

Sixty-third
Legislative Assembly
of North Dakota

ENGROSSED SENATE BILL NO. 2014

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,
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

		Adjustments or	
	<u>Base Level</u>	<u>Enhancements</u>	<u>Appropriation</u>
20 Salaries and wages	\$12,059,220	\$5,824,123	\$17,883,343
22 Operating expenses	3,378,744	2,951,832	6,330,576
23 Capital assets	0	5,800	5,800
24 Grants - lignite research	19,971,300	(471,300)	19,500,000

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1	and development			
2	Grants - bond payments	25,389,733	(5,579,764)	19,809,969
3	Mineral resources contingency	<u>743,972</u>	<u>(743,972)</u>	<u>0</u>
4	Total all funds	\$61,542,969	\$1,986,719	\$63,529,688
5	Less estimated income	<u>46,766,756</u>	<u>(5,815,082)</u>	<u>40,951,674</u>
6	Total general fund	\$14,776,213	\$7,801,801	\$22,578,014
7	Full-time equivalent positions	76.06	22.69	98.75

8 Subdivision 2.

9 BANK OF NORTH DAKOTA - OPERATIONS

10			Adjustments or	
11		<u>Base Level</u>	<u>Enhancements</u>	<u>Appropriation</u>
12	Bank of North Dakota operations	\$45,587,155	\$6,274,253	\$51,861,408
13	Capital assets	<u>1,266,000</u>	<u>(521,000)</u>	<u>745,000</u>
14	Total special funds	\$46,853,155	\$5,753,253	\$52,606,408
15	Full-time equivalent positions	176.50	3.00	179.50

16 Subdivision 3.

17 BANK OF NORTH DAKOTA - ECONOMIC DEVELOPMENT

18			Adjustments or	
19		<u>Base Level</u>	<u>Enhancements</u>	<u>Appropriation</u>
20	Partnership in assisting community	\$6,000,000	(\$6,000,000)	\$0
21	expansion fund			
22	Agriculture partnership in assisting	1,000,000	(1,000,000)	0
23	community expansion fund			
24	Beginning farmer revolving loan fund	1,400,000	(1,400,000)	0
25	Biofuels partnership in assisting	<u>1,000,000</u>	<u>(1,000,000)</u>	<u>0</u>
26	community expansion fund			
27	Total general fund	\$9,400,000	(\$9,400,000)	\$0

28 Subdivision 4.

29 MILL AND ELEVATOR ASSOCIATION

30			Adjustments or	
31		<u>Base Level</u>	<u>Enhancements</u>	<u>Appropriation</u>

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1	Salaries and wages	\$26,018,008	\$3,831,116	\$29,849,124
2	Operating expenses	20,443,869	1,352,131	21,796,000
3	Contingencies	400,000	0	400,000
4	Agriculture promotion	<u>210,000</u>	<u>0</u>	<u>210,000</u>
5	Total from mill and elevator fund	\$47,071,877	\$5,183,247	\$52,255,124
6	Full-time equivalent positions	131.00	4.00	135.00

7 Subdivision 5.

8 HOUSING FINANCE AGENCY

9			Adjustments or	
10		<u>Base Level</u>	<u>Enhancements</u>	<u>Appropriation</u>
11	Salaries and wages	\$6,516,277	\$928,822	\$7,445,099
12	Operating expenses	5,114,849	(1,323,091)	3,791,758
13	Grants	26,858,920	2,674,130	29,533,050
14	Housing finance agency contingencies	<u>100,000</u>	<u>0</u>	<u>100,000</u>
15	Total special funds	\$38,590,046	\$2,279,861	\$40,869,907
16	Full-time equivalent positions	46.00	0.00	46.00

17 Subdivision 6.

18 BILL TOTAL

19			Adjustments or	
20		<u>Base Level</u>	<u>Enhancements</u>	<u>Appropriation</u>
21	Grand total general fund	\$24,176,213	\$28,901,801	\$53,078,014
22	Grand total special funds	<u>179,281,834</u>	<u>7,401,279</u>	<u>186,683,113</u>
23	Grand total all funds	\$203,458,047	\$36,303,080	\$239,761,127

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

25 **SIXTY-FOURTH LEGISLATIVE ASSEMBLY.** The following amounts reflect the one-time

26 funding items approved by the sixty-second legislative assembly for the 2011-13 biennium and

27 the 2013-15 one-time funding items included in the grand total appropriation in section 1 of this

28 Act:

29	<u>One-Time Funding Description</u>	<u>2011-13</u>	<u>2013-15</u>
30	Renewable energy development program	\$1,500,000	\$0
31	Temporary employees - core library	90,000	0

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1	Carbon dioxide storage facility administrative fund	532,000	0
2	Coalbed methane/shallow gas studies	25,000	0
3	Fracturing sand and proppant studies	50,000	0
4	Oil-bearing rock study	40,000	80,000
5	Paleontologic preparatory work	62,400	0
6	Western area water supply loan	35,000,000	0
7	Possible environmental protection agency litigation	1,000,000	0
8	Housing incentive fund	0	30,000,000
9	Possible federal agency litigation	0	1,000,000
10	Department of mineral resources housing allowance	0	400,000
11	Core library - architect services	0	25,000
12	Temperature profiles study	0	50,000
13	Wide-bed plotter	<u>0</u>	<u>5,800</u>
14	Total all funds	\$38,299,400	\$31,560,800
15	Total special funds	<u>10,000,000</u>	<u>0</u>
16	Total general fund	\$28,299,400	\$31,560,800

17 The 2013-15 one-time funding amounts are not a part of the entity's base budget for the
 18 2015-17 biennium. The industrial commission shall report to the appropriations committees of
 19 the sixty-fourth legislative assembly on the use of this one-time funding for the biennium
 20 beginning July 1, 2013, and ending June 30, 2015.

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

25	North Dakota university system	\$10,436,045
26	North Dakota university system - energy conservation projects	491,397
27	Department of corrections and rehabilitation	1,289,450
28	State department of health	642,688
29	Job service North Dakota	540,376
30	Adjutant general	28,586
31	Information technology department - ConnectND	2,504,100

1	Office of management and budget	665,272
2	Office of attorney general	765,851
3	State historical society	1,392,337
4	Parks and recreation department	73,627
5	Research and extension service	571,400
6	Veterans' home	<u>408,840</u>
7	Total	\$19,809,969

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

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

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

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

29 **SECTION 8. TRANSFER - BANK OF NORTH DAKOTA - AGRICULTURE PARTNERSHIP**
30 **IN ASSISTING COMMUNITY EXPANSION.** The Bank of North Dakota shall transfer the sum of
31 \$2,000,000, or so much of the sum as may be necessary, from the Bank's current earnings and

1 undivided profits to the agriculture partnership in assisting community expansion fund during the
2 period beginning with the effective date of this Act and ending June 30, 2015.

3 **SECTION 9. TRANSFER - BANK OF NORTH DAKOTA - BIOFUELS PARTNERSHIP IN**
4 **ASSISTING COMMUNITY EXPANSION.** The Bank of North Dakota shall transfer the sum of
5 \$2,000,000, or so much of the sum as may be necessary, from the Bank's current earnings and
6 undivided profits to the biofuels partnership in assisting community expansion fund during the
7 period beginning with the effective date of this Act and ending June 30, 2015.

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

13 **SECTION 11. APPROPRIATION - TRANSFER - GENERAL FUND TO HOUSING**
14 **INCENTIVE FUND.** There is appropriated out of any moneys in the general fund in the state
15 treasury, not otherwise appropriated, the sum of \$30,000,000, or so much of the sum as may be
16 necessary, which the office of management and budget shall transfer to the housing incentive
17 fund for the period beginning with the effective date of this Act and ending June 30, 2015. The
18 funding provided in this section is considered a one-time funding item.

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

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

28 1. During the 2013-14 interim, the department of commerce shall conduct a study to
29 evaluate value-added market opportunities related to renewable energy resources and
30 oil and gas.

1 2. The department of commerce shall cooperate with the energy policy commission in
2 conducting this study.

3 3. The department of commerce shall report its findings and recommendations to the
4 legislative management before September 1, 2014.

5 **SECTION 14. LIGNITE RESEARCH, DEVELOPMENT, AND MARKETING PROGRAM -**

6 **LIGNITE MARKETING FEASIBILITY STUDY.** The amount of \$4,500,000, or so much of the
7 amount as may be necessary, included in the grants and special funds appropriation line item in
8 subdivision 1 of section 1 of this Act, is from the lignite research fund for the purpose of
9 contracting for an independent, nonmatching lignite marketing feasibility study or studies that
10 determine those focused priority areas where near-term, market-driven projects, activities, or
11 processes will generate matching private industry investment and have the most potential of
12 preserving existing lignite production and industry jobs or that will lead to increased
13 development of lignite and its products and create new lignite industry jobs and economic
14 growth for the general welfare of this state. Moneys appropriated pursuant to this section may
15 also be used for the purpose of contracting for nonmatching studies and activities in support of
16 the lignite vision 21 program; for litigation that may be necessary to protect and promote the
17 continued development of lignite resources; for nonmatching externality studies and activities in
18 externality proceedings; or other marketing, environmental, or transmission activities that assist
19 with marketing of lignite-based electricity and lignite-based byproducts. Moneys not needed for
20 the purposes stated in this section are available to the commission for funding projects,
21 processes, or activities under the lignite research, development, and marketing program.

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

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

- 1 1. The oil and gas research council is composed of ~~eight~~seven members, four of whom
2 must currently be engaged in and have at least five years of active experience in the
3 oil and natural gas exploration and production industry. The council consists of:
- 4 a. Four members appointed by the governor from a list provided by the North
5 Dakota petroleum council. The governor may reject the list and request the
6 council to submit a new list until the appointments are made.
- 7 b. One member appointed by the governor from a list provided by the North Dakota
8 association of oil and gas producing counties. The governor may reject the list
9 and request the association to submit a new list until the appointment is made.
- 10 c. The executive director of the North Dakota petroleum council or the executive
11 director's designee.
- 12 d. ~~The president of the northern alliance of independent producers or the~~
13 ~~president's designee.~~
- 14 e. A county commissioner from an oil producing county appointed by the governor.
- 15 f.e. The director of the oil and gas division and the state geologist shall serve on the
16 council as advisory nonvoting members.

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

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

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

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

27 **57-51.1-07. Allocation of moneys in oil extraction tax development fund.**

28 Moneys deposited in the oil extraction tax development fund must be transferred monthly by
29 the state treasurer as follows:

- 30 1. Twenty percent must be allocated and credited to the sinking fund established for
31 payment of the state of North Dakota water development bonds, southwest pipeline

1 series, and any moneys in excess of the sum necessary to maintain the accounts
2 within the sinking fund and for the payment of principal and interest on the bonds must
3 be credited to a special trust fund, to be known as the resources trust fund. The
4 resources trust fund must be established in the state treasury and the funds therein
5 must be deposited and invested as are other state funds to earn the maximum amount
6 permitted by law which income must be deposited in the resources trust fund. Five
7 percent of the amount credited to the resources trust fund must be transferred
8 quarterly into the renewable energy development fund, not to exceed three million
9 dollars per biennium. One-half of one percent of the amount credited to the resources
10 trust fund must be transferred quarterly into the energy conservation grant fund. The
11 principal and income of the resources trust fund may be expended only pursuant to
12 legislative appropriation and are available to:

- 13 a. The state water commission for planning for and construction of water-related
14 projects, including rural water systems. These water-related projects must be
15 those which the state water commission has the authority to undertake and
16 construct pursuant to chapter 61-02; and
17 b. The industrial commission for the funding of programs for development of energy
18 conservation and renewable energy sources; for studies for development of
19 cogeneration systems that increase the capacity of a system to produce more
20 than one kind of energy from the same fuel; for studies for development of waste
21 products utilization; and for the making of grants and loans in connection
22 therewith.

23 2. Twenty percent must be allocated to the common schools trust fund and foundation
24 aid stabilization fund as provided in section 24 of article X of the Constitution of North
25 Dakota.

26 3. Thirty percent must be allocated to the legacy fund as provided in section 26 of
27 article X of the Constitution of North Dakota.

28 4. Thirty percent must be allocated and credited to the state's general fund.

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

1 **57-51.1-07.3. Oil and gas research fund - Deposits - Continuing appropriation.**

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

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

14 **SECTION 21. LEGISLATIVE INTENT - ADMINISTRATIVE RULES - RESERVE PITS.** It is
15 the intent of the sixty-third legislative assembly that the industrial commission's department of
16 mineral resources oil and gas division include in its next administrative rules review and revision
17 process, the effect of provisions included in North Dakota Administrative Code section
18 43-02-03-19.5 relating to reserve pits for drilling mud and drill cuttings from shallow wells drilled
19 and completed outside of the Bakken and Three Forks formations for the biennium beginning
20 July 1, 2013, and ending June 30, 2015.

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