

**Industrial Commission
Budget No. 405
House Bill No. 1014**

	FTE Positions	General Fund	Other Funds	Total
2011-13 executive budget (bills as introduced)	73.06	\$16,917,628	\$46,716,149	\$63,633,777
2011-13 legislative appropriations	<u>74.06¹</u>	<u>17,075,613</u>	<u>46,766,756</u>	<u>63,842,369</u>
Legislative increase (decrease) to executive budget	1.00	\$157,985	\$50,607	\$208,592
Legislative increase (decrease) to 2009-11 appropriations	13.00	\$2,650,359 ²	(\$2,551,228)	\$99,131 ²

¹The 2011-13 authorized FTE positions do not include the 4 FTE positions for the Oil and Gas Division that were authorized in Section 8 of House Bill No. 1014 by the 2011 Legislative Assembly for the 2011-13 biennium. Upon Emergency Commission approval, the Industrial Commission may hire 1 additional FTE position if the drilling rig count exceeds 180 for at least 30 consecutive days, 1 additional FTE position if the drilling rig count exceeds 190 for at least 30 consecutive days, and 2 additional FTE positions if the total number of oil wells in the state exceeds 9,300.

²The amount shown reflects a \$150,000 general fund appropriation approved by the 2011 Legislative Assembly for salaries and operating expenses relating to the Industrial Commission's oil and gas industry regulatory responsibilities for the 2009-11 biennium.

ONGOING AND ONE-TIME GENERAL FUND APPROPRIATIONS

	Ongoing General Fund Appropriation	One-Time General Fund Appropriation	Total General Fund Appropriation
2009-11 legislative appropriations	\$10,747,102	\$3,678,152	\$14,425,254
2011-13 legislative appropriations	<u>14,776,213</u>	<u>2,299,400</u>	<u>17,075,613</u>
2011-13 legislative increase (decrease) to 2009-11 appropriations	\$4,029,111	(\$1,378,752)	\$2,650,359
Percentage increase (decrease) to 2009-11 appropriations	37.5%	(37.5%)	18.4%
2011-13 legislative increase (decrease) to executive budget	\$1,035,985	(\$878,000)	\$157,985
Percentage increase (decrease) to executive budget	7.5%	(27.6%)	0.9%

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. 2015.

	Major Items			Total
	FTE Positions	General Fund	Other Funds	
The legislative action:				
Increased funding for salaries and operating expenses to provide funding for 1 FTE engineering technician position for 24 months of the biennium rather than only 18 months of the biennium.		\$45,000		\$45,000
Added funding for the carbon dioxide storage facility administration fund and authorized 1 FTE position to administer the provisions of North Dakota Century Code Chapter 38-22.	1.00	532,000		532,000
Added funding for a contingent bond payment for the Veterans' Home federal subsidy of \$116,475 and reduced funding for bond payments for the State Department of Health (\$34,085) and Job Service North Dakota (\$31,783).			\$50,607	50,607
Reduced funding for continuing renewable energy development programs from \$3 million to \$1.5 million.		(1,500,000)		(1,500,000)
Added funding for a contingent appropriation from the permanent oil tax trust fund for the Oil and Gas Division to hire additional FTE positions based on drilling rig counts. The funding source was changed from the permanent oil tax trust fund to the general fund in Senate Bill No. 2015.		743,972		743,972
Added funding for retention of Department of Mineral Resources staff.		247,013		247,013
Added funding for temporary employees for the Geological Survey Division.		90,000		90,000
Total	<u>1.00</u>	<u>\$157,985</u>	<u>\$50,607</u>	<u>\$208,592</u>

FTE Changes

The 2011-13 biennium appropriation includes funding for 74.06 FTE positions, an increase of 13 FTE positions from the 2009-11 biennium authorized level of 61.06 FTE positions. The Legislative Assembly did not change the executive recommendation to add 7 FTE engineering technician positions, 1 FTE petroleum engineer position, 1 FTE production analyst position, and 1 FTE surface geologist 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 2009-11 biennium. The Legislative Assembly added 1 FTE position to administer the carbon dioxide storage facility administration fund. The Legislative Assembly also provided a contingent appropriation and authorized up to 4 additional FTE positions for the Department of Mineral Resources for the 2011-13 biennium. The 4 contingent FTE positions are not included in the total FTE count for the 2011-13 biennium.

One-Time Funding

In Section 2 of House Bill No. 1014, the Legislative Assembly identified \$2,299,400 from the general fund as one-time funding, of which \$1.5 million is for renewable energy development programs, \$532,000 is for the carbon dioxide storage facility administration fund, \$90,000 is for temporary employees for the core library, \$62,400 is for paleontologic preparatory work, and \$115,000 is for fracturing sand, oil-bearing rock, and coalbed methane studies. This amount is not to be considered part of the agency's base budget for preparing the 2013-15 executive budget and the Industrial Commission is to report to the Appropriations Committees during the 2013 legislative session on the use of this funding.

Lease Payments

The Legislative Assembly provided \$25,389,733 for lease payments for outstanding bonded indebtedness, an increase of \$50,607 from the executive recommendation of \$25,339,126 and a decrease of \$2,052,132 from the 2009-11 biennium appropriation of \$27,441,865. The Legislative Assembly provided for a contingent bond payment for the Veterans' Home federal subsidy of \$116,475 and reduced funding for bond payments for the State Department of Health (\$34,085) and Job Service North Dakota (\$31,783). The following schedule lists the 2009-11 and 2011-13 biennium lease payments:

	2009-11 Biennium	2011-13 Biennium	Increase (Decrease)
Higher education institutions	\$12,014,048	\$12,254,770	\$240,722
Department of Corrections and Rehabilitation - State Penitentiary	2,203,515	1,337,752	(865,763)
State Department of Health	704,127	672,898	(31,229)
Job Service North Dakota	747,772	710,735	(37,037)
Department of Human Services - State Hospital	437,729	0	(437,729)
Department of Human Services - Developmental Center at Westwood Park, Grafton	501,657	0	(501,657)
Adjutant General	70,627	70,225	(402)
Information Technology Department - ConnectND	5,405,936	5,406,666	730
Office of Management and Budget	665,298	665,143	(155)
Attorney General	765,882	765,704	(178)
State Historical Society	1,392,393	1,392,069	(324)
Department of Parks and Recreation	73,630	73,613	(17)
Research and extension service	571,423	571,290	(133)
Veterans' Home		520,475	520,475
Subtotal	\$25,554,037	\$24,441,340	(\$1,112,697)
North Dakota University System energy conservation projects	1,869,248	929,789	(939,459)
Department of Corrections and Rehabilitation energy conservation projects	18,580	18,604	24
Total	\$27,441,865	\$25,389,733	(\$2,052,132)

Lignite Research Grants

The Legislative Assembly did not change the executive recommendation providing \$19,971,300 for lignite research grants, a decrease of \$3 million from the 2009-11 biennium appropriation of \$22,971,300. Total funding anticipated to be available for the 2011-13 biennium of \$21,218,358 for lignite research grants is generated from the following sources:

Anticipated carryover from the 2007-09 biennium	\$9,858,358
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	2,855,000
Five percent of the general fund share of coal conversion tax	2,500,000
Interest income	80,000
Total	\$21,218,358

Section 11 of House Bill No. 1014 provides that up to \$1.5 million of the lignite research grants funding 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 a portion of the funds appropriated may 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 of this report for an analysis of the lignite research fund.

Other Sections in Bill

Contingent Oil and Gas Division funding - Section 8 provides that \$743,972 of special funds appropriated in the salaries and wages line item is from the permanent oil tax trust fund. Upon Emergency Commission approval, the Oil and Gas Division may hire 1 additional FTE position if the drilling rig count exceeds 180 for at least 30 consecutive days, 1 additional FTE position if the drilling rig count exceeds 190 for at least 30 consecutive days, and 2 additional FTE positions if the total number of oil wells in the state exceeds 9,300. Senate Bill No. 2015 includes an amendment to change the funding source for the contingent appropriation from the permanent oil tax trust fund to the general fund.

Carbon dioxide storage facility administrative fund - Section 1 includes \$532,000 from the general fund that the Industrial Commission may deposit in its carbon dioxide storage facility administrative fund for the purpose of hiring 1 FTE position for up to three years until fee income is sufficient to provide funding for the administration of the provisions of Chapter 38-22. Pursuant to Section 6, the Industrial Commission is to use this funding to provide a timely response to the Environmental Protection Agency's rules relating to carbon dioxide sequestration and develop a coordinated response from state agencies with the goal of the state of North Dakota having class VI primacy for carbon dioxide storage in North Dakota.

Core library housing - Section 12 provides legislative intent that the Industrial Commission not construct a new building for the expansion for the core library. If the existing location of the core library does not have sufficient space, the Industrial Commission may relocate parts or all of the library to an existing state-owned facility.

Related Legislation

House Bill No. 1343 provides a \$150,000 general fund appropriation approved by the 2011 Legislative Assembly for salaries and operating expenses relating to the Industrial Commission's oil and gas industry regulatory responsibilities for the 2009-11 biennium.

Senate Bill No. 2032 expands the purpose of the Oil and Gas Research Council to allow for the promotion of innovation in safety and an increase in education concerning the distribution of petroleum products and allows the Industrial Commission, as manager of the Oil and Gas Research Council, to provide financial assistance for processes and activities directly related to the refining industry and petroleum marketing industry.