

Introduced by

Appropriations Committee

(At the request of the Governor)

1 A BILL for an Act to provide an appropriation for defraying the expenses of the state industrial
 2 commission and the agencies under the management of the industrial commission; to provide
 3 legislative intent; to provide an appropriation; to provide a contingent appropriation; to authorize
 4 transfers; to amend and reenact subsection 1 of section 54-17.6-05 and sections 54-18-19 and,
 5 57-51.1-07, and 57-51.1-07.3 of the North Dakota Century Code, relating to the resources trust
 6 fund, the oil and gas research council membership, the oil and gas research fund, and the
 7 transfer of North Dakota mill and elevator profits to the general fund; to provide for a
 8 value-added market opportunities for renewable energy resources and oil and gas study; to
 9 provide for a report to the legislative management; and to declare an emergency.

10 **BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:**

11 **SECTION 1. APPROPRIATION.** The funds provided in this section, or so much of the funds
 12 as may be necessary, are appropriated out of any moneys in the general fund in the state
 13 treasury, not otherwise appropriated, and from special funds derived from federal funds and
 14 other income, to the state industrial commission and agencies under its control for the purpose
 15 of defraying the expenses of the state industrial commission and agencies under its control, for
 16 the biennium beginning July 1, 2013, and ending June 30, 2015, as follows:

17 Subdivision 1.

18 INDUSTRIAL COMMISSION

	<u>Base Level</u>	<u>Adjustments or Enhancements</u>	<u>Appropriation</u>
21 Salaries and wages	\$12,059,220	\$5,651,410	\$17,710,630
22 <u>Salaries and wages</u>	<u>\$12,059,220</u>	<u>\$5,824,123</u>	<u>\$17,883,343</u>
23 Operating expenses	3,378,744	2,951,832	6,330,576
24 Capital assets	0	5,800	5,800

Sixty-third
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1	Grants - lignite research	19,971,300	(471,300)	19,500,000
2	and development			
3	Grants - bond payments	25,389,733	(5,579,764)	19,809,969
4	Mineral resources contingency	<u>743,972</u>	<u>(743,972)</u>	<u>0</u>
5	Total all funds	\$61,542,969	\$1,814,006	\$63,356,975
6	Less estimated income	46,766,756	(5,828,899)	40,937,857
7	Total general fund	\$14,776,213	\$7,642,905	\$22,419,118
8	<u>Total all funds</u>	<u>\$61,542,969</u>	<u>\$1,986,719</u>	<u>\$63,529,688</u>
9	<u>Less estimated income</u>	<u>46,766,756</u>	<u>(5,815,082)</u>	<u>40,951,674</u>
10	<u>Total general fund</u>	<u>\$14,776,213</u>	<u>\$7,801,801</u>	<u>\$22,578,014</u>
11	Full-time equivalent positions	76.06	22.69	98.75

Subdivision 2.

BANK OF NORTH DAKOTA - OPERATIONS

		Adjustments or		
	Base Level	Enhancements	Appropriation	
16	Bank of North Dakota operations	\$45,587,155	\$6,120,773	\$51,707,928
17	Capital assets	1,266,000	(521,000)	745,000
18	Total special funds	\$46,853,155	\$5,599,773	\$52,452,928
19	<u>Bank of North Dakota operations</u>	<u>\$45,587,155</u>	<u>\$6,274,253</u>	<u>\$51,861,408</u>
20	<u>Capital assets</u>	<u>1,266,000</u>	<u>(521,000)</u>	<u>745,000</u>
21	<u>Total special funds</u>	<u>\$46,853,155</u>	<u>\$5,753,253</u>	<u>\$52,606,408</u>
22	Full-time equivalent positions	176.50	3.00	179.50

Subdivision 3.

BANK OF NORTH DAKOTA - ECONOMIC DEVELOPMENT

		Adjustments or		
	Base Level	Enhancements	Appropriation	
27	Partnership in assisting community	\$6,000,000	(\$6,000,000)	\$0
28	expansion fund			
29	Agriculture partnership in assisting	1,000,000	(1,000,000)	0
30	community expansion fund			
31	Beginning farmer revolving loan fund	1,400,000	(1,400,000)	0

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1	Biofuels partnership in assisting	<u>1,000,000</u>	<u>(1,000,000)</u>	<u>0</u>
2	community expansion fund			
3	Total general fund	\$9,400,000	(\$9,400,000)	\$0
4	Subdivision 4.			

MILL AND ELEVATOR ASSOCIATION

		Adjustments or		
	<u>Base Level</u>	<u>Enhancements</u>	<u>Appropriation</u>	
8	Salaries and wages	\$26,018,008	\$3,831,116	\$29,849,124
9	Operating expenses	20,443,869	1,352,131	21,796,000
10	Contingencies	400,000	0	400,000
11	Agriculture promotion	<u>210,000</u>	<u>0</u>	<u>210,000</u>
12	Total from mill and elevator fund	\$47,071,877	\$5,183,247	\$52,255,124
13	Full-time equivalent positions	131.00	4.00	135.00
14	Subdivision 5.			

HOUSING FINANCE AGENCY

		Adjustments or		
	<u>Base Level</u>	<u>Enhancements</u>	<u>Appropriation</u>	
18	Salaries and wages	\$6,516,277	\$920,954	\$7,437,231
19	<u>Salaries and wages</u>	<u>\$6,516,277</u>	<u>\$928,822</u>	<u>\$7,445,099</u>
20	Operating expenses	5,114,849	(1,323,091)	3,791,758
21	Grants	26,858,920	2,674,130	29,533,050
22	Housing finance agency contingencies	<u>100,000</u>	<u>0</u>	<u>100,000</u>
23	Total special funds	\$38,590,046	\$2,271,993	\$40,862,039
24	<u>Total special funds</u>	<u>\$38,590,046</u>	<u>\$2,279,861</u>	<u>\$40,869,907</u>
25	Full-time equivalent positions	46.00	0.00	46.00
26	Subdivision 6.			

BILL TOTAL

		Adjustments or		
	<u>Base Level</u>	<u>Enhancements</u>	<u>Appropriation</u>	
30	Grand total general fund	\$24,176,213	(\$1,757,095)	\$22,419,118
31	Grand total special funds	<u>179,281,834</u>	<u>7,226,114</u>	<u>186,507,948</u>

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1	Grand total all funds	\$203,458,047	\$5,469,019	\$208,927,066
2	Grand total general fund	\$24,176,213	\$28,901,801	\$53,078,014
3	Grand total special funds	179,281,834	7,401,279	186,683,113
4	Grand total all funds	\$203,458,047	\$36,303,080	\$239,761,127

5 **SECTION 2. ONE-TIME FUNDING - EFFECT ON BASE BUDGET - REPORT TO**

6 **SIXTY-FOURTH LEGISLATIVE ASSEMBLY.** The following amounts reflect the one-time
7 funding items approved by the sixty-second legislative assembly for the 2011-13 biennium and
8 the 2013-15 one-time funding items included in the grand total appropriation in section 1 of this
9 Act:

10	<u>One-Time Funding Description</u>	<u>2011-13</u>	<u>2013-15</u>
11	Renewable energy development program	\$1,500,000	\$0
12	Temporary employees - core library	90,000	0
13	Carbon dioxide storage facility administrative fund	532,000	0
14	Coalbed methane/shallow gas studies	25,000	0
15	Fracturing sand and proppant studies	50,000	0
16	Oil-bearing rock study	40,000	80,000
17	Paleontologic preparatory work	62,400	0
18	Western area water supply loan	35,000,000	0
19	Possible environmental protection agency litigation	1,000,000	0
20	<u>Housing incentive fund</u>	<u>0</u>	<u>30,000,000</u>
21	Possible federal agency litigation	0	1,000,000
22	Department of mineral resources housing allowance	0	400,000
23	Core library - architect services	0	25,000
24	Temperature profiles study	0	50,000
25	Wide-bed plotter	<u>0</u>	<u>5,800</u>
26	Total all funds	\$38,299,400	\$1,560,800
27	Total special funds	10,000,000	0
28	Total general fund	\$28,299,400	\$1,560,800
29	<u>Total all funds</u>	<u>\$38,299,400</u>	<u>\$31,560,800</u>
30	<u>Total special funds</u>	<u>10,000,000</u>	<u>0</u>
31	<u>Total general fund</u>	<u>\$28,299,400</u>	<u>\$31,560,800</u>

1 The 2013-15 one-time funding amounts are not a part of the entity's base budget for the
2 2015-17 biennium. The industrial commission shall report to the appropriations committees of
3 the sixty-fourth legislative assembly on the use of this one-time funding for the biennium
4 beginning July 1, 2013, and ending June 30, 2015.

5 **SECTION 3. LEGISLATIVE INTENT - BOND PAYMENTS.** The amount of \$19,809,969
6 included in subdivision 1 of section 1 of this Act in the grants - bond payments line item must be
7 paid from the following funding sources during the biennium beginning July 1, 2013, and ending
8 June 30, 2015:

9 North Dakota university system	\$10,436,045
10 North Dakota university system - energy conservation projects	491,397
11 Department of corrections and rehabilitation	1,289,450
12 State department of health	642,688
13 Job service North Dakota	540,376
14 Adjutant general	28,586
15 Information technology department - ConnectND	2,504,100
16 Office of management and budget	665,272
17 Office of attorney general	765,851
18 State historical society	1,392,337
19 Parks and recreation department	73,627
20 Research and extension service	571,400
21 Veterans' home	<u>408,840</u>
22 Total	\$19,809,969

23 **SECTION 4. APPROPRIATION.** In addition to the amount appropriated to the housing
24 finance agency in subdivision 5 of section 1 of this Act, there is appropriated any additional
25 income or unanticipated income from federal or other funds which may become available to the
26 agency for the biennium beginning July 1, 2013, and ending June 30, 2015.

27 **SECTION 5. APPROPRIATION - EMERGENCY COMMISSION APPROVAL.** In addition to
28 the amount appropriated to the state industrial commission in subdivision 1 of section 1 of this
29 Act, there is appropriated, with the approval of the emergency commission, funds that may
30 become available to the commission from bonds authorized by law to be issued by the state
31 industrial commission for the biennium beginning July 1, 2013, and ending June 30, 2015.

1 **SECTION 6. TRANSFER.** The sum of \$647,547, or so much of the sum as may be
2 necessary, included in the special funds appropriation line item in subdivision 1 of section 1 of
3 this Act, may be transferred from the entities within the control of the state industrial commission
4 to the industrial commission fund for administrative services rendered by the commission.
5 Transfers shall be made during the biennium beginning July 1, 2013, and ending June 30, 2015,
6 upon order of the commission. Transfers from the student loan trust must be made to the extent
7 permitted by sections 54-17-24 and 54-17-25.

8 **SECTION 7. TRANSFER - BANK OF NORTH DAKOTA - PARTNERSHIP IN ASSISTING**
9 **COMMUNITY EXPANSION.** The Bank of North Dakota shall transfer the sum of \$28,000,000,
10 or so much of the sum as may be necessary, from the Bank's current earnings and undivided
11 profits to the partnership in assisting community expansion fund during the ~~biennium beginning~~
12 ~~July 1, 2013,~~period beginning with the effective date of this Act and ending June 30, 2015.

13 **SECTION 8. TRANSFER - BANK OF NORTH DAKOTA - AGRICULTURE PARTNERSHIP**
14 **IN ASSISTING COMMUNITY EXPANSION.** The Bank of North Dakota shall transfer the sum of
15 \$2,000,000, or so much of the sum as may be necessary, from the Bank's current earnings and
16 undivided profits to the agriculture partnership in assisting community expansion fund during the
17 ~~biennium beginning July 1, 2013,~~period beginning with the effective date of this Act and ending
18 June 30, 2015.

19 **SECTION 9. TRANSFER - BANK OF NORTH DAKOTA - BIOFUELS PARTNERSHIP IN**
20 **ASSISTING COMMUNITY EXPANSION.** The Bank of North Dakota shall transfer the sum of
21 \$2,000,000, or so much of the sum as may be necessary, from the Bank's current earnings and
22 undivided profits to the biofuels partnership in assisting community expansion fund during the
23 ~~biennium beginning July 1, 2013,~~period beginning with the effective date of this Act and ending
24 June 30, 2015.

25 **SECTION 10. TRANSFER - BANK OF NORTH DAKOTA - BEGINNING FARMER**
26 **REVOLVING LOAN FUND.** The Bank of North Dakota shall transfer the sum of \$6,000,000, or
27 so much of the sum as may be necessary, from the Bank's current earnings and undivided
28 profits to the beginning farmer revolving loan fund during the ~~biennium beginning July 1,~~
29 ~~2013,~~period beginning with the effective date of this Act and ending June 30, 2015.

30 **SECTION 11. APPROPRIATION - TRANSFER - GENERAL FUND TO HOUSING**
31 **INCENTIVE FUND--2011-13 BIENNIUM.** There is appropriated out of any moneys in the

1 general fund in the state treasury, not otherwise appropriated, the sum of \$30,000,000, or so
2 much of the sum as may be necessary, which the office of management and budget shall
3 transfer to the housing incentive fund for the period beginning with the effective date of this Act
4 and ending June 30, ~~2013~~2015. The funding provided in this section is considered a one-time
5 funding item. ~~The office of management and budget shall transfer the funds provided under this~~
6 ~~section prior to June 30, 2013.~~

7 **SECTION 12. APPROPRIATION - DEPARTMENT OF COMMERCE.** There is appropriated
8 out of any moneys in the general fund in the state treasury, not otherwise appropriated, the sum
9 of \$500,000, or so much of the sum as may be necessary, to the department of commerce for
10 the purpose of conducting a study to evaluate value-added market opportunities for renewable
11 energy resources and oil and gas under section 13 of this Act, for the biennium beginning
12 July 1, 2013, and ending June 30, 2015.

13 **SECTION 13. VALUE-ADDED MARKET OPPORTUNITIES FOR RENEWABLE ENERGY**
14 **RESOURCES AND OIL AND GAS STUDY - REPORT TO THE LEGISLATIVE**
15 **MANAGEMENT.**

- 16 1. During the 2013-14 interim, the department of commerce shall conduct a study to
17 evaluate value-added market opportunities related to renewable energy resources and
18 oil and gas.
- 19 2. The department of commerce shall cooperate with the energy policy commission in
20 conducting this study.
- 21 3. The department of commerce shall report its findings and recommendations to the
22 legislative management before September 1, 2014.

23 **SECTION 14. LIGNITE RESEARCH, DEVELOPMENT, AND MARKETING PROGRAM -**
24 ~~APPROPRIATION~~ **LIGNITE MARKETING FEASIBILITY STUDY.** The amount of \$4,500,000,
25 or so much of the amount as may be necessary, included in the grants and special funds
26 appropriation line item in subdivision 1 of section 1 of this Act, is ~~appropriated~~ from the lignite
27 research fund for the purpose of contracting for an independent, nonmatching lignite marketing
28 feasibility study or studies that determine those focused priority areas where near-term,
29 market-driven projects, activities, or processes will generate matching private industry
30 investment and have the most potential of preserving existing lignite production and industry
31 jobs or that will lead to increased development of lignite and its products and create new lignite

1 industry jobs and economic growth for the general welfare of this state. Moneys appropriated
2 pursuant to this section may also be used for the purpose of contracting for nonmatching
3 studies and activities in support of the lignite vision 21 program; for litigation that may be
4 necessary to protect and promote the continued development of lignite resources; for
5 nonmatching externality studies and activities in externality proceedings; or other marketing,
6 environmental, or transmission activities that assist with marketing of lignite-based electricity
7 and lignite-based byproducts. Moneys not needed for the purposes stated in this section are
8 available to the commission for funding projects, processes, or activities under the lignite
9 research, development, and marketing program.

10 **SECTION 15. DEPARTMENT OF MINERAL RESOURCES FUNDING - TRIGGER.** Of the
11 funds appropriated in subdivision 1 of section 1 of this Act, \$430,518 in the salaries and wages
12 line and \$155,712 in the operating line are from the general fund. If funds are required due to
13 the total number of wells capable of production or injection in the state exceeding 15,000, the oil
14 and gas division may spend up to \$586,230 and hire three full-time equivalent positions, upon
15 notification to the office of management and budget.

16 **SECTION 16. AMENDMENT.** Subsection 1 of section 54-17.6-05 of the North Dakota
17 Century Code is amended and reenacted as follows:

- 18 1. The oil and gas research council is composed of ~~eight~~seven members, four of whom
19 must currently be engaged in and have at least five years of active experience in the
20 oil and natural gas exploration and production industry. The council consists of:
- 21 a. Four members appointed by the governor from a list provided by the North
22 Dakota petroleum council. The governor may reject the list and request the
23 council to submit a new list until the appointments are made.
 - 24 b. One member appointed by the governor from a list provided by the North Dakota
25 association of oil and gas producing counties. The governor may reject the list
26 and request the association to submit a new list until the appointment is made.
 - 27 c. The executive director of the North Dakota petroleum council or the executive
28 director's designee.
 - 29 ~~d. The president of the northern alliance of independent producers or the~~
30 ~~president's designee.~~
 - 31 ~~e.~~ A county commissioner from an oil producing county appointed by the governor.

1 | ~~f.e.~~ The director of the oil and gas division and the state geologist shall serve on the
2 | council as advisory nonvoting members.

3 | **SECTION 17. AMENDMENT.** Section 54-18-19 of the North Dakota Century Code is
4 | amended and reenacted as follows:

5 | **54-18-19. Transfer of North Dakota mill and elevator profits to general fund.**

6 | The industrial commission shall transfer to the state general fund up to fifty percent of the
7 | annual earnings and undivided profits of the North Dakota mill and elevator association after
8 | any transfers to other state agricultural-related programs. The moneys must be transferred on
9 | an annual basis in the amounts and at the times requested by the director of the office of
10 | management and budget.

11 | **SECTION 18. AMENDMENT.** Section 57-51.1-07 of the North Dakota Century Code is
12 | amended and reenacted as follows:

13 | **57-51.1-07. Allocation of moneys in oil extraction tax development fund.**

14 | Moneys deposited in the oil extraction tax development fund must be transferred monthly by
15 | the state treasurer as follows:

- 16 | 1. Twenty percent must be allocated and credited to the sinking fund established for
17 | payment of the state of North Dakota water development bonds, southwest pipeline
18 | series, and any moneys in excess of the sum necessary to maintain the accounts
19 | within the sinking fund and for the payment of principal and interest on the bonds must
20 | be credited to a special trust fund, to be known as the resources trust fund. The
21 | resources trust fund must be established in the state treasury and the funds therein
22 | must be deposited and invested as are other state funds to earn the maximum amount
23 | permitted by law which income must be deposited in the resources trust fund. ~~One-half~~
24 | ~~of one~~Five percent of the amount credited to the resources trust fund must be
25 | transferred quarterly into the renewable energy development fund, not to exceed three
26 | million dollars per biennium. One-half of one percent of the amount credited to the
27 | resources trust fund must be transferred quarterly into the energy conservation grant
28 | fund. The principal and income of the resources trust fund may be expended only
29 | pursuant to legislative appropriation and are available to:
30 | a. The state water commission for planning for and construction of water-related
31 | projects, including rural water systems. These water-related projects must be

- 1 those which the state water commission has the authority to undertake and
2 construct pursuant to chapter 61-02; and
- 3 b. The industrial commission for the funding of programs for development of energy
4 conservation and renewable energy sources; for studies for development of
5 cogeneration systems that increase the capacity of a system to produce more
6 than one kind of energy from the same fuel; for studies for development of waste
7 products utilization; and for the making of grants and loans in connection
8 therewith.
- 9 2. Twenty percent must be allocated to the common schools trust fund and foundation
10 aid stabilization fund as provided in section 24 of article X of the Constitution of North
11 Dakota.
- 12 3. Thirty percent must be allocated to the legacy fund as provided in section 26 of
13 article X of the Constitution of North Dakota.
- 14 4. Thirty percent must be allocated and credited to the state's general fund.

15 **SECTION 19. AMENDMENT.** Section 57-51.1-07.3 of the North Dakota Century Code is
16 amended and reenacted as follows:

17 **57-51.1-07.3. Oil and gas research fund - Deposits - Continuing appropriation.**

18 There is established a special fund in the state treasury to be known as the oil and gas
19 research fund. Before depositing oil and gas gross production tax and oil extraction tax
20 revenues in the general fund, property tax relief sustainability, strategic investment and
21 improvements fund, or the state disaster relief fund, two percent of the revenues must be
22 deposited monthly into the oil and gas research fund, up to ~~four~~ten million dollars per biennium.
23 All moneys deposited in the oil and gas research fund and interest on all such moneys are
24 appropriated as a continuing appropriation to the council to be used for purposes stated in
25 chapter 54-17.6.

26 **SECTION 20. LEGISLATIVE INTENT - OIL AND GAS RESEARCH FUND.** It is the intent
27 of the legislative assembly that the industrial commission give special emphasis to value-added
28 processing of oil and gas projects in the awarding of funds from the oil and gas research fund
29 during the biennium beginning July 1, 2013, and ending June 30, 2015.

30 **SECTION 21. LEGISLATIVE INTENT - ADMINISTRATIVE RULES - RESERVE PITS.** It is
31 the intent of the sixty-third legislative assembly that the industrial commission's department of

1 mineral resources oil and gas division include in its next administrative rules review and revision
2 process, the effect of provisions included in North Dakota Administrative Code section
3 43-02-03-19.5 relating to reserve pits for drilling mud and drill cuttings from shallow wells drilled
4 and completed outside of the Bakken and Three Forks formations for the biennium beginning
5 July 1, 2013, and ending June 30, 2015.

6 **SECTION 22. EMERGENCY.** Sections 7 through 11 of this Act are declared to be an
7 emergency measure.