

**Industrial Commission
Budget No. 405
House Bill No. 1014**

	FTE Positions	General Fund	Other Funds	Total
2019-21 legislative appropriations	112.25	\$27,449,198	\$17,993,790	\$45,442,988
2019-21 base budget	110.25	25,408,987	15,343,206	40,752,193
Legislative increase (decrease) to base budget	2.00	\$2,040,211	\$2,650,584	\$4,690,795

ONGOING AND ONE-TIME GENERAL FUND APPROPRIATIONS

	Ongoing General Fund Appropriation	One-Time General Fund Appropriation	Total General Fund Appropriation
2019-21 legislative appropriations	\$27,254,198	\$195,000	\$27,449,198
2017-19 legislative appropriations	25,408,987	269,408 ¹	25,678,395 ¹
2019-21 legislative increase (decrease) to 2017-19 appropriations	\$1,845,211	(\$74,408)	\$1,770,803
Percentage increase (decrease) to 2017-19 appropriations	7.3%	(27.6%)	6.9%

¹The 2017-19 biennium general fund appropriations reflect a deficiency appropriation of \$269,408 in Senate Bill No. 2024. See the **Deficiency Appropriations** section below for additional information.

SUMMARY OF LEGISLATIVE CHANGES TO THE BASE BUDGET AND MAJOR FUNDING ITEMS
Changes to Base Budget

	FTE Positions	General Fund	Other Funds	Total
The legislative action:				
Adjusted funding for base payroll changes.		(\$163,450)	\$40,140	(\$123,310)
Added funding to provide employee salary increases of 2 percent on July 1, 2019, with a minimum monthly increase of \$120 and a maximum monthly increase of \$200, and 2.5 percent on July 1, 2020.		678,183	42,842	721,025
Added funding for employee health insurance premiums to reflect a revised premium estimate of \$1,426.74 per month.		504,216	31,234	535,450
Adjusted funding for 2017-19 contingent FTE positions by transferring \$221,737 from the contingencies line item to the salaries and wages line item and by adding \$40,464 to fully fund the positions during the 2019-21 biennium.		40,464		40,464

Added funding for contingent FTE engineering technician positions.	2.00	229,544		229,544
Added funding for operating expenses primarily related to travel and building leases (\$264,503), computer replacements (\$70,400), Microsoft Office 365 licensing (\$81,196), and operating expenses associated with 2 contingent FTE positions that were authorized in the 2017-19 biennium (\$108,240).		556,254	(31,915)	524,339
Reduced funding for bond payments, from \$13,210,484 to \$10,508,767.			(2,701,717)	(2,701,717)
Added one-time funding from the general fund for temporary employees who will record historical information to provide guidance to current and future employees.		175,000		175,000
Added one-time funding from the general fund for a transfer to the high-level radioactive waste fund in Section 5 of House Bill No. 1014.		20,000		20,000
Added one-time funding from the strategic investment and improvements fund for a rare earth elements study (\$160,000) and a fracturing sand study (\$110,000).			270,000	270,000
Added one-time funding from the abandoned oil and gas well plugging and site reclamation fund for an information technology project related to an oil database.			5,000,000	5,000,000
Total	<u>2.00</u>	<u>\$2,040,211</u>	<u>\$2,650,584</u>	<u>\$4,690,795</u>

FTE Changes

The Legislative Assembly approved 112.25 FTE positions for the Industrial Commission for the 2019-21 biennium, an increase of 2 FTE positions from the 2017-19 biennium authorized level of 110.25 FTE positions. The Legislative Assembly added 2 contingent FTE engineering technician positions.

Deficiency Appropriations

Senate Bill No. 2024 provides a deficiency appropriation of \$269,408 from the general fund to the Industrial Commission for litigation expenses related to various lawsuits associated with oil and gas regulatory disputes and other environmental issues.

One-Time Funding

One-time appropriations for the 2019-21 biennium for the Industrial Commission include the following:

	General Fund	Other Funds	Total
Temporary employees	\$175,000		\$175,000
Transfer to high-level radioactive waste fund	20,000		20,000
Rare earth elements study (strategic investment and improvements fund)		\$160,000	160,000
Fracturing sand study (strategic investment and improvements fund)		110,000	110,000
Information technology project (abandoned oil and gas well plugging and site reclamation fund)		5,000,000	5,000,000
Total	\$195,000	\$5,270,000	\$5,465,000

Lease Payments

The Legislative Assembly provided \$10,508,767 from funds received from agencies for lease payments on outstanding bonded indebtedness, a decrease of \$2,701,717 from the 2017-19 biennium appropriation of \$13,210,484. The following schedule lists the 2017-19 and 2019-21 biennium lease payments:

	2017-19 Biennium	2019-21 Biennium	Increase (Decrease)
Higher education institutions	\$6,605,326	\$4,959,448	(\$1,645,878)
North Dakota University System energy conservation projects	491,500	415,664	(75,836)
Department of Corrections and Rehabilitation - State Penitentiary	1,158,679	689,299	(469,380)
Department of Corrections and Rehabilitation energy conservation projects	16,285	16,180	(105)
State Department of Health	636,877	644,884	8,007
Job Service North Dakota	428,100	434,847	6,747
Office of Management and Budget	665,411	567,125	(98,286)
Attorney General	766,012	647,500	(118,512)
State Historical Society	1,392,629	1,177,875	(214,754)
Parks and Recreation Department	73,642	66,875	(6,767)
Research and Extension Service	571,520	483,337	(88,183)
Veterans' Home	404,503	405,733	1,230
Total	\$13,210,484	\$10,508,767	(\$2,701,717)

Lignite Research Funding

Lignite research grants - Section 28 of House Bill No. 1014 designates \$4.5 million from the lignite research fund for lignite marketing studies, the Lignite Vision 21 program, or possible lignite-related litigation, which may be spent without industry matching funds. Section 30 provides legislative intent for lignite litigation expenses from the lignite research fund. House Bill No. 1066 changes the allocation of the state's share of oil and gas tax revenue to increase the biennial allocation to the lignite research fund by \$7 million, from \$3 million to \$10 million.

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

Other Sections in House Bill No. 1014

Bond payments - Section 3 provides legislative intent for bond payments during the 2019-21 biennium.

High-level radioactive waste fund - Section 5 appropriates \$20,000 from the general fund and requires the Office of Management and Budget to transfer the funding to the high-level radioactive waste fund.

Contingent FTE positions - Section 7 provides contingent authorization for 2 FTE positions. The positions and related funding are available, subject to Budget Section approval, if the total number of wells capable of production and injection exceeds 20,800 wells.

Administration funding - Section 8 allows the Industrial Commission to transfer up to \$1,172,603 of special funds from the entities under the control of the Industrial Commission for administrative services. Section 26 provides an exemption and allows any unspent 2017-19 biennium appropriations for administrative costs to continue in the 2019-21 biennium.

Strategic investment and improvements fund - Section 16 provides a contingent transfer of up to \$40 million of excess oil and gas tax revenues from the strategic investment and improvements fund to the infrastructure revolving loan fund. Section 17 identifies \$270,000 from the strategic investment and improvements fund for a rare earth element study and a fracturing sand study.

Abandoned oil and gas well plugging and site reclamation fund - Section 18 identifies \$5 million from the abandoned oil and gas well plugging and site reclamation fund for an information technology project. Section 22 limits the oil and gas tax revenue allocations to the abandoned oil and gas well plugging and site reclamation fund by decreasing the fund balance limit by \$50 million, from \$100 million to \$50 million.

Oil and gas research fund - Section 19 identifies \$300,000 from the oil and gas research fund for a study regarding the recycling of produced water and requires a report to the Legislative Management. Section 25 increases 2019-21 biennium oil and gas tax revenue allocations to the oil and gas research fund by \$6 million, from \$10 million to \$16 million, and requires the Industrial Commission to use \$6 million from the oil and gas research fund to contract with the Energy and Environmental Research Center for pilot projects relating to the underground storage of produced natural gas.

North Dakota outdoor heritage fund - Section 24 decreases the oil and gas tax revenue allocations to the North Dakota outdoor heritage fund from \$20 million per fiscal year to \$7.5 million per fiscal year, but only for the 2019-21 biennium.

Survey review exemption - Section 27 provides an exemption allowing the Industrial Commission to continue unspent prior biennium appropriation authority for a survey review during the 2019-21 biennium.

Lignite research fund - Section 28 designates \$4.5 million from the lignite research fund for lignite marketing studies, the Lignite Vision 21 program, or possible lignite-related litigation, which can be spent without industry matching funds. Section 30 provides legislative intent for lignite litigation expenses from the lignite research fund.

Related Legislation

Senate Bill No. 2037 - Establishes a radioactive waste disposal site regulatory program administered by the Industrial Commission.

Senate Bill No. 2123 - Clarifies the requirements for plugging and reclaiming well sites to include pipeline facilities and saltwater handling facilities.

Senate Bill No. 2249 - Provides a continuing appropriation to the Industrial Commission to distribute funding to a state energy research center for energy and environmental research projects.

Senate Bill No. 2297 - Authorizes the North Dakota Building Authority to issue up to \$100 million of bonds for various capital projects at institutions of higher education.

Senate Bill No. 2344 - Authorizes the Industrial Commission to regulate the underground storage of produced natural gas and carbon dioxide.