

REQUESTED AMENDMENTS TO HB 1014: INDUSTRIAL COMMISSION

SECTION 1. APPROPRIATION:

INDUSTRIAL COMMISSION/PFA

1. **Separate DMR budget from Office of Industrial Commission/PFA, move to subdivision 2 and renumber accordingly**

Rationale:

- Increased transparency
- Growing workload of the Office of Industrial Commission

2. **Increase Office of Industrial Commission/PFA FTE authorization from 6.75 to 9.75¹**

Rationale:

- One FTE for PFA
 - The Executive Director is eligible to retire in 2024. To assure a smooth transition for the next agency leader and afford them time to learn the role, an additional FTE is requested for the second year of the biennium. Included in this request for the FTE are salary and benefits along with travel, professional development, computer, and other necessary equipment.
- Two FTEs for Office of the Industrial Commission
 - One grants administrator and one administrative assistant are needed
 - The Office carries out the duties of the Industrial Commission, including coordinating over 36 public meetings each year, serving as the contracting office for the Commission's programs, and managing over \$268 million in grant projects.
 - Workload for the Office of the Industrial Commission continues to grow. Over 630 grant requests are currently processed by the Office each year.
 - As the Commission looks to increase access and responsiveness for the public, additional efforts are needed to increase amount of special grant rounds and digitize records and processes
 - Proposals introduced during the 68th Legislative Session would increase the duties of the Industrial Commission, including:
 - 1369: Fertilizer Development Fund
 - 1379: Includes \$30 million appropriation for CSEA
 - 2089: Flare mitigation incentive grant program
 - 2161: Increased investments in SERC; Commission manages contract
 - 2165: Includes \$300 million appropriation for CSEA
 - Rare-earth element study amendment
 - Salt cavern study amendment

¹ +1 FTE from Governor's recommendation due to anticipated increased responsibilities from 68th legislative session proposals

3. Appropriation of \$2,505,622 for salary and wages for Office of Industrial Commission/PFA²

Rationale:

- 1 Deputy Director FTE for PFA, 1 grants administrator and 1 administrative assistant for Industrial Commission

4. Add \$35,688 to Office/PFA operating expenses for inflationary costs³

Rationale:

- Inflationary costs for IT data processing, professional development, equipment, software licenses, travel, and office space lease
 - \$20,305 for Office of Industrial Commission
 - \$15,383 for PFA

5. Add \$30,000 to capital assets for PFA accounting software

Rationale:

- Costs to upgrade PFA accounting software

6. Add \$400,000 to Office of Industrial Commission operating expenses for Transmission Authority contract⁴

Rationale:

- Growing importance and need for Transmission Authority
 - Over 100 GW of baseload power generation retiring, less than 10% will be replaced
- Challenged by increasing power demand with decreasing baseload power generation, increased transmission congestion
 - Holding back future energy growth potential for North Dakota
- Need to ensure North Dakota's position is represented at the regional and national level
 - Representation on MISO and SPP
- Resource for state and local agencies
 - NDIC, PSC, Commerce, counties, etc.

7. Add \$12,400 to Office of Industrial Commission operating expenses for travel during the 2023-2025 biennium⁵

² +1 FTE from Governor's recommendation

³ Differs from Governor's recommendation, which placed inflationary costs under one-time funding

⁴ Differs from Governor's recommendation, which placed contract under one-time funding

⁵ Was not included in Governor's recommendation

Rationale:

- Planned travel costs, including 4 national conferences, 10 state conferences, and other statewide meetings

8. Add \$50,000 to Office of Industrial Commission capital assets for meeting management software

Rationale:

- More efficient management of over 30 public meetings per year
- Increased transparency and quicker response time

DEPARTMENT OF MINERAL RESOURCES

9. Add \$791,942 for 3 Carbon Capture Underground Storage program FTEs (included in Executive Recommended budget) and \$62,460 for an emergency measure

Rationale:

- 2 FTE geologists and 1 FTE petroleum engineer Inspector
 - \$715,134 salaries and wages
 - \$45,777 ongoing operating
 - \$31,031 one-time operating
- Emergency clause allows for immediate hiring and includes two months of additional expenses:
 - \$59,595 salaries and wages
 - \$2,865 operating (motor pool/taxable meals)
- Growing interest in CCUS permits; over 120 hours per permit application
- Increase response time

10. Add \$205,844 for a Paleo Laboratory Technician FTE (included in Executive Recommended budget)

Rationale:

- 1 FTE geologist
 - \$167,102 salaries and wages
 - \$29,508 ongoing operating
 - \$9,234 one-time operating
- Accommodates growing public interest in public fossil dig program

11. Add \$296,657 for a Critical Minerals Geologist FTE (included in Executive Recommended budget)

Rationale:

- 1 FTE critical minerals geologist

- \$216,028 salaries and wages
- \$70,495 ongoing operating
- \$10,134 one-time operating
- Expanding research and sample collection of critical minerals

12. Add \$284,589 for a Subsurface Geologist FTE⁶

Rationale:

- 1 FTE subsurface geologist
 - \$239,390 salaries and wages
 - \$35,565 ongoing operating
 - \$9,634 one-time operating
- Expanding program, increasing public response and access to subsurface geology info used by industries and researchers

13. Add \$72,616 for Records Management 0.5 FTE (included in Executive Recommended budget)

Rationale:

- 0.5 FTE records management
 - \$66,334 salaries and wages
 - \$3,163 ongoing operating
 - \$3,119 one-time operating
- Moving existing part-time employee to full-time, adding records management to duties

14. Add \$90,000 for temporary employee salaries appropriation⁷

Rationale:

- Temporary salaries at the Wilson M. Laird Core and Sample Library

15. Add \$204,122 for base line salary changes (included in Executive Recommended budget)

Rationale:

- Cost to continue increase \$167,219
- Transfer operating expenses to salaries \$6,907
- Increase federal funding \$29,996

16. Add \$886,868 as ongoing operating expenses for inflationary costs⁸

Rationale:

⁶ Not included in Governor's recommendation

⁷ Not included in Governor's recommendation

⁸ Differs from Governor's recommendation, which placed inflationary costs under one-time funding and includes \$65,412 of fleet rate increases from DOT changing fleet rate guidelines AFTER budgets were submitted.

- Inflationary costs for motor pool, mileage, IT costs, and rent – predominantly (over \$800,000) due to the fleet rate increase from \$0.23/mile in the 2021-23 biennium to \$0.56/mile in the 2023-25 biennium
 - \$68,532 for Geological Survey; \$818,336 for Oil and Gas Division

17. Appropriation of \$83,648 in one-time costs for IT equipment (included in Executive Recommended budget)

Rationale:

- One-time costs for updating computers, drones, and printer/scanners
 - \$65,648 operating
 - \$18,000 capital assets

18. Appropriation of \$310,000 for computer server transition with emergency measure⁹

Rationale:

- Transition agency data storage and website services to NDITD-hosted cloud solution
 - \$230,000 ongoing operating
 - \$80,000 one-time capital asset

19. Appropriation of \$100,000 for core and mineral analysis¹⁰

Rationale:

- To provide continued core and mineral laboratory rock analysis

20. Appropriation of \$167,350 in operating costs for professional development¹¹

Rationale:

- \$105,000 for IOGCC dues
- \$62,350 for employee training costs

21. Add (\$3,764) for base line operating changes (included in Executive Recommended budget)

Rationale:

- ITD rate increases \$3,143
- Transfer operating expenses to salaries (\$6,907)

⁹ Emergency measure was not included in Governor’s recommendation

¹⁰ Differs from Governor’s recommendation, which placed analysis under one-time funding

¹¹ Not included in Governor’s recommendation

BANK OF NORTH DAKOTA

22. Appropriation of \$74,860,232 for operating costs

Appropriation of \$1,510,000 for capital assets

Total proposed appropriation of \$76,370,232

Rationale:

- Increase of \$7,553,686 to account for additional employees and rising costs in health care; continuation of legislative salary increases; IT enhancements; and vendor inflation.
- BND has experienced substantial increases in the loan portfolio and administered loan programs. Since 2019, the loan portfolio is up 18% with commercial participations increasing by 54%. BND's total loan portfolio now exceeds \$5.4 Billion. Legislatively Directed programs continues to increase with assets up 27% to \$904 million since 2019.

23. Appropriation of BND Capital for PACE and other programs supported by BND

- 60 million for PACE programs
- \$5.0 million for the Agriculture Product Utilization Commission
- \$1.5 million to support the North Dakota Small Business Development Center
- \$1.5 million to support dual credit scholarships

HOUSING FINANCE AGENCY

24. Add 6 FTEs¹²

2 FTE for Compliance - \$437,816

Rationale:

- Mortgage, state and federal regulations across all programs
- Financial institution standard – one compliance/auditor per every \$400 million in average daily assets – NDHFA has \$1.8 billion in assets.
- Currently have one person allocating part of time.
- Must ensure compliance to not jeopardize bond and agency ratings by Moody's, meet investor criteria, and federal regulations.
- Small staff in this area has been cited by Moody's as a detriment.
- The Governor's budget recommendation included one position. HFA requests the second position be included - \$218,908.

2 FTE for Business Analysts - \$466,592

Rationale:

- Increasing complex IT specific to mortgages and federal programs.
- Meet technology needs to provide efficiency for our business partners and citizens.
- Important for insuring IT systems support compliance with regulations.

¹² Differs from Governor's recommendation of adding 3 FTEs

- Succession planning to ensure continued support for vital systems due to upcoming retirements for these specialized positions.

2 FTE for Mortgage Loan Specialists - \$328,272

Rationale:

- Currently 10 FTEs servicing 11,494 loans = employee to loan ratio of 1:1,149
- Private market employee to loan ration standard is 1:850.
- Adding 2 FTEs NDHFA employee to loan ratio will be 1:958.
- Based on the Housing Needs Assessment – business estimated to increase through 2025 due to large population entering or in prime homebuying age.
- NDHFA requests these positions be included to have a more manageable workload
- The Governor’s budget recommendation did not include these two positions. HFA requests the two positions be included - \$328,272.

25. Appropriation of \$12,853,050 for salaries and wages¹³

Rationale:

- \$1,232,680 for six additional FTEs detailed in item 1.
- \$716,072 for the Governor’s salary increase package.
- \$267,478 for the health insurance premium increase.
- \$954,010 for the cost to continue salary adjustment to accommodate adjustments caused by turnover, equity adjustments and succession planning.
- \$84,538 transfer from Dept of Commerce for ESG program.
- \$42,000 temporary salary for succession planning – not included in the Governor’s recommendation. HFA requests it be included.

26. Appropriation of \$10,903,883 for operating expenses¹⁴

Rationale:

- \$4,531,830 for increase in the home loan programs including SRP premium, loan loss and other direct costs associated with the purchase and servicing of mortgage loans.
- \$62,803 transfer from Dept of Commerce for ESG program.
- \$34,548 base changes from OMB for shared software and service rates
- \$165,642 for inflation and rate increases for operating expenses including equipment, office rent, supplies and training. This amount was not included in the Governor’s recommendation. HFA requests it be included.

¹³ Differs from Governor’s Recommendation

¹⁴ Differs from Governor’s Recommendation

27. Appropriation of \$20,000 for capital assets

Rationale:

- \$(150,000) decrease for software purchases.
- \$20,000 for equipment greater than \$5,000. Expected copier purchase.

28. Appropriation of \$47,875,322 for grants

Rationale:

- \$1,147,341 transfer from Dept of Commerce for ESG program.
- \$1,330,212 transfer from Dept of Commerce for ND Homeless Grant.
- \$1,949,910 increase of federal grants including HOME-ARP and an increase in Contract Administration rental assistance.
- \$380,000 increase for agency grants for housing rehab.
 - Meet Agency mission of providing safe affordable housing.
 - Meet issues identified in the Statewide Housing Needs Assessment
 - Increase is based on financial analysis.
 - Takes into account the Agency requested FTE, salary, and operations requests.

29. Appropriation of \$100,000 for HFA contingency

Rationale:

- \$0 change from base.

MILL AND ELEVATOR ASSOCIATION

30. Increase North Dakota Mill FTE authorization from 156 to 170.

Rationale:

- Three (3) FTEs to add a second shift grain cleaning crew.
 - Increased production capacity has required an additional 25,000 bushels of wheat be mixed and transferred to the mills each day.
- Three (3) FTEs for equipment maintenance – mechanic, electrician, equipment oiler.
 - Recent addition of two new milling units have increased the amount of equipment to be maintained.
- Three (3) FTEs for Midds Storage & Handling Facility (currently under construction)
 - Upon completion of construction (2/2024 scheduled completion date), 3 employees are needed to allow for 24/7 running of the facility.
- Five (5) FTEs to convert milling department from a 3-shift operation to a 4-shift operation.
 - 4th shift adoption would require 3 Millers, 1 Assistant Miller, 1 Grain Cleaner
 - Milling department runs 24/7 usually 6 to 7 days per week.
 - Reduces overtime within the department.
 - Offers a better work life balance to our employees.
 - Many of our new hires are not wanting to work overtime or more than five days per week.

31. Appropriation of \$57,565,044 for salaries and wages

Rationale:

- 3.25% wage increases per our labor union agreement.
 - Our current labor union agreement is negotiated through 6/30/2025. We have agreed to 3.25% or the legislative appropriated wage increase, whichever is greater.
 - Appropriations requested for this line item is \$2,314,183.
 - If the legislative appropriated amount is greater than 3.25%, we would need additional funds appropriated to our salary and wages.
- Increase in funding for overtime.
 - NDM budgets to run our facility 24/7 for 7 days per week.
 - With wage increases, the cost of overtime increases.
 - NDM has incurred more overtime due to the increase in milling capacity.
 - Appropriation requested for this line item \$1,352,923.
- Three (3) FTEs to add a second shift grain cleaning crew.
 - Appropriation requested for this line item \$475,578.
- Three (3) FTEs for equipment maintenance – mechanic, electrician, equipment oiler.
 - Appropriation requested for this line item \$560,422.
- Three (3) FTEs for Midds Storage & Handling Facility (currently under construction)
 - Appropriation requested for this line item \$468,246.
- Five (5) FTEs to convert milling department from a 3-shift operation to a 4 shift operation.
 - Appropriation requested for this line item \$863,086.
- NDM does not have the increase in employee health insurance in this appropriation request.

32. Add \$5,569,550 to operating expenses due to inflation and business growth.

Rationale:

- Inflationary increase of 9% used across all operating expense categories.
- NDM completed the addition of two new milling units (H & I units) and the conversion of the D unit, resulting in an increase of 11,000 cwts of flour production daily.
- Additional increases in expense categories due to other factors
 - Utilities
 - WAPA is increasing rates over 15% starting 1/1/2023.
 - Natural gas prices have increased dramatically.
 - 2023-2025 biennium is the first full biennium with the increased capacity of the H & I milling units.
 - Maintenance & Repairs
 - Adding more equipment relates to higher maintenance and repair costs.
 - Insurance

- Inflation has increased the value of the property that we are required to cover.
- Expansions have increased our insurance coverage values.
- Food safety issues continue to rise in the industry.
- Property insurance rates continue to remain high with all the natural disasters occurring worldwide.

SECTION 2. ONE-TIME FUNDING

1. Add \$8,623,893 of one-time funding for Infrastructure Investment and Jobs Act Grant Funding and Match

Rationale:

- \$7,499,037 in federal grant dollars for 2023-2025 biennium
- \$1,124,856 state match required

2. \$1.25 million one-time funding for grant management software, charged back to grant programs

Rationale:

- Convert existing paper processes to electronic management
- Would increase responsiveness to grantees and reduce opportunities for mistakes
- Increasing workload, over 630 requests processed per year

3. \$226,800 appropriated DMR one-time funding consists of:

Rationale:

- \$31,031 Carbon Capture Underground Storage program FTEs (Sec. 1, #8)
- \$9,234 Paleo Laboratory Technician FTE (Sec. 1, #9)
- \$10,134 Critical Minerals Geologist FTE (Sec. 1, #10)
- \$9,634 Subsurface Geologist FTE (Sec. 1, #11)
- \$3,119 Records Management 0.5 FTE (Sec. 1, #12)
- \$83,648 for IT equipment (Sec. 1, #16)
- \$80,000 for computer server transition (Sec. 1, #17)

SECTION 5. TRANSFER – ENTITIES UNDER THE CONTROL OF THE INDUSTRIAL COMMISSION TO INDUSTRIAL COMMISSION FUND

1. Change sum to \$3,208,613¹⁵

Rationale:

- \$1,958,613 to accommodate Commission’s requested FTEs and administrative services
- \$1.25 million one-time funding for grants management software charged back to grant programs

SECTION 6. TRANSFER – BANK OF NORTH DAKOTA PROFITS TO GENERAL FUND

1. Remove Section 6 from HB 1014

Rationale:

- Allow BND to retain profits, which allows the Bank to increase their services to North Dakota, increase borrowing, etc.

NEW SECTIONS.

1. \$5,000,000 from legacy earnings fund for iPipe Program

Rationale:

- Development of new and emerging technologies for detecting and preventing pipeline leaks
- Through oil and gas research program

2. \$50 million from legacy earnings fund and \$500 million from SIIF for Clean Sustainable Energy Authority

Rationale:

- Continue CSEA with \$50 million for grants, \$500 million for loans

3. Continue \$20 million in hydrogen ARPA funding for next biennium

Rationale:

- Allow appropriated ARPA funds to continue into next biennium

4. General fund one-time transfer of \$250,000 to the fossil restoration fund (included in Executive Recommended budget)

¹⁵ Differs from Governor’s recommendation

Rationale:

- Excavation and restoration of fossils for display in North Dakota museums and public venues
 - \$100,000 towards fossil exhibits in towns across the state
 - \$150,000 finish preparation work on Dakota-the mummified hadrosaur

5. General fund one-time transfer of additional \$20,000 to the fossil restoration fund with an emergency measure (not included in Executive Recommended budget)

Rationale:

- Walhalla exhibit originally planned at \$3,000 but now requesting a larger exhibit and to be available by July for a planned event.

6. Exemption allowing unexpended \$3.2 million of water conversion program to carry-over

Rationale:

- Federal appropriation granted under Senate Bill 2345, Section 1(2) from the state disaster relief fund for abandoned oil well conversion to water supply program
- Can obligate funds through 12/31/2024 and expend funds through 12/31/2026

7. Exemption allowing unexpended \$2.5 million of initial grant plugging and reclamation program to carry-over

Rationale:

- Federal appropriation granted during Budget Section Committee for the purpose of orphaned well site plugging, remediation, and reclamation program
- Can obligate funds through 10/01/2023 and expend funds through 04/01/2024

8. Exemption allowing unexpended \$800,000 of survey review-ordinary high-water mark to carry-over

Rationale:

- Funding granted during 65th Legislative Assembly and carried over for the purpose of expert legal testimony associated with the ordinary high water mark survey
- Unexpended funds available for expert legal testimony associated with the survey review until June 30, 2025

9. TRANSFER STRATEGIC INVESTMENT AND IMPROVEMENTS FUND TO OIL AND GAS RESEARCH FUND. The office of management and budget shall transfer the sum of \$25,000,000 from the strategic investment and improvements fund to the oil and gas research fund during the biennium beginning July 1, 2023, and ending June 30, 2025.

10. OIL AND GAS RESEARCH FUND – UNDERGROUND ENERGY STORAGE STUDY - REPORT TO LEGISLATIVE MANAGEMENT Pursuant to the continuing appropriation under section 57-51.1-07.3, the industrial commission shall use up to \$25,000,000, or so much of the sum as may be

necessary, from the oil and gas research fund to contract with the State Energy Research Center for a salt cavern underground energy storage study. The study must include construction of up to two salt caverns in geological formations in North Dakota for the development of underground storage of energy resources, including natural gas, liquified natural gas, natural gas liquids, and hydrogen. The State Energy Research Center may collaborate with other entities as needed on the study. Prior to contracting with the State Energy Research Center, the commission must receive from at least one nonstate entity assurance of financial or other types of support that demonstrate a commitment to the study. The State Energy Research Center shall provide quarterly reports to the industrial commission and at least one report to the legislative management regarding the results and recommendations of the study.

11. CRITICAL MINERALS AND RARE EARTH MINERALS RESEARCH FUNDING. \$4.5 million dollars are appropriated to the State Energy Research Center (SERC) to broadly evaluate prospective in-state natural resources for the occurrence of economically viable accumulations of critical minerals, including rare-earth elements and other high-value minerals and/or materials that may be amenable to extraction and enrichment. SERC shall work through the North Dakota Geological Survey to conduct an independent, nonmatching critical minerals and rare earth minerals exploration drilling study and with active mineral lessors and developers in carrying out all evaluation efforts. SERC is directed to look broadly at in-state mineral accumulations, including but not limited to coals, ore bodies, oil and gas accumulations, oil and gas produced waters, saltwater zones, shales, etc.

12. EMERGENCY MEASURES. Items #8 and #17 under Section 1, and item #2 under Section 6 are declared to be emergency measures.

Rationale:

- Sec. 1, item #8, allows for immediate hiring and includes two months of additional expenses:
 - \$59,595 salaries and wages
 - \$2,865 operating (motor pool/taxable meals)
- Sec. 1, item #17, allows for immediate start of server transition to NDITD-hosted cloud solution.
 - \$230,000 ongoing operating
 - \$80,000 one-time capital asset
- Sec. 6, item #2, allows for immediate start of Walhalla exhibit to meet deadline of planned event. \$20,000 one-time operating

13. Add \$25 million transfer from legacy earnings fund to the housing incentive fund

Rationale:

- Included in Governor's recommendation to fund HIF

14. Suspend transfer of fifty percent of the annual profits from the Mill and Elevator to the general fund for the period beginning July 1, 2023, and ending June 30, 2025.

Rationale:

- NDM has invested \$123.3 million in capital projects over the past seven (7) fiscal years.
- NDM has \$41.3 million in capital projects currently under construction with an estimated additional \$15 million to be approved in the near future.
- Suspension of transfers would allow paydown of debt at a more rapid pace.
 - Bank of North Dakota Debt 6/30/2022 (end of FY '22)
 - Line of Credit (100M) - \$68M advanced
 - Term Note (40M) - \$32,747,937
 - Bank of North Dakota Debt 12/31/2022 – (2nd Qtr FY '23)
 - Line of Credit (125M) – \$78M advanced
 - Term Note (40M) - \$30,887,894
 - Construction Note (40M) - \$6,869,636
- Interest rates have risen dramatically.
 - Line of Credit Interest Rate 12/31/2021 – 1.75%
 - Line of Credit Interest Rate 12/31/2022 – 4.86%
 - Line of Credit Interest Rate 1/01/2023 – 5.92%

15. Allow Mill and Elevator gain-sharing program to be approved without a transfer to the general fund for the period beginning July 1, 2023, and ending June 30, 2025.

Rationale:

- NDM gain-sharing program is essential for employee retention.
- Gain-sharing is designed to incentivize our employees to work toward common goals.
 - Profitability
 - Safety
 - Yield
 - Productivity
 - Operating and Cost Efficiencies
- Gain-sharing is a tool we use to help us compete with the wages offered by the private sector.
- Gain-sharing is an important benefit to entice our employees to work the overtime required to run our facility 24/7 for 6 to 7 days per week.