

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 appropriation	110.25 ¹	\$25,408,987	\$22,293,206	\$47,702,193
2015-17 legislative appropriation	<u>116.75</u>	<u>32,675,889²</u>	<u>30,619,769</u>	<u>63,295,658</u>
2017-19 appropriation increase (decrease) to 2015-17 appropriation	(6.50)	(\$7,266,902)	(\$8,326,563)	(\$15,593,465)

¹The 2017-19 biennium authorized FTE positions include 2 contingent FTE positions that are authorized in Section 7 of 2017 Senate Bill No. 2014. See the **Contingent FTE positions** section below for additional information.

²The 2015-17 legislative appropriation amount includes \$7,718,413 of one-time funding from the general fund. Excluding this amount, the agency's ongoing general fund appropriation is \$24,957,476.

Item Description

FTE changes - The Legislative Assembly approved 110.25 FTE positions for the Industrial Commission for the 2017-19 biennium, a decrease of 6.50 FTE positions from the 2015-17 biennium authorized level of 116.75 FTE positions. The Legislative Assembly removed 6.50 FTE engineering technician positions and 2 FTE administrative assistant positions and added 2 contingent FTE engineering technician positions.

Contingent FTE positions - The Legislative Assembly provided a contingent appropriation of \$221,737 from the general fund and authorized up to 2 additional FTE positions for the Department of Mineral Resources for the 2017-19 biennium. The appropriation and positions are contingent upon the total number of wells capable of production and injection exceeding 18,200 wells.

Lignite research grants - The 2015 Legislative Assembly provided \$5 million of one-time funding from the general fund for Lignite Research Council grants; however, the appropriation was reduced by \$327,500 during the August 2016 special legislative session. Section 25 of Senate Bill No. 2014 provides an exemption for the lignite research grants to allow any unexpended 2015-17 biennium funds to be available during the 2017-19 biennium.

Section 27 of Senate Bill No. 2014 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 (2017) 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.

Status/Result

The Industrial Commission removed 6 FTE engineering technician positions, 1 FTE administrative assistant position, and 1.5 office assistant positions. The positions were vacant at the time of removal.

As of March 31, 2018, the positions were not filled, and none of the related funding was spent because the contingency was not met. The Industrial Commission anticipates the total number of wells capable of production and injection will exceed 18,200 in the fall of 2018.

The Industrial Commission spent \$2,313,822 of the \$4,672,500 during the 2015-17 biennium, and the remaining \$2,358,678 is available in the 2017-19 biennium. Of the \$2,358,678, the Industrial Commission spent \$1,922,942 through April 15, 2018. The Industrial Commission anticipates the entire \$2,358,678 will be spent by the end of the 2017-19 biennium.

The Industrial Commission has contracted with the Lignite Energy Council to assist with management of the Lignite Vision 21 Project. The original objective of the Lignite Vision 21 Project was to construct new lignite-fired power plants in North Dakota; however, the project is now focused on the development of advanced energy technology related to lignite resources. The Industrial Commission is in the process of determining the amounts to be designated for litigation, project management, and other planning services from the \$4.5 million identified as nonmatching funds. Through March 31, 2018, the commission has spent \$405,508 of the \$4.5 million related to litigation and project management.

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.

One-time funding - The 2017 Legislative Assembly provided one-time funding of \$6,950,000 from other funds as follows:

- \$1,000,000 from the strategic investment and improvements fund for litigation expenses (Senate Bill No. 2014).
- \$150,000 from the resources trust fund for a Western Area Water Supply Authority study (House Bill No. 1020).
- \$5,000,000 from the abandoned oil and gas well plugging and site reclamation fund for brine pond and soil reclamation studies (House Bill No. 1347).
- \$800,000 from the strategic investment and improvements fund for a limited review of Army Corps of Engineers surveys (Senate Bill No. 2134).

The \$3 million was transferred from the strategic investment and improvements fund. The funding was committed to a grant project, and \$780,000 was spent as of April 15, 2018.

The estimates for the additional funding related to the changes to the coal severance tax allocations are the same as the estimates prepared at the close of the 2017 legislative session.

The following is a summary of the status of the Industrial Commission's one-time funding:

Litigation expenses - \$1,000,000	As of April 15, 2018, the Industrial Commission spent \$524,330. The Industrial Commission anticipates spending the remaining \$475,670 by the end of the 2017-19 biennium.
Western Area Water Supply Authority study - \$150,000	The Industrial Commission spent \$118,000 through April 15, 2018, and anticipates the remaining \$32,000 will be spent by the end of the 2017-19 biennium. The results of the study will be presented to the Water Topics Overview Committee in June 2018.
Brine pond and soil reclamation studies - \$5,000,000	Through April 15, 2018, the Industrial Commission spent \$3,057,542 with the remaining \$1,942,458 anticipated to be spent by the end of the biennium. The results of the study will be presented to the Energy Development and Transmission Committee before September 30, 2018.
Review of Army Corps of Engineers surveys - \$800,000	The Industrial Commission spent \$199,031 through April 15, 2018. The initial review was completed in May 2018, but the Industrial Commission is in the process of requesting additional review work from the consultant. The total expenditures for the review are anticipated to be less than \$800,000.

Pipeline leak detection technology - Section 3 of 2017 House Bill No. 1347 directed the Industrial Commission to use \$500,000 from the oil and gas research fund to contract with the Energy and Environmental Research Center to continue a study of pipeline leak detection technology.

North Dakota Building Authority lease payments limitation - North Dakota Century Code Section 54-17.2-23 limits the general fund amount of lease payments associated with capital construction projects financed by the North Dakota Building Authority for a biennium to 10 percent of an amount collected from an equivalent 1 percent sales, use, and motor vehicle excise tax.

As of April 15, 2018, the Industrial Commission has disbursed \$226,000 to the Energy and Environmental Research Center. The results of the study will be presented to the Natural Resources Committee before September 30, 2018.

Based on the 2017 legislative forecast, sales, use, and motor vehicle excise tax collections total \$2,104.9 million for the 2017-19 biennium, including the general fund share of \$1,921.8 million and the state aid distribution fund share of \$183.1 million. As a result, the maximum statutory general fund amount of lease payments for the 2017-19 biennium totals approximately \$42.1 million. The estimated general fund debt service requirement for the 2017-19 biennium is approximately \$11.5 million, which is \$30.6 million less than the limit.

The estimated debt service limit for the 2019-21 biennium is approximately \$43.4 million, which reflects a 3 percent increase in sales, use, and motor vehicle excise tax collections for the 2019-21 biennium compared to the 2017 legislative revenue forecast for the 2017-19 biennium. The general fund debt service requirement for the 2019-21 biennium is estimated to total approximately \$9 million, which is \$34.4 million less than the limit. This amount will change when the legislative revenue forecast is complete for the 2019-21 biennium.

The 2017 Legislative Assembly did not provide for any capital projects funded through bonded indebtedness that affect the bonding limit for the 2017-19 biennium. The \$11.5 million of debt service required for the 2017-19 biennium is approximately \$200,000 less than the estimate at the close of the 2017 legislative session, and the \$9 million required for the 2019-21 biennium is approximately \$1 million less than the estimate at the close of the 2017 legislative session. The reduction is related to bond refunding (refinancing for municipal bonds) in November 2017.