$125,000 from the general fund	(\$55,000)	\$0	(\$55,000)
9. Adds funding for Microsoft Office 365 licensing expenses	\$20,048	\$64,538	\$84,586
10. Adjusts funding for bond and capital payments to provide a total of \$216,429, of which \$93,691 is from the general fund	\$1,864	\$1,541	\$3,405
11. Adjusts funding for extraordinary repairs to provide a total of \$27,000, of which \$6,866 is from the general fund	(\$55,650)	(\$217,700)	(\$273,350)
12. Adjusts funding for equipment and information technology equipment over \$5,000 to provide a total ongoing appropriation of \$1,020,000 of other funds	\$0	\$275,125	\$275,125
13. Increases funding for grants to accept and disburse funding from the Volkswagen trust settlement to provide a total of \$5,399,529	\$0	\$2,899,529	\$2,899,529
14. Adds one-time funding from the strategic investment and improvements fund for capital assets of \$1 million and operating expenses of \$40,000 related to the establishment of federal program supremacy, contingent on Environmental Protection Agency approval of the Department of Environmental Quality assuming the duties of federal air pollution programs	\$0	\$1,040,000	\$1,040,000

### **Other Sections Recommended to be Added in the Executive Budget (As Detailed in the Attached Appendix)**

**Appropriation - Additional income** - Section 3 would appropriate any additional income from federal or other funds, which may become available to the Department of Environmental Quality during the 2019-21 biennium.

**Transfers** - Section 4 would allow the Department of Environmental Quality to transfer between appropriation line items up to 10 percent of the department's total appropriation during the 2019-21 biennium and would require the department to notify the Office of Management and Budget and the Legislative Council of any transfers.

**Environment and rangeland protection fund** - Section 5 would authorize the department to spend \$250,000 from the environment and rangeland protection fund for the ground water testing programs. Of this amount, \$50,000 is for a grant to the North Dakota Stockmen's Association for the environmental services program.

**Strategic investment and improvements fund** - Section 6 would designate \$1,040,000 from the strategic investment and improvements fund for the Department of Environmental Quality for air pollution program equipment for the 2019-21 biennium.

**Contingent appropriation - Strategic investment and improvements fund** - Section 7 would provide a contingent appropriation of \$2,288,945, of which \$1,248,945 is from the general fund and \$1,040,000 is a one-time appropriation from the strategic investment and improvements fund. The appropriation is contingent upon receiving approval from the Environmental Protection Agency for the state to assume primacy over the Quad O and Quad Oa federal air pollution programs. Section 7 would also provide contingent authority for 10 FTE positions effective July 1, 2020.

**Petroleum release remediation program transfer** - Section 8 would provide the statutory amendments necessary to transfer the administration of the petroleum tank release compensation fund tank integrity testing from the Insurance Commissioner to the Department of Environmental Quality.

### **Continuing Appropriations**

**Environmental quality restoration fund** - North Dakota Century Code Sections 23-31-01 and 23-31-02 - Allows the Department of Environmental Quality to provide immediate and timely response to catastrophic events that threaten the public and environmental health and when the responsible party is late in responding or cannot be located.

### **Deficiency Appropriation**

There are no deficiency appropriations for this agency.

### **Significant Audit Findings**

There are no significant audit findings for this agency.

### **Major Related Legislation**

**Senate Bill No. 2107** - Relates to a certification program for environmental laboratories.

**Senate Bill No. 2108** - Relates to combustion residuals.

**Senate Bill No. 2109** - Relates to the duties and responsibilities of the Department of Environmental Quality.

**Department of Environmental Quality - Budget No. 303**  
**House Bill No. 1024**  
**Base Level Funding Changes**

	<b>Executive Budget Recommendation</b>			
	<b>FTE Position</b>	<b>General Fund</b>	<b>Other Funds</b>	<b>Total</b>
<b>2019-21 Biennium Base Level</b>	152.50	\$10,724,151	\$38,987,520	\$49,711,671
<b>2019-21 Ongoing Funding Changes</b>				
Base payroll changes		(\$175,616)	\$322,006	\$146,390
Salary increase		394,147	763,581	1,157,728
Health insurance increase		194,274	376,366	570,640
Retirement contribution increase		48,951	94,832	143,783
Cost to continue adjustments		(162,976)	957,799	794,823
Removes funding for 3 FTE positions	(3.00)	(94,123)	(271,407)	(365,530)
Adds 2 FTE positions related to the transfer of the petroleum tank release program from the Insurance Department to the Department of Environmental Quality	2.00		575,069	575,069
Transfers 1 FTE computer and network specialist III position to the Information Technology Department for the information technology unification initiative	(1.00)	3,078	12,304	15,382
Adds funding for 10 FTE positions, including related operating expenses, in the 2nd year of the biennium for the supremacy of federal programs. The appropriation is contingent on Environmental Protection Agency approval of the Department of Environmental Quality assuming the duties of federal air pollution programs	10.00	1,248,945		1,248,945
Reduces funding for training water treatment system operators to provide a total of \$125,000 from the general fund		(55,000)		(55,000)
Adds funding for Microsoft Office 365 licensing expenses		20,048	64,538	84,586
Adjusts funding for bond and capital payments to provide a total of \$216,429, of which \$93,691 is from the general fund		1,864	1,541	3,405
Adjusts funding for extraordinary repairs to provide a total of \$27,000, of which \$6,866 is from the general fund		(55,650)	(217,700)	(273,350)
Adjusts funding for equipment and information technology equipment over \$5,000 to provide a total ongoing appropriation of \$1,020,000 of other funds			275,125	275,125
Increases funding for grants to accept and disburse funding from the Volkswagen trust settlement			2,899,529	2,899,529
<b>Total ongoing funding changes</b>	<b>8.00</b>	<b>\$1,367,942</b>	<b>\$5,853,583</b>	<b>\$7,221,525</b>

**One-time funding items**

Adds one-time funding from the strategic investment and improvements fund for capital assets and operating expenses related to the establishment of federal program supremacy, contingent on Environmental Protection Agency approval of the Department of Environmental Quality assuming the duties of federal air pollution programs			\$1,040,000	\$1,040,000
Total one-time funding changes	0.00	\$0	\$1,040,000	\$1,040,000
<b>Total Changes to Base Level Funding</b>	8.00	\$1,367,942	\$6,893,583	\$8,261,525
<b>2019-21 Total Funding</b>	160.50	\$12,092,093	\$45,881,103	\$57,973,196

**Other Sections for Department of Environmental Quality - Budget No. 303**

**Executive Budget Recommendation**

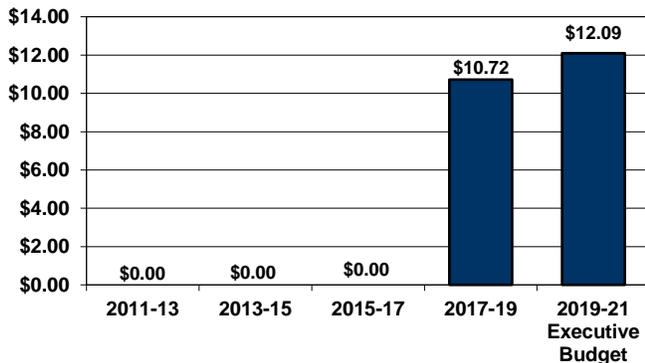
Appropriation - Additional income	Section 3 would appropriate any additional income from federal or other funds, which may become available to the Department of Environmental Quality during the 2019-21 biennium.
Transfers	Section 4 would allow the Department of Environmental Quality to transfer between appropriation line items up to 10 percent of the department's total appropriation during the 2019-21 biennium and would require the department to notify the Office of Management and Budget and the Legislative Council of any transfers.
Environment and rangeland protection fund	Section 5 would authorize the department to spend \$250,000 from the environment and rangeland protection fund for the ground water testing programs. Of this amount, \$50,000 is for a grant to the North Dakota Stockmen's Association for the environmental services program.
Strategic investment and improvements fund	Section 6 would designate \$1,040,000 from the strategic investment and improvements fund for the Department of Environmental Quality for air pollution program equipment for the 2019-21 biennium.
Contingent appropriation - Strategic investment and improvements fund	Section 7 would provide a contingent appropriation of \$2,288,945, of which \$1,248,945 is from the general fund and \$1,040,000 is a one-time appropriation from the strategic investment and improvements fund. The appropriation is contingent upon receiving approval from the federal Environmental Protection Agency for the state to assume primacy over the Quad O and Quad Oa federal air pollution programs. Section 7 would also provide contingent authority for 10 FTE positions effective July 1, 2020.
Petroleum release remediation program transfer	Section 8 would provide the statutory amendments necessary to transfer the administration of the petroleum tank release compensation fund tank integrity testing from the Insurance Commissioner to the Department of Environmental Quality.

Department 303 - Department of Environmental Quality

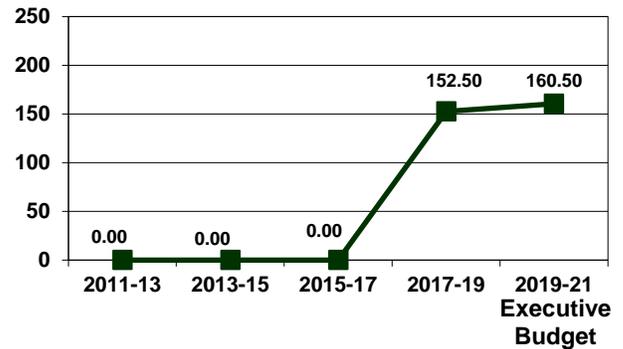
# Historical Appropriations Information

## Ongoing General Fund Appropriations Since 2011-13

Agency Funding (in Millions)<sup>1</sup>



FTE Positions<sup>1</sup>



Ongoing General Fund Appropriations <sup>1</sup>					
	2011-13	2013-15	2015-17	2017-19	2019-21 Executive Budget
Ongoing general fund appropriations	N/A	N/A	N/A	\$10,724,151	\$12,092,093
Increase (decrease) from previous biennium	N/A	N/A	N/A	N/A	\$1,367,942
Percentage increase (decrease) from previous biennium	N/A	N/A	N/A	N/A	12.8%
Cumulative percentage increase (decrease) from 2011-13 biennium	N/A	N/A	N/A	N/A	N/A

<sup>1</sup>In Senate Bill No. 2327 (2017), the Legislative Assembly transferred the Environmental Health Section of the State Department of Health to the new Department of Environmental Quality. Funding and FTE positions prior to the 2017-19 biennium are not available.

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

#### 2013-15 Biennium

- Added funding for FTE positions (\$1,137,068) in air quality (1 FTE position), municipal facilities (3 FTE positions), waste management (1 FTE position), and water quality (3 FTE positions) to meet increased demands in oil-impacted areas, including operating expenses (\$602,963) and equipment over \$5,000 (\$272,000). \$1,409,382

#### 2015-17 Biennium

- Added funding for costs related to the Environmental Protection Agency lawsuit. \$500,000
- Added funding, including \$500,010 from special funds, for 10 FTE positions in the Environmental Health Section, including air quality (3 FTE positions), municipal facilities (2 FTE positions), waste management (2 FTE positions), and water quality (3 FTE positions) to meet increased demands in oil-impacted areas, including salaries and wages (\$1,388,986) and operating expenses (\$315,518). \$1,204,494

#### 2017-19 Biennium

- Removed 1 FTE electronics technician II position from the Air Quality Division of the Environmental Health Section and related funding for salaries and wages. (\$111,233)
- Adjusted the funding source for litigation fees related to the Environmental Protection Agency lawsuit to provide funding from the strategic investment and improvements fund instead of the general fund. (\$500,000)

#### 2019-21 Biennium (Executive Budget Recommendation)

- Removes 3 FTE positions. (\$94,123)
- Transfers 1 FTE computer and network specialist III position to the Information Technology Department for the information technology unification initiative and reduces salaries and wages \$207,423 and increases operating expenses \$222,805. \$3,078

- |  |             |
|--|-------------|
| 3. Adds 10 FTE positions in the 2 <sup>nd</sup> year of the biennium for the supremacy of federal programs, including funding for salaries and wages of \$889,640 and operating expenses of \$359,305. The appropriation is contingent on Environmental Protection Agency approval of the Department of Environmental Quality assuming the duties of federal air pollution programs. | \$1,248,945 |
| 4. Reduces funding for operating expenses related to training water treatment system operators to provide a total of \$125,000 from the general fund.  | (\$55,000)  |
| 5. Adds funding for Microsoft Office 365 licensing expenses.   | \$20,048    |

**GOVERNOR'S RECOMMENDATION FOR THE  
DEPARTMENT OF ENVIRONMENTAL QUALITY  
AS SUBMITTED BY THE  
OFFICE OF MANAGEMENT AND BUDGET**

**SECTION 1. APPROPRIATION.** The funds provided in this section, or so much of the funds as may be necessary, are appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, and from special funds derived from federal funds and other income, to the state department of environmental quality for the purpose of defraying the expenses of the state department of environmental quality, for the biennium beginning July 1, 2019, and ending June 30, 2021, as follows:

	Adjustments or		
	Base Level	Enhancements	Appropriation
Salaries and wages	\$27,040,544	\$2,671,709	\$29,712,253
Operating expenses	8,005,878	2,130,107	10,135,985
Capital assets	1,258,249	1,005,180	2,263,429
Grants	<u>13,407,000</u>	<u>2,454,529</u>	<u>15,861,529</u>
Total all funds	\$49,711,671	\$8,261,525	\$57,973,196
Less estimated income	<u>38,987,520</u>	<u>6,893,583</u>	<u>45,881,103</u>
Total general fund	\$10,724,151	\$1,367,942	\$12,092,093
Full-time equivalent positions	152.50	8.00	160.50

**SECTION 2. ONE-TIME FUNDING - EFFECT ON BASE BUDGET - REPORT TO SIXTY-SEVENTH LEGISLATIVE ASSEMBLY.** The following amounts reflect the one-time funding items approved by the sixty-fifth legislative assembly for the 2017-19 biennium and 2019-21 one-time funding items included in the appropriation in section 1 of this Act:

<u>One-Time Funding Description</u>	<u>2017-19</u>	<u>2019-21</u>
EPA lawsuit	\$500,000	
Air pollution program equipment		<u>\$1,040,000</u>
Total all funds	\$500,000	\$1,040,000
Less estimated income	<u>500,000</u>	<u>1,040,000</u>
Total general fund	\$0	\$0

The 2019-21 one-time funding amounts are not a part of the entity's base budget for the 2021-23 biennium. The state department of environmental quality shall report to the appropriations committees of the sixty-seventh legislative assembly on the use of this one-time funding for the biennium beginning July 1, 2019, and ending June 30, 2021.

**SECTION 3. APPROPRIATION -** In addition to the amounts appropriated to the state department of environmental quality in section 1 of this Act, there is appropriated any additional income from federal or other funds which may become available to the agency for the biennium beginning July 1, 2019, and ending June 30, 2021.

**SECTION 4. FUNDING TRANSFERS – EXCEPTION – AUTHORIZATION.** Notwithstanding section 54-16-04, the department of environmental quality may transfer between line items within section 1 of this Act up to ten percent of the total appropriation contained in section 1 during the biennium beginning July 1, 2019, and ending June 30, 2021. The department shall notify the office of management and budget and the legislative council of any transfer made pursuant to this section.

**SECTION 5. ENVIRONMENT AND RANGELAND PROTECTION FUND.** The estimated income line item included in section 1 of this Act includes \$250,000, or so much of the sum as may be necessary, to be made available to the state department of environmental quality from the environment and rangeland protection fund, for the biennium beginning July 1, 2019, and ending June 30, 2021. This amount includes \$50,000 for a grant to the North Dakota stockmen's association environmental services program.

**SECTION 6. STRATEGIC INVESTMENT AND IMPROVEMENT FUND.** The estimated income line item included in section 1 of this Act includes \$1,040,000, or so much of the sum as may be necessary, to be made available to the state department of environmental quality from the strategic investment and improvement fund for air pollution program equipment, for the biennium beginning July 1, 2019, and ending June 30, 2021.

**SECTION 7. CONTINGENT APPROPRIATION.** Section 1 of this Act includes a contingent appropriation of \$2,288,945, of which \$1,248,945 is from the general fund and \$1,040,000 is a one-time appropriation from the strategic investment and improvement fund; and contingent authority for ten FTE positions effective July 1, 2020 upon the federal environmental protection agency approving the state assuming primacy over the Quad O and Quad Oa federal air pollution programs.

**SECTION 8 AMENDMENT.** Section 23-37 of the North Dakota Century Code is amended and reenacted as follows:

#### **CHAPTER 23.1-37 – PETROLEUM RELEASE REMEDIATION**

**23.1-37-01. Declaration of purpose.** The purpose of this chapter is to establish:

1. A petroleum tank release compensation fund; and
2. A petroleum tank release compensation advisory board authorized to review claims against the fund.

### 23.1-37-02. Definitions.

As used in this chapter, unless the context otherwise requires:

1. "Actually incurred" means, in the case of corrective action expenditures, that the owner, the operator, the landowner, an insurer, or a contractor hired by the owner, operator, or the landlord has expended time and materials and that only that person is receiving reimbursement from the fund.
- ~~2.~~ "Administrator" means the manager of the state fire and tornado fund.
- ~~3~~2. "Board" means the petroleum release compensation board.
- ~~4.~~ "Commissioner" means the insurance commissioner.
- ~~5~~3. "Corrective action" means an action required by the department to minimize, contain, eliminate, remediate, mitigate, or clean up a release, including any remedial emergency measures. The term does not include the repair or replacement of equipment or preconstructed property.
- ~~6~~4. "Dealer" means any person licensed by the tax commissioner to sell motor vehicle fuel or special fuels within the state.
- ~~7~~5. "Department" means the ~~state department of health~~ department of environmental quality.
- ~~8~~6. "Fund" means the petroleum release compensation fund.
- ~~9~~7. "Location" means a physical address or site that has contiguous properties. Noncontiguous properties within a municipality or other governmental jurisdiction are considered separate locations.
- ~~10~~8. "Operator" means any person in control of, or having responsibility for, the daily operation of a tank under this chapter.
- ~~11~~9. "Owner" means any person who holds title to, controls, or possesses an interest in the tank before the discontinuation of its use.
- ~~12~~10. "Person" means an individual, trust, firm, joint stock company, federal agency, corporation, state, municipality, commission, political subdivision of a state, or any interstate body. The term also includes a consortium, a joint venture, a commercial entity, and the United States government.
- ~~13~~11. "Petroleum" means any of the following:
  - a. Gasoline and petroleum products as defined in chapter 19-10.
  - b. Constituents of gasoline and fuel oil under subdivision a.
  - c. Oil sludge and oil refuse.
- ~~14~~12. "Portable tank" means a storage tank along with its piping and wiring that is not stationary or affixed, including a tank that is on skids.
- ~~15~~13. "Release" means any unintentional spilling, leaking, emitting, discharging, escaping, leaching, or disposing of petroleum from a tank into the environment whether occurring before or after the effective date of this chapter, but does not include discharges or designed venting allowed under federal or state law or under adopted rules.
- ~~16~~14. "Tank" means any one or a combination of containers, vessels, and enclosures, whether aboveground or underground, including associated piping or appurtenances used to contain an accumulation of petroleum. The term does not include:
  - a. Tanks owned by the federal government.
  - b. Tanks used for the transportation of petroleum.
  - c. A pipeline facility, including gathering lines, regulated under:
    - (1) The Natural Gas Pipeline Safety Act of 1968.
    - (2) The Hazardous Liquid Pipeline Safety Act of 1979.
    - (3) An interstate pipeline facility regulated under state laws comparable to the provisions of law in paragraph 1 or 2.
  - d. An underground farm or residential tank with a capacity of one thousand one hundred gallons [4163.94 liters] or less or an aboveground farm or residential tank of any capacity used for storing motor fuel for noncommercial purposes. However, the owner of an aboveground farm or residential tank may, upon application, register the tank and be eligible for reimbursement under this chapter.
  - e. A tank used for storing heating oil for consumptive use on the premises where

- stored.
  - f. A surface impoundment, pit, pond, or lagoon.
  - g. A flowthrough process tank.
  - h. A liquid trap or associated gathering lines directly related to oil or gas production or gathering operations.
  - i. A storage tank situated in an underground area such as a basement, cellar, mine working, drift, shaft, or tunnel if the storage tank is situated upon or above the surface of the floor.
  - j. A tank used for the storage of propane.
  - k. A tank used to fuel rail locomotives or surface coal mining equipment.
  - l. An aboveground tank used to feed diesel fuel generators. Upon application, the owner or operator of an aboveground tank used to feed diesel fuel generators may register the tank and is eligible for reimbursement under this chapter.
  - m. A portable tank.
  - n. A tank with a capacity under one thousand three hundred twenty gallons [4996.728 liters] used to store lubricating oil.
4715. "Tank integrity test" means a test to determine that a tank is sound and not leaking. For an underground tank, the term means a certified third-party test that meets environmental protection agency leak detection requirements. For an aboveground tank, the term means a test conducted according to steel tank institute SP 001 or American petroleum institute 653.
4816. "Third party" means a person who is damaged by the act of a registered owner, operator, or dealer requiring corrective action or a person who suffers bodily injury or property damage caused by a petroleum release.

**23.1-37-03. Petroleum release compensation board.**

The petroleum release compensation advisory board consists of five members appointed by the governor, three of whom are active in petroleum marketing, one of whom is active in the petroleum, crude oil, or refining industry, and one of whom is active in the insurance industry. A member active in petroleum marketing must be appointed from a list of three recommended by the North Dakota retail petroleum marketers association. A member active in the petroleum, crude oil, or refining industry must be appointed from a list of three recommended by the North Dakota petroleum council. A member active in the insurance industry must be appointed from a list of three recommended by the North Dakota professional insurance agents association. Members must be appointed to terms of three years with the terms arranged so that the term of at least one member, but no more than two members, expires June thirtieth of each year. A member shall hold office until a successor is duly appointed and qualified. Each member of the board is entitled to receive sixty-two dollars and fifty cents per diem for each day actually spent in the performance of official duties, plus mileage and expenses as are allowed to other state officers.

**23.1-37-04. Administration of fund - Staff.**

The ~~administrator~~ department shall administer the fund according to this chapter. The ~~administrator~~ department shall convene the board as may be necessary to keep the board apprised of the fund's general operations. However, the board shall meet at least once each half of each calendar year to review and to advise the ~~administrator~~ department regarding the administration of the fund, the fund's general operations, and to hear and decide denials of claims by the ~~administrator~~ department which may be appealed to the board, and to discuss all claims against the fund. The ~~administrator~~ department may employ any assistance and staff necessary to administer the fund within the limits of legislative appropriation. A claimant aggrieved by a decision of the ~~administrator~~ department regarding a claim upon the fund may appeal the decision to the board. The board may sustain, modify, or reverse the decision of the ~~administrator~~ department. The claimant or the ~~administrator~~ department may appeal the board's decision to the ~~commissioner~~. The decision of the ~~commissioner~~ may be appealed under chapter 28-32.

**23.1-37-05. Adoption of rules.**

The ~~administrator~~ department shall adopt rules regarding the practices and procedures of the fund, the form and procedure for applications for compensation from the fund, procedures for investigation of claims, procedures for determining the amount and type of costs that are eligible for reimbursement from the fund, procedures for persons to perform services for the fund,

procedures for appeals to the board by claimants aggrieved by an adverse decision of the ~~administrator~~ ~~department~~, and any other rules as may be appropriate to administer this chapter.

**23.1-37-06. Release discovery.** If the department has reason to believe a release has occurred, it shall ~~notify the administrator~~. The department shall direct the owner or operator to take reasonable and necessary corrective actions as provided under federal or state law or under adopted rules.

**23.1-37-07. Owner or operator not identified.**

The department may cause legal action to be brought to compel performance of a corrective action if an identified owner or operator fails or refuses to comply with an order of the department, or the department may engage the services of qualified contractors for performance of a corrective action if an owner or operator cannot be identified.

**23.1-37-08. Imminent hazard.**

Upon receipt of information that a petroleum release has occurred which may present an imminent or substantial endangerment of health or the environment, the department may take such emergency action as it determines necessary to protect health or the environment.

**23.1-37-09. Duty to notify.**

This chapter does not limit any person's duty to notify the department and to take action related to a release. However, payment for corrective actions required as a result of a petroleum release is governed by this chapter.

**23.1-37-10. Providing of information.** Any person whom the ~~administrator~~ ~~or the~~ department has reason to believe is an owner or operator, the owner of real property where corrective action is ordered to be taken, or any person who may have information concerning a release shall, if requested by the ~~administrator~~ ~~or the~~ department, or any member, employee, or agent of the ~~administrator~~ ~~or the~~ department, furnish to the ~~administrator~~ ~~or the~~ department any information that person has or may reasonably obtain that is relevant to the release.

**23.1-37-11. Examination of records.**

Any employee of the ~~administrator~~ ~~or the~~ department may, upon presentation of official credentials:

1. Examine and copy books, papers, records, memoranda, or data of any person who has a duty to provide information to the ~~administrator~~ ~~or the~~ department under section 23.1-37-10; and
2. Enter upon public or private property for the purpose of taking action authorized by this section, including obtaining information from any person who has a duty to provide the information under section 23.1-37-10, conducting surveys and investigations, and taking corrective action.

**23.1-37-12. Responsibility for cost.**

The owner or operator is liable for the cost of the corrective action required by the department, including the cost of investigating the releases. This chapter does not create any new cause of action for damages on behalf of third parties for release of petroleum products against the fund or licensed dealers.

**23.1-37-13. Liability avoided.**

No owner or operator may avoid liability by means of a conveyance of any right, title, or interest in real property or by any indemnification, hold harmless agreement, or similar agreement. However, this chapter does not:

1. Prohibit a person who may be liable from entering into an agreement by which the person is insured or is a member of a risk retention group, and is thereby indemnified for part or all of the liability;
2. Prohibit the enforcement of an insurance, hold harmless, or indemnification agreement; or
3. Bar a claim for relief brought by a person who may be liable or by an insurer or guarantor, whether by right of subrogation or otherwise.

**23.1-37-14. Other remedies.**

This chapter does not limit the powers of the ~~administrator~~ ~~or~~ department, or preclude the pursuit of any other administrative, civil, injunctive, or criminal remedies by the ~~administrator~~ ~~or~~ department or any other person. Administrative remedies need not be exhausted in order to proceed under this chapter. The remedies provided by this chapter are in addition to those provided under existing statutory or common law.

### **23.1-37-15. Revenue to the fund.**

Revenue from the following sources must be deposited in the state treasury and credited to the fund:

1. Any registration fees collected under section 23.1-37-17;
2. Any money recovered by the fund under section 23.1-37-23, and any money paid under an agreement, stipulation, or settlement;
3. Any interest attributable to investment of money in the fund; and
4. Any money received by the ~~administrator~~ department in the form of gifts, grants, reimbursements, or appropriations from any source intended to be used for the purposes of the fund.

### **23.1-37-16. Penalty.**

A tank owner violating section 23.1-37-17 is guilty of a class B misdemeanor unless another penalty is specifically provided.

### **23.1-37-17. Registration fee.**

1. An owner or operator of a tank shall pay an annual registration fee of fifty dollars for each aboveground or underground tank owned or operated by that person. If after the fiscal year has been closed and all expenses relating to the fiscal year have been accounted for, the fund balance is less than six million dollars, the annual registration fee of fifty dollars is increased to one hundred dollars. If after the fiscal year has been closed and all expenses relating to the fiscal year have been accounted for, the fund balance is five million five hundred thousand dollars or more and the annual registration fee has been increased to one hundred dollars, the fee must be reduced to fifty dollars. If after the fiscal year has been closed and all expenses relating to the fiscal year have been accounted for, the fund balance exceeds nine million dollars, the annual registration fee is reduced to five dollars. Annual registration fees must continue at five dollars until the fund balance does not exceed nine million dollars.
2. An owner or operator of an existing tank that is discovered at a location that currently and previously has had tanks registered with the fund shall pay an additional twenty-five dollar penalty fee in addition to the registration fee for each aboveground tank and each underground tank owned or operated by that person for each previous year that the tank was required to be registered for which a fee was not paid. The payment includes the fees and the penalty for the failure to register.
3. An owner or operator of an existing tank at a location that was not previously and continuously registered with the fund, whether the registration was required by law or not must provide the fund with a phase two environmental study conducted by a qualified firm according to American society for testing materials standards. A tank integrity test must also be performed. The environmental study and tank integrity test must be reviewed by the ~~commissioner~~ department along with the application for registration with the fund. If the ~~commissioner~~ department rejects the application, the applicant is denied eligibility to the fund. However, if the site is remediated and the leaking tank is replaced, the applicant may reapply for registration with the fund. A new installation that is using a used tank must provide tank integrity test results for the used tank. Use of a synthetic liner in an aboveground dike system negates the need for a tank integrity test. The owner or operator of a new tank at a new site or a new tank at an existing site that had a tank registered at the site previously need only pay the required fees for registration with the fund.
4. If accepted for registration with the fund, the owner or operator of the tank shall pay an additional twenty-five dollar penalty fee in addition to the registration fee for each aboveground tank and underground tank owned or operated by that person for each previous year that the tank was required to be registered for which a fee was not paid, regardless of ownership in each of those years. The payment includes the fees and the penalty for the failure to register.
5. The registration fees collected under this section must be paid to the ~~fund~~ Administrator department for deposit in the state treasury for the dedicated credit to the petroleum release compensation fund.
6. If a registration payment is not received within sixty days of July first by the ~~Commissioner~~

department, a late fee of twenty-five dollars per tank per month must be imposed on the tank owner or operator.

**23.1-37-18. Reimbursement for corrective action.**

1. The ~~administrator~~department shall reimburse an eligible owner or operator for ninety percent of the costs of corrective action, including the investigation, which are greater than five thousand dollars and less than one million dollars per occurrence and two million dollars in the aggregate. An eligible tank owner or operator may not be liable for more than twenty thousand dollars out-of-pocket expenses for any one release. A reimbursement may not be made unless the ~~administrator~~department determines that:
  - a. At the time the release was discovered the owner or operator and the tank were in compliance with state and federal rules and rules applicable to the tank, including rules relating to financial responsibility, rules relating to infrastructure compatibility, and all rules relating to health and safety which were in effect at the time of the release;
  - b. The department was given notice of the release as required by federal and state law;
  - c. The owner or operator has paid the first five thousand dollars of the cost of corrective action; and
  - d. The owner or operator, to the extent possible, fully cooperated with the department ~~and the administrator~~ in responding to the release.
2. The fund shall compensate third parties for corrective action taken for a petroleum release if the provisions of subdivisions a, b, c, and d of subsection 1 were met at the time the release was discovered. Compensation for third-party corrective action includes compensation for costs incurred in returning the real estate to that level deemed duly remediated by the department.
3. The fund shall reimburse the tank owner, operator, or dealer for bodily injuries to a third party caused by a petroleum release if the provisions of subdivisions a, b, c, and d of subsection 1 were met at the time the release was discovered in an amount determined by:
  - a. Findings reduced to judgment in federal or state district court within the state of North Dakota or such other court having jurisdiction over the matter in a proceeding in which the fund has been made a party;
  - b. Findings by an arbitration panel agreed upon in writing by the parties in a proceeding in which the fund has been made a party; or
  - c. A written settlement entered into by the parties in which the ~~commissioner~~director of the department or the ~~commissioner's~~ department's agent has participated. The settlement must be reviewed and approved by the ~~commissioner~~director of the department.
4. In any civil action against the owner, operator, or dealer for damages resulting from a petroleum release, if the pre-leak condition of real estate is an issue and if there is no reasonable means of determining the pre-leak condition of real estate, the condition is that which exists at the time the department determines the real estate has been duly remediated.
5. The fund may not compensate for attorney's fees of owners, operators, or dealers, nor may the fund compensate for exemplary damages, criminal fines, or administrative penalties.
6. A third party accepting monetary compensation directly from the fund for damages due to a release caused by a tank owner, operator, or dealer covered by the fund is deemed to have waived any cause of action against the fund or against the tank owner, operator, or dealer.
7. The fund shall reimburse the department for all costs, attorney's fees, and other legal expenses relating to administrative and adjudicative proceedings under this chapter and any subsequent legal proceeding. Any monies reimbursed must be deposited in the department's operating fund in the state treasury and must be spent subject to appropriation by the legislative assembly.

**23.1-37-19. Application for reimbursement.**

Any owner or operator who is a first-party claimant who proposes to take corrective action or has undertaken corrective action in response to a release, the time of such release being unknown, may apply to the ~~administrator~~department for partial or full reimbursement under section 23.1-37-18. An owner or operator who is a first-party claimant may be reimbursed only for costs incurred after July 1, 1989, even if the releases were discovered before July 1, 1989, up to the maximum of twenty-five thousand dollars per location.

**23.1-37-20. ~~Administrator~~ Department to determine costs.**

A reimbursement for corrective actions taken by an owner, operator, or dealer may not be made from the fund until the ~~administrator~~department has determined that the costs for which reimbursement is requested were actually incurred and were reasonable. All necessary loss adjustment expenses must be included as a component of the loss and must be paid out of the fund.

**23.1-37-21. Liability of responsible person.** The right to apply for reimbursement and the receipt of reimbursement does not limit the liability of an owner or operator for damages or costs incurred as the result of a release.

**23.1-37-22. Reimbursement not subject to attachment.**

The amount of reimbursement to be paid for corrective action that was done by a third party is not subject to legal process or attachment if actually paid to a third party who performed the corrective action.

**23.1-37-23.1. Recovery of expenses.**

Any reasonable and necessary expenses incurred by the fund, which exceed the coverage limits provided by section 23.1-37-18, in taking a corrective action, including costs of investigating a release, and in taking legal actions may be recovered in a civil action in district court brought by the ~~administrator~~department against an owner or operator. The certification of expenses by an approved agent of the fund is prima facie evidence that the expenses are reasonable and necessary. Any expenses that are recovered under this section must be deposited in the fund.

**23.1-37-24. Costs exceeding reimbursement.**

If the cost of any extraordinary authorized action under this chapter exceeds amounts awarded to the ~~administrator or the~~ department from the federal government, the ~~administrator~~department may pay the department's ~~the cost of the corrective actions~~ costs, including the cost of investigating a release, if the board finds that the cause was a petroleum substance, that an adequate amount exists in the fund to pay for the corrective action, that the occurrence was extraordinary in scope and size, and that a danger to the health and safety of citizens exists.

**23.1-37-25. Coordination of benefits.**

If an owner or operator has an insurance policy that provides the same coverage as the fund, the ~~administrator of the fund~~department shall pay the share of the covered loss or damage for which the fund is responsible. The share that must be paid from the fund is equal to the proportion that the applicable limit of coverage under the fund bears to the limits of insurance of all insurance coverage on the same basis.

**23.1-37-26. Third-party damages - Participation in actions and review of settlements.**

1. An owner or operator who is sued for damages resulting from a release shall notify the ~~administrator~~department within fourteen days of being served with a summons and complaint. The owner or operator shall also advise the ~~administrator~~department if any insurer is defending the owner or operator and provide to the ~~administrator~~department the name of that insurer.
2. An owner or operator who, before litigation, enters into negotiations with a third party who claims to have been damaged by a release, or who receives a demand for payment of damages to a third party who claims to have been damaged by a release, shall notify the ~~administrator~~department within fourteen days of the demand or the negotiations.
3. The ~~administrator~~department and the board shall review the conduct of any litigation or negotiation. The ~~administrator~~department may not assume any legal costs incurred by the defendant or plaintiff, but may participate in discovery, trial proceedings, or settlement negotiations of either disputed liability or damages that bear on the determination of a plaintiff's damages.
4. The ~~administrator~~department and the board shall review any settlement negotiations to

determine the dollar amount of bodily injury or property damage actually, necessarily, and reasonably incurred by third parties which, if paid by the defendant, would be considered eligible costs.

**23.1-37-27. Third-party damages - Documentation.**

1. An applicant's payments for third-party damages pursuant to a judgment entered in a court must include copies of the notice of entry of judgment and abstract of costs.
2. An applicant's payments for third-party damages made by agreement in settlement of litigation must include copies of the settlement agreement and such supporting documents as may be required by the administratordepartment.
3. An applicant's payments for third-party damages made by agreement without reference to litigation must include copies of the settlement and such supporting documents as may be required by the administratordepartment.
4. The administratordepartment and the board may require a third party who claims bodily injury to be examined by a physician and require that the physician's report be submitted to the administratordepartment. The administratordepartment may require a third party who claims property damage to permit a property appraiser or claims adjuster retained by the administratordepartment to inspect the property and report to the administratordepartment.
5. The fund shall pay a judgment against an owner, operator, or dealer awarded to a third party as a result of a third-party claim and property damage against an owner, operator, or dealer registered by the fund.
6. The fund shall pay for corrective action as awarded to a third party in any judgment against an owner, operator, or dealer.
7. Liability of the tank owner, operator, dealer, or fund to third parties for corrective action or personal injuries and property damage may not exceed, per person, one million dollars. Maximum liability of the fund, including all claims by third parties, may not exceed, for any release site, the maximum provided in section 23.1-37-18.
8. A third party may not bring an action against any owner, operator, or dealer more than three years after a corrective action plan has been approved by the department if the owner, operator, or dealer fully implements and complies with the corrective action plan.
9. In investigating a release site or reviewing the implementation of any corrective action plan approved by the department, the department shall determine whether the release currently threatens public health or the environment. The department shall require, based on science and technology appropriate for the site, any monitoring, remediation, or other appropriate corrective action that is reasonably necessary to protect public health or the environment. The department may require corrective action at a release site at any time after a release occurs.

**23.1-37-28. Matching federal funds.**

The administratordepartment and the board may annually allow the department a ten percent matching grant for federal leaking underground storage tank funds to be paid out of the fund if the moneys are available and the administratordepartment and the board determine the allowance appropriate.

**23.1-37-29. Fund appropriations.**

Money in the fund is continuously appropriated to the administratordepartment for the purpose of making reimbursements under this chapter.

**23.1-37-30. Investment of fund.**

Investment of the fund is under the supervision of the state investment board in accordance with chapter 21-10. The commissionerdepartment may purchase a contract for reinsurance of any risk to be paid by the fund. The administratordepartment may investigate the purchase of insurance that reimburses an owner or operator for property damage claims by third parties other than claims for costs of corrective action.