

Industrial Commission
Budget No. 405
Senate Bill Nos. 2014 and 2134; House Bill Nos. 1020 and 1347

	FTE Positions	General Fund	Other Funds	Total
2017-19 legislative appropriations	110.25	\$25,408,987	\$22,293,206	\$47,702,193
2017-19 base budget	116.75	24,957,746	16,994,447	41,952,193
Legislative increase (decrease) to base budget	(6.50)	\$451,241	\$5,298,759	\$5,750,000

ONGOING AND ONE-TIME GENERAL FUND APPROPRIATIONS

	Ongoing General Fund Appropriation	One-Time General Fund Appropriation	Total General Fund Appropriation
2017-19 legislative appropriations	\$25,408,987	\$0	\$25,408,987
2015-17 adjusted legislative appropriations	24,957,746	7,718,143	32,675,889
2017-19 legislative increase (decrease) to 2015-17 adjusted appropriations	\$451,241	(\$7,718,143)	(\$7,266,902)
Percentage increase (decrease) to 2015-17 adjusted appropriations	1.8%	(100.0%)	(22.2%)

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

Salaries and Wages

The Legislative Assembly did not include funding for employee salary increases.

Changes to Base Budget

	FTE Positions	General Fund	Other Funds	Total
The legislative action:				
Added funding for base payroll changes for cost-to-continue 2015-17 biennium salaries and benefit increases and for other base payroll changes.		\$66,741	\$82,522	\$149,263
Added funding for employee health insurance premiums to reflect a revised premium rate of \$1,240.83 per month.		292,009	18,582	310,591
Removed 8.5 FTE positions, including 6.5 FTE engineering technician positions and 2 FTE administrative assistant positions. (A portion of the funding for these positions was removed as part of the August 2016 budget reductions.)	(8.50)	(577,999)		(577,999)
Added funding for contingent FTE engineering technician positions.	2.00	221,737		221,737

Added funding for operating expenses primarily related to travel, information technology software and services, and professional services.	448,753	78,000	526,753
Reduced funding for bond payments, from \$15,040,829 to \$13,210,484.		(1,830,345)	(1,830,345)
Added one-time funding from the strategic investment and improvements fund for litigation costs.		1,000,000	1,000,000
Added one-time funding from the resources trust fund for an independent study of the feasibility and desirability of the sale or lease of the industrial water supply assets of the Western Area Water Supply Authority (HB 1020).		150,000	150,000
Added one-time funding from the abandoned oil and gas well plugging and site reclamation fund for brine pond and soil remediation studies (HB 1347).		5,000,000	5,000,000
Added one-time funding from the strategic investment and improvements fund for contracting with a qualified engineering and surveying firm to conduct a limited review of Army Corps of Engineers surveys (SB 2134).		800,000	800,000
Total	<u>(6.50)</u>	<u>\$451,241</u>	<u>\$5,298,759</u>
		<u>\$5,750,000</u>	

FTE Changes

The Legislative Assembly approved 110.25 FTE positions for the Industrial Commission for the 2017-19 biennium, a decrease of 6.5 FTE positions from the 2015-17 biennium authorized level of 116.75 FTE positions. The Legislative Assembly removed 6.5 FTE engineering technician positions and 2 FTE administrative assistant positions and added 2 contingent FTE engineering technician positions.

One-Time Funding

One-time appropriations for the 2017-19 biennium for the Industrial Commission include the following:

	General Fund	Other Funds	Total
Litigation (strategic investment and improvements fund)	\$0	\$1,000,000	\$1,000,000
Western Area Water Supply Authority study (resources trust fund)	0	150,000	150,000
Brine pond and soil reclamation studies (abandoned oil and gas well plugging and site reclamation fund)	0	5,000,000	5,000,000
Limited review of Army Corps of Engineers surveys (strategic investment and improvements fund)	0	800,000	800,000
Total	\$0	\$6,950,000	\$6,950,000

Lignite Research Funding

Advanced energy technology research and development - Advanced energy technology research and development includes projects related to carbon dioxide capture and sequestration as well as projects related to the Allam Cycle. Section 15 of Senate Bill No. 2014 provides a transfer of \$3 million from the strategic investment and improvements fund to the lignite research fund for the 2017-19 biennium. The section also identifies the funding for advanced energy technology research and development and requires grant recipients to provide matching funds. Section 21 reduces the allocation of coal severance tax allocations to the coal development trust fund from 30 to 15 percent and provides an allocation of 15 percent to the lignite research fund for developing advanced energy technology. The allocation changes provide additional funding for advanced energy technology research and development. Section 26 provides a statement of intent allowing advanced energy technology development projects to apply for funding from the renewable energy development fund.

Lignite research grants - Section 25 of Senate Bill No. 2014 provides an exemption for lignite research grants to allow any unexpended 2015-17 biennium funds to be available during the 2017-19 biennium. Section 27 provides that up to \$4.5 million of the lignite research funding is available for studies, projects, marketing programs, lignite-related litigation costs, the Lignite Vision 21 Project, and other lignite-related activities. House Bill No. 1152 changes the allocation of the state's share of oil and gas tax revenue to provide an allocation of up to \$3 million to the lignite research fund.

Please refer to the **TRUST FUND ANALYSES** section of this report for an analysis of the lignite research fund.

Lease Payments

The Legislative Assembly provided \$13,210,484 from funds received from agencies for lease payments on outstanding bonded indebtedness, a decrease of \$1,830,345 from the 2013-15 biennium appropriation of \$15,040,829. The following schedule lists the 2015-17 and 2017-19 biennium lease payments:

	2015-17 Biennium	2017-19 Biennium	Increase (Decrease)
Higher education institutions	\$8,368,836	\$6,605,326	(\$1,763,510)
North Dakota University System energy conservation projects	491,161	491,500	339
Department of Corrections and Rehabilitation - State Penitentiary	1,279,524	1,158,679	(120,845)
Department of Corrections and Rehabilitation energy conservation projects	16,206	16,285	79
State Department of Health	637,940	636,877	(1,063)
Job Service North Dakota	427,131	428,100	969
Office of Management and Budget	664,952	665,411	459
Attorney General	765,483	766,012	529
State Historical Society	1,391,668	1,392,629	961
Parks and Recreation Department	73,592	73,642	50
Research and Extension Service	571,126	571,520	394
Veterans' Home	353,210	404,503	51,293
Total	\$15,040,829	\$13,210,484	(\$1,830,345)

Other Sections in Senate Bill No. 2014

Health insurance increase - Section 2 identifies the amount of funding included in the agency budget for state employee health insurance premium rate increases during the 2017-19 biennium.

Bond payments - Section 4 provides legislative intent for bond payments, and Section 6 provides appropriation authority, subject to Emergency Commission approval, for bond issuances during the 2017-19 biennium.

Contingency funding and FTE positions - Section 7 provides \$221,737 from the general fund and 2 FTE positions are contingent based on the number of wells in the state capable of production or injection. The funding and FTE positions are authorized, subject to Budget Section approval, if the total number of wells capable of production and injection exceeds 18,200 wells.

Administration funding - Section 8 allows the Industrial Commission to transfer up to \$1,103,779 from special funds from the entities under the control of the Industrial Commission for administrative services. Section 24 provides an exemption and allows any unspent 2015-17 biennium appropriations for administrative costs to continue in the 2017-19 biennium.

Litigation expenses - Section 16 identifies \$1 million in the estimated income line item from the strategic investment and improvements fund for litigation expenses.

Lakebed sedimentation study - Section 29 requires the Industrial Commission, in consultation with the Game and Fish Department, the State Department of Health, the State Water Commission, and any other state agencies as necessary, to study lakebed sedimentation and to report the results to the Legislative Management.

Related Legislation

House Bill No. 1003 - Section 5 authorizes the Attorney General to submit litigation-related expenses to the Industrial Commission, which are to be paid from litigation funding available to the Industrial Commission, for expenses incurred by the Attorney General as a result of the protests and related activities associated with the Dakota Access Pipeline project.

House Bill No. 1020 - Section 11 appropriates \$150,000 from the resources trust fund to the Industrial Commission to conduct an independent study of the feasibility and desirability of the sale or lease of the industrial water supply assets of the Western Area Water Supply Authority. The Industrial Commission is required to report the findings to the Water Topics Overview Committee by June 1, 2018.

House Bill No. 1151 - Clarifies that operators are not required to provide reports to the Industrial Commission related to fluid spills of 10 barrels or less when the spills are contained on the well pad.

House Bill No. 1152 - Changes the allocation of the state's share of oil and gas tax revenue to provide an allocation of up to \$3 million to the lignite research fund.

House Bill No. 1347 - Authorizes \$5 million from the abandoned oil and gas well plugging and site reclamation fund for restoration projects related to pipelines and facilities that were abandoned or inadequately reclaimed before August 1, 1983, and for demonstration projects related to reclamation. This bill includes an appropriation of \$5 million from the abandoned oil and gas well plugging and site reclamation fund for brine pond and remediation studies and designates \$500,000 under the continuing appropriation from the oil and gas research fund to continue a study of pipeline leak detection technology.

Senate Bill No. 2134 - Provides \$800,000 from the strategic investment and improvements fund for the Industrial Commission to contract with a qualified engineering and surveying firm to conduct a limited review of the Army Corps of Engineers survey.

Senate Bill No. 2333 - Requires any land disturbed by oil and gas activity to be reclaimed as close as possible to its original condition and allows the Industrial Commission to waive the requirement.