

**Industrial Commission
Budget No. 405
House Bill Nos. 1014, 1515, Senate Bill No. 2288**

	FTE Positions	General Fund	Other Funds	Total
2007-09 executive budget (bills as introduced)	55.37	\$8,762,790	\$50,108,132	\$58,870,922
2007-09 legislative appropriations	55.37¹	11,756,004²	69,392,346	81,148,350
Legislative increase (decrease) to executive budget	0.00	\$2,993,214	\$19,284,214	\$22,277,428
Legislative increase (decrease) to 2005-07 appropriations	4.00 ¹	\$4,877,346	\$25,489,208	\$30,366,554

¹The authorized FTE positions include 2 contingent FTE positions for the Oil and Gas Division that were authorized by the 2005 Legislative Assembly and added during the 2005-07 biennium. The authorized FTE positions do not include the 2 contingent FTE positions for the Oil and Gas Division that were authorized in Section 28 of House Bill No. 1014 by the 2007 Legislative Assembly for the 2007-09 biennium. Upon Emergency Commission approval, the Oil and Gas Division of the Industrial Commission may hire up to 2 additional FTE positions if the average drilling rig count exceeds 45 active rigs for each month in any consecutive three-month period.

²This amount includes \$530,000 of one-time funding. Excluding this amount, the agency's ongoing general fund appropriation is \$11,226,004.

SUMMARY OF LEGISLATIVE CHANGES TO THE EXECUTIVE BUDGET AND MAJOR FUNDING ITEMS

Salaries and Wages

The legislative action affecting the recommended appropriation for the Industrial Commission is in accordance with legislative salary and fringe benefits guidelines as contained in Senate Bill No. 2189.

	Major Items			
	FTE Positions	General Fund	Other Funds	Total
The legislative action:				
Reduced funding recommended in the executive budget relating to retiree health credit contributions		(\$6,786)	(\$786)	(\$7,572)
Added a contingent appropriation from the lands and minerals trust fund for the Oil and Gas Division to hire up to 2 FTE positions if the average drilling rig count exceeds 45 active rigs for each month in any consecutive three-month period			285,000	285,000
Provided a transfer of up to \$1 million from the beginning farmer revolving loan fund and up to \$1 million from the biofuels PACE fund to the biomass incentive and research fund in House Bill No. 1515			2,000,000	2,000,000
Provided funding in Senate Bill No. 2288 for renewable energy development functions		3,000,000	17,000,000	20,000,000
Total	0.00	\$2,993,214	\$19,284,214	\$22,277,428

FTE Changes

The 2007-09 biennium appropriation includes funding for 55.37 FTE positions, an increase of 4 FTE positions from the 2005-07 biennium authorized level of 51.37 FTE positions. The Legislative Assembly did not change the executive recommendation to add 1 FTE energy technician position and 1 FTE paleontology position and to change the funding source from the lands and minerals trust fund to the general fund for the 2 FTE positions that were added, upon Emergency Commission approval, during the 2005-07 biennium. The Legislative Assembly also provided a contingent appropriation and authorized up to 2 additional FTE positions--1 FTE field inspector position and 1 FTE plugging and reclamation supervisor position--for the Oil and Gas Division for the 2007-09 biennium.

Lease Payments

The Legislative Assembly did not change the executive recommendation to provide \$29,475,016 for lease payments, an increase of \$2,182,604 from the 2005-07 biennium appropriation of \$27,292,412. The following schedule lists the 2005-07 and 2007-09 bienniums lease payments:

	2005-07 Biennium	2007-09 Biennium	Increase (Decrease)
Higher education institutions	\$14,278,141	\$15,822,002	\$1,543,861
Department of Corrections and Rehabilitation - State Penitentiary	3,038,586	3,090,022	51,436
State Department of Health	685,309	692,242	6,933
Job Service North Dakota	696,650	743,905	47,255
Department of Human Services - Southeast Human Service Center	571,731	56,431	(515,300)
Department of Human Services - State Hospital	517,634	466,391	(51,243)
Department of Human Services - Developmental Center at Westwood Park, Grafton	593,231	534,505	(58,726)
Adjutant General	59,248	70,667	11,419
Veterans Home improvement fund	234,891	256,114	21,223
Information Technology Department - ConnectND	5,402,163	5,407,075	4,912
Office of Management and Budget		158,519	158,519
Attorney General		182,485	182,485
State Historical Society		331,762	331,762
Department of Parks and Recreation		17,544	17,544
Research and extension service		136,152	136,152
Subtotal	\$26,077,584	\$27,965,816	\$1,888,232
University System energy conservation projects	1,214,828	1,491,242	276,414
Department of Corrections and Rehabilitation energy conservation projects		17,958	17,958
Total	\$27,292,412	\$29,475,016	\$2,182,604

Lignite Research Grants

The Legislative Assembly did not change the executive recommendation providing \$19,410,600 for lignite research grants, an increase of \$4,210,600 from the 2005-07 biennium appropriation of \$15.2 million. The lignite research grant funding consists of:

Anticipated carryover from the 2003-05 biennium	\$7,493,469
Two cent per ton coal severance tax for research and development	1,200,000
Fifty percent of the coal severance taxes deposited in the coal development trust fund	3,375,000
Twenty percent of the coal severance taxes deposited in the coal development trust fund (clean coal projects)	1,350,000
Investment income on Dakota Gasification Company ammonia plant and Red Trail	2,000,000
Three and one-half percent of the general fund share of coal conversion tax	1,750,000
Revenue bonds/short-term loan	2,050,000
Interest income	200,000
Total	\$19,418,469

Section 18 provides that up to \$1.5 million of the special funds appropriation 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 lignite jobs and economic growth for the general welfare of this state. This section also provides that funds appropriated may also be used for the purpose of contracting for nonmatching studies and activities in support of the Lignite Vision 21 Project; for litigation that may be necessary to protect and promote the continued development of lignite resources; for nonmatching externality studies and activities in externality proceedings; or other marketing, environmental, or transmission 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.

Please refer to the **Trust Fund Analyses** section for an analysis of the lignite research fund.

One-Time Funding

In Section 4 of House Bill No. 1014, the Legislative Assembly identified the general fund appropriation for one-time funding of \$480,000 for core and sample library repairs (\$230,000) and a transfer to the fossil restoration fund (\$250,000). The Industrial Commission also received one-time funding of \$50,000 from the general fund for equipment for a total of \$530,000 in one-time funding. This amount is not to be considered part of the agency's base budget for preparing the 2009-11 executive budget and the Industrial Commission is to report to the Appropriations Committees during the 2009 legislative session on the use of this funding.

Other Sections in House Bill No. 1014

Appropriation - Office of Management and Budget - Section 7 provides an appropriation of \$5.3 million from the permanent oil tax trust fund to the Office of Management and Budget for repaying the Bank of North Dakota for loans and accrued interest relating to funds borrowed during the 2005-07 biennium for centers of excellence.

Bank property - Section 19 provides legislative intent that real property owned by the Bank of North Dakota at the new Bank location not be sold during the 2007-09 biennium. Section 23 amends subsection 6 of North Dakota Century Code Section 6-09-15 to allow the Bank of North Dakota to sell property owned by the Bank.

Contingent Oil and Gas Division funding - Section 28 provides that \$285,000 of special funds appropriated in the Oil and Gas Division contingency line item is from the lands and minerals trust fund and the Oil and Gas Division may use the funds to hire up to 2 FTE positions, upon Emergency Commission approval, if the average drilling rig count exceeds 45 active rigs for each month in any consecutive three-month period.

State contingency fund - Section 29 provides, in addition to the \$500,000 appropriated in House Bill No. 1522, an appropriation of \$200,000 from the general fund to the Office of Management and Budget for state contingencies for the 2007-09 biennium.

Appropriation reductions - Section 30 reduces agency general fund and special funds appropriations relating to retiree health credit contributions due to the defeat of Senate Bill No. 2050.

Related Legislation

House Bill No. 1018, Section 11, provides that the Industrial Commission may transfer, upon request of the Commissioner of Commerce, up to \$1 million from the PACE fund to the North Dakota Development Fund, Inc., during the 2007-09 biennium.

House Bill No. 1093 provides that \$500,000 of the amount allocated to the lignite research fund in Section 1 of the bill is to be used to pay for fees associated with lignite litigation that may be brought by the state to protect and promote the continued development of lignite resources. If activities associated with the litigation are not initiated by January 1, 2009, the \$500,000 must be returned to the general fund.

House Bill No. 1127 requires the Transmission Authority to provide an annual report to the Industrial Commission detailing activities and expenditures incurred during the preceding year and establishes the borrowing authority of the Industrial Commission of \$6 million from the Bank of North Dakota for a period not to exceed five years for lignite research, development, and marketing.

House Bill No. 1128 creates the North Dakota Pipeline Authority to be governed by the Industrial Commission.

House Bill No. 1503 continues the tribal-state guarantee program through July 31, 2011.

House Bill No. 1511 requires bonding or a return to production of idle wells. If idle wells are not returned to production or plugged within a year, the bond and well equipment are forfeited to the Industrial Commission.

Senate Bill No. 2156 allows the Public Finance Authority to issue clean renewable energy bonds.