



INDUSTRIAL COMMISSION OF NORTH DAKOTA

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**Testimony for Engrossed Senate Bill No. 2014
House Appropriations Committee – Government Operations Division
Karlene Fine, Executive Director and Secretary
of the Industrial Commission
March 8, 2021**

Mr. Chairman and members of the House Appropriations Committee - Government Operations Division, my name is Karlene Fine and I am Executive Director and Secretary for the Industrial Commission of North Dakota. With me today is Andrea Pfennig, Deputy Executive Director. Engrossed Senate Bill No. 2014 includes the appropriations for the Industrial Commission administrative office and those agencies and programs that report to the Industrial Commission.

The Industrial Commission was created in 1919 and its general authority is found in N.D.C.C. 54-17. It is made up of the Governor, as Chairman, the Attorney General and the Agriculture Commissioner. The Industrial Commission is responsible for overseeing the State's industries—the Bank of North Dakota and State Mill. In the area of finance, the Commission also oversees the Public Finance Authority, the Student Loan Trust, the North Dakota Building Authority and the Housing Finance Agency. In the area of natural resources and regulation the Commission oversees the Department of Mineral Resources which includes oil and gas, geophysical exploration, subsurface mineral regulation and CO₂ Geological Storage in addition to other programs through its Oil and Gas Division and the Geological Survey. The Commission is also involved in research through the Lignite Research, Development and Marketing Program (Lignite Research Program), the Oil and Gas Research Program, Renewable Energy Program and State Energy Research Center. In addition, the Industrial Commission is the North Dakota Transmission Authority and the North Dakota Pipeline Authority. The Industrial Commission also has oversight of the Outdoor Heritage Fund and Western Area Water Supply Authority industrial sales.

Subdivision 1 of **Section 1**, includes the appropriations for the administrative office of the Industrial Commission as well as the Department of Mineral Resources (Oil and Gas Division and Geological Survey), and the Public Finance Authority which includes the lease (bond) payments for projects financed by the Building Authority.

Legislative Base Level Subdivision 1

	DMR	Administration	PFA	Total
40510 Salaries and Benefits	\$21,911,355	\$879,656	\$618,438	\$23,409,449
40530 Operating Expenses	\$5,351,302	\$292,938	\$185,987	\$5,830,227
40550 Capital Assets	\$0	\$0	\$0	\$0
Grants - Bond				
40560 Payments	\$0	\$0	\$10,508,767	\$10,508,767
40575 Contingencies	\$229,544	\$0	\$0	\$229,544
Total all funds	\$27,492,201	\$1,172,594	\$11,313,192	\$39,977,987
Less Estimated Income	\$238,004	\$1,172,594	\$11,313,192	\$12,723,790
Total General Fund	\$27,254,197	\$0	\$0	\$27,254,197
FTE	105.50	4.00	2.75	112.25

Engrossed Senate Bill 2014 Subdivision 1

	DMR	Administration	PFA	Total
40510 Salaries and Benefits	\$22,340,703	\$909,981	\$695,314	\$23,945,998
40530 Operating Expenses	\$4,637,891	\$305,999	\$181,668	\$5,125,558
40550 Capital Assets	\$100,660	\$0	\$0	\$100,660
Grants - Bond				
40560 Payments	\$0	\$0	\$22,040,721	\$22,040,721
40575 Contingencies	\$0	\$0	\$0	\$0
Total all funds	\$27,079,254	\$1,215,980	\$22,917,703	\$51,212,937
Less Estimated Income	\$238,004	\$1,215,980	\$22,917,703	\$24,371,687
Total General Fund	\$26,841,250	\$0	\$0	\$26,841,250
FTE	101.50	4.00	2.75	108.25

Administration. The Administration budget is part of Subdivision 1 of Section 1 and is also referenced in Sections 8 and 32 of Engrossed Senate Bill 2014 or Budget No. 405. No General Fund dollars are appropriated for the operations of this office—the agencies/programs that the Commission oversees transfer funds to pay the costs of the Administrative Office. That is reflected in Section 8. The appropriation for the Administrative Office totaled \$1,172,594 under the base level and \$1,215,980 under Engrossed Senate Bill 2014. Section 32 allows for monies that were transferred to the Industrial Commission Administrative Office for its operations during the 2019-2021 biennium that were not used to be carried forward to the 2021-2023 biennium. Whatever amount that is carried forward reduces the amount that needs to be transferred from the agencies during the 2021-2023 biennium.

The administrative office is responsible for the Industrial Commission meetings; oversight of contracts for the three Research Programs and the State Energy Research Center and the Outdoor Heritage Fund and their respective advisory councils/boards; coordination with the Western Area Water Supply Authority as it relates to industrial sales, serves as an Authorized Officer for the North Dakota Building

Authority and the Student Loan Trust and serves as the Commission's liaison with each of the Agency directors and staff and with the public.

The proposed funding for the Administrative Office of the Industrial Commission provides for 4 full-time employees. Three of the four positions are currently filled with full-time staff. The filling of the other position was delayed because of COVID 19. We continue to work on the implementation of a records management project and development of a data management system. In the past the funding for this fourth position was used for part time services but it appears that the need is for a full-time person.

Engrossed Senate Bill 2014 is made up of salaries - \$909,981 and operating costs of \$305,999 for the Administrative Office. The salaries line item reflects the Senate compensation package. The operating budget includes an adjustment by the Senate and an increase from the base budget to continue the work to update the website, improve data management (implementation of a content management system) and implement records management practices. We found this past year that improved data management is needed if situations arise requiring our office staff to work remotely.

The administrative budget includes the funding for the state's participation in the Interstate Oil and Gas Compact Commission (IOGCC). This IOGCC is a multi-state organization which speaks on behalf of the oil and gas producing states before Congress and other national groups regarding legislation and regulation of the oil and gas industry. The dues for this organization are based on the level of oil production in each member's state and because North Dakota is #2 in production the dues increased in recent years. Governor Burgum recently served as chairman of the IOGCC and North Dakota and hosted their annual meeting August 25 - 27, 2019 in Medora, North Dakota.

The schedule today includes discussion on the following programs overseen by the Commission that have continuing appropriations. They are:

Lignite Research Program. In addition to the testimony provided by Jason Bohrer and Mike Homes I want to draw your attention to Section 14 of Engrossed SB 2014 which allows for a portion of the funding to continue to be provided on a non-matching basis. Most of the funds under the Lignite Research Program must have match funding. This non-match funding is needed for litigation, studies and activities in support of the Lignite Research Program, externality studies and other marketing, environmental, or transmission activities that assist with the preserving and enhancing of the lignite industry in North Dakota. This language was updated in the Senate to reflect the use of these funds for "advanced energy technology and other technology development programs."

Oil and Gas Research Program. This Program is funded from oil and gas gross production and oil extraction tax revenues and was increased last session to \$16 million for one biennium. The Governor's recommended budget continued the funding level at \$16 million for the 2021-23 biennium and the Senate supported that level of funding in Section 30.

The Senate included an appropriation of \$14,000,000 (Section 6) to the Oil and Gas Research Fund for the completion of an Underground Energy Storage Study (Section 15) with a focus on the potential capacity of salt caverns in N.D. geological formations for the development of storage of energy resources, including natural gas, liquified natural gas, natural gas liquids and hydrogen.

Additional information about the Oil and Gas Research Fund/Program is behind the tab titled OGRP. Mr. Brent Brannan, Director of the Program, can come to a meeting at your request to discuss this program.

Pipeline Authority. A portion of the Oil and Gas Research Fund is utilized to fund the North Dakota Pipeline Authority. Justin Kringstad, a consultant, is the Director of the Pipeline Authority. The Commission transferred \$700,000 from the Oil and Gas Research Fund for the Pipeline Authority during the 2019-2021 biennium. These funds are utilized to compensate the Director of the Pipeline Authority and for studies conducted by the Pipeline Authority. More information about the Pipeline Authority and the recent study that was completed during the current biennium is available under the tab titled Pipeline Authority.

Renewable Energy Program. Funding for the Renewable Energy Program comes from the Resources Trust Fund at the level of \$3 million per biennium. Additional information about the Renewable Energy Program is behind the tab titled Renewable Energy Program (REP).

Outdoor Heritage Fund. Andrea Pfennig discussed this program and the recommended funding of \$15 million for the upcoming biennium. The Outdoor Heritage Fund receives its continuing appropriation from funding based on a percentage of oil revenues. In 2013 the Outdoor Heritage Fund was established with a statutory limitation of \$30 million per biennium. During the 2013-2015 biennium the amount received was \$18,641,973. In 2015 the statutory limitation was increased to \$40 million. However, the amount received was \$19,958,440. During the 2017 legislative session the Legislature limited the funding for the 2017-2019 for one biennium to \$10 million. That limit was reached in May 2018. During the 2019-2021 biennium the Legislature established a limit of \$7.5 million each fiscal year. We anticipate that we will receive that entire \$15 million amount during the current biennium.

Transmission Authority. In 2005 the Legislature established the North Dakota Transmission Authority. John Weeda currently serves as the part-time Director of the Transmission Authority. The funding for the Transmission Authority comes from the Lignite Research Fund (non-matching dollars). More information about the Transmission Authority is available under the tab titled Transmission Authority. Included in your binder is a presentation John made earlier this session to the House Energy and Natural Resources Committee. This is an area where there is considerable ongoing discussion so if you wish to have John provide an update on transmission and energy reliability, he would be happy to do so.

State Energy Research Center. Last session the Legislature established the State Energy Research Center at the Energy and Environmental Research Center. A \$5,000,000 continuing appropriation was established for the 2019-2021 and 2021-2023 biennia. Sections 23 and 27 of Engrossed SB 2014 remove the sunset provisions for this funding. The Center has done some great work during the current biennium and if you wish to have Dr. Tom Erickson provide an update, I would be happy to make those arrangements.

Thank you for the opportunity to present testimony on the Industrial Commission budget.