

**Industrial Commission
Budget 405
House Bill No. 1015**

	FTE Positions	General Fund	Other Funds	Total
2003-05 legislative appropriation	58.37	\$7,026,884	\$37,291,836	\$44,318,720
2001-03 legislative appropriation	<u>63.00</u>	<u>7,378,627</u>	<u>35,587,953</u>	<u>42,966,580</u>
2003-05 appropriation increase (decrease) to 2001-03 appropriation	(4.63)	(\$351,743)	\$1,703,883	\$1,352,140

Item Description

Bond issuances - The 2003 Legislative Assembly authorized the Industrial Commission acting as the North Dakota Building Authority to issue bonds for the following projects:

Capital projects		
State Department of Health	East laboratory remodeling	\$614,865
State Department of Health	Morgue and storage annex construction	\$960,000
Department of Corrections and Rehabilitation	James River Correctional Center Phase II	\$2,662,890
Energy improvement project		
Department of Corrections and Rehabilitation	Missouri River Correctional Center	\$105,326
Higher education capital projects		
Dickinson State University	Murphy Hall Phase I addition	\$5,882,047
Valley City State University	Graichen Gymnasium elevator and emergency exits	\$785,300
Mayville State University	Steamline replacement Phase II	\$1,355,000
Other projects		
Information Technology Department	ConnectND project	\$20,000,000

State Historical Society projects and bonds - Senate Bill No. 2416 authorized the Industrial Commission, acting as the North Dakota Building Authority, to issue bonds of \$2 million for two State Historical Society capital projects--Chateau de Mores state historic site interpretive center (\$1 million) and Fort Abercrombie state historic site interpretive center (\$1 million).

Building authority lease payments limitation - North Dakota Century Code Section 54-17.2-23 limits the general fund amount of lease payments for a biennium to 10 percent of an amount collected from an equivalent 1 percent sales, use, and motor vehicle excise tax.

Status/Result

The Industrial Commission issued 2003 Series B bonds totaling \$13,080,000 in June 2003 for the State Department of Health east laboratory remodeling and morgue and storage annex construction, the Department of Corrections and Rehabilitation James River Correctional Center Phase II and energy improvement project, and the higher education capital projects, consisting of Dickinson State University Murphy Hall Phase I addition, Valley City State University Graichen Gymnasium elevator and emergency exits, and Mayville State University steamline replacement Phase II. The bonds were issued at an interest rate of 4.09 percent for a period of 20 years with annual debt service of approximately \$1 million.

The Industrial Commission issued 2003 Series C bonds totaling \$20 million in September 2003 for the ConnectND project. The bonds were issued at an interest rate of 3.86 percent for a period of 10 years with annual debt service of approximately \$2.7 million.

The State Historical Society does not anticipate beginning either of these projects due to the lack of funding for debt service. See State Historical Society (Budget 701) for additional information on these bonding projects.

Based on the March 2003 forecast or projected sales, use, and motor vehicle excise tax collections for the 2003-05 biennium, the maximum statutory general fund amount of lease payments for the 2003-05 biennium is \$17,358,880. For the 2005-07 biennium, the amount is estimated to be approximately \$18,053,235. The estimated general fund debt service requirement for the 2003-05 biennium is \$15,848,226, \$1,510,654 less than the legal limit of debt service. The general fund debt service requirement for the 2005-07

Lignite research grants - Section 10 of House Bill No. 1015 provided that up to \$1.3 million of the \$16,270,000 appropriated for lignite research grants is for contracting for an independent, nonmatching, lignite-marketing feasibility study or studies that determine those focused priority areas where near-term, market-driven projects, activities, or processes will generate matching private industry investment and have the most potential of preserving existing lignite production and jobs or that will lead to increased development of lignite and its products and create new jobs and economic growth for the general welfare of this state. This section also provides that funds appropriated for lignite research grants may also be used for the purpose of contracting for nonmatching studies and activities in support of the Lignite Vision 21 project, for nonmatching externality studies and activities in externality proceedings, or other marketing or environmental activities that assist with marketing of lignite-based electricity and lignite-based byproducts. Money not needed for these purposes is available to the commission for funding projects, processes, or activities under the lignite research, development, and marketing program.

Student loan trust - Section 12 of Senate Bill No. 2015 provides for a transfer of \$11 million from the North Dakota student loan trust to the general fund. Section 19 of House Bill No. 1003 provides for a transfer of \$14,258,969 from the North Dakota student loan trust to the general fund. Section 6 of House Bill No. 1019 provides for a transfer of \$1 million from the North Dakota student loan trust to the general fund. The money may only be transferred upon certification by the student loan trust trustee that sufficient money remains available to pay all debt service on student loan trust bonds, all required rebate payments to the United States treasury, and all program operating expenses.

Student loan trust bonds - Senate Bill No. 2232 amended the North Dakota Century Code to provide that the Industrial Commission may issue subordinate or residual bonds in a total principal amount not to exceed \$23 million plus costs of issuance and any reasonably required reserve whenever the Industrial Commission determines it is appropriate or expedient to do so and the bonds may contain such terms and provisions as the commission may determine.

Information technology transfers - House Bill No. 1505 provided for server consolidation and the transfer of one full-time equivalent position relating to information technology services from the Industrial Commission to the Information Technology Department.

Oil and Gas Division and Geological Survey merger - Section 14 of House Bill No. 1015 provides for an Industrial Commission review of the implementation of the merger of the Oil and Gas Division and the Geological Survey to be accomplished by July 1, 2005. It provides that the Industrial Commission

biennium will be approximately \$18,044,403, \$8,832 less than the legal limit of debt service.

The Industrial Commission has contracted with the Lignite Energy Council to provide management of the Lignite Vision 21 project. The objective of the Lignite Vision 21 project is to construct new lignite-fired power plants in North Dakota. As of May 2004, \$1,032,000 of the \$1.3 million available had been committed for the commission's contract with the Lignite Energy Council. The Industrial Commission anticipates the entire \$1.3 million will be used by the end of the 2003-05 biennium.

As of May 2004, no transfers have been made from the North Dakota student loan trust to the general fund. The Industrial Commission will make the total of \$26,258,969 available for transfer to the general fund and anticipates the transfers to the general fund to take place within the last six months of the 2003-05 biennium.

The Industrial Commission has not finalized its plans for the issuance of residual bonds but anticipates issuing from \$17 million to \$23 million of residual bonds by December 2004.

The Industrial Commission was exempted by the Information Technology Department from the transfer of one full-time equivalent position and three Oil and Gas Division servers. The Industrial Commission will transfer one Oil and Gas Division server and two Geological Survey servers to the Information Technology Department.

The Industrial Commission created a preliminary merger proposal and held a public hearing regarding the merger in September 2003, followed by a 90-day comment period ending in December 2003. The Industrial Commission

shall consider allowing the Oil and Gas Division director to appoint the State Geologist, recommend a name change for the merged Oil and Gas Division and Geological Survey, and identify efficiencies and savings that will result from the merger. The Industrial Commission shall report to the Budget Section before November 1, 2004, regarding its recommendation for the Oil and Gas Division and Geological Survey merger.

Oil and Gas Research Council - Senate Bill No. 2311 provided for the creation and establishment of an Oil and Gas Research Council to be operated, managed, and controlled by the Industrial Commission. Senate Bill No. 2311 also provided for the establishment of an oil and gas research fund. In the 2003-05 biennium, the first \$50,000 of revenue from the state's share of the oil and gas gross production tax and oil extraction tax is to be deposited in the oil and gas research fund. After the 2003-05 biennium, 2 percent of the state's share of the oil and gas gross production tax and oil extraction tax revenues, up to \$1.3 million per biennium, are to be deposited into the oil and gas research fund. All money deposited in the oil and gas research fund is appropriated as a continuing appropriation to the Oil and Gas Research Council.

approved a revised merger proposal at its March 2004 meeting and presented the merger proposal at the April 13, 2004, meeting of the Budget Section.

The Oil and Gas Research Council members have been appointed, the policies have been adopted, and the first grant applications were due on March 1, 2004. In April 2004 the Industrial Commission approved four projects for a total of \$26,152. Another round of grant applications will be due on September 1, 2004.