

**Department of Environmental Quality
Budget No. 303
House Bill No. 1024 and Senate Bill No. 2395**

	FTE Positions	General Fund	Other Funds	Total
2023-25 legislative appropriation	173.00	\$15,822,024 ¹	\$101,936,886 ²	\$117,758,910 ³
2021-23 legislative appropriation	<u>166.00</u>	<u>13,661,075⁴</u>	<u>46,969,930</u>	<u>60,631,005</u>
2023-25 appropriation increase (decrease) to 2021-23 appropriation	7.00	\$2,160,949	\$54,966,956	\$57,127,905

¹This amount includes \$187,800 of one-time funding. Excluding this amount, the agency's ongoing general fund appropriation is \$15,634,224.

²This amount includes \$26,796,794 of one-time funding from federal and special funds. Excluding this amount, the agency's ongoing other funds appropriation is \$75,140,092.

³This amount does not include any transfers of appropriation authority from the Office of Management and Budget (OMB) funding pools for targeted market equity adjustments, retirement contribution increases, or new and vacant FTE positions.

⁴This amount includes \$1,000,000 of one-time funding. Excluding this amount, the agency's ongoing general fund appropriation is \$12,661,075.

Item Description

Full-time equivalent changes - The Legislative Assembly approved 173 FTE positions for the Department of Environmental Quality (DEQ) for the 2023-25 biennium, an increase of 7 FTE positions from the 2021-23 biennium, as follows:

FTE Position Description	FTE Position	General Fund	Other Funds	Total
Natural resource services III position	1.00		\$218,662	\$218,662
Engineering and planning services VI positions	2.00		511,284	511,284
Human resource director position	1.00	\$89,410	166,046	255,456
Assistant director position	1.00	122,397	227,309	349,706
Civil rights and environmental justice position	1.00	76,533	142,131	218,664
Accountant budget specialist III position	1.00	76,466	142,010	218,476
Total	7.00	\$364,806	\$1,407,442	\$1,772,248

Status/Result

The status of the new FTE positions approved for DEQ are as follows:

FTE Position Description	Status
1 FTE natural resource services III position	Anticipate filling as a chemist III position when the laboratory experiences an increase in lead and copper sample testing, likely in the 2 nd year of the biennium.
2 FTE engineering and planning services VI positions	One position was filled as an environmental engineer III position in October 2022 and the other was filled as an environmental scientist III position in December 2022. These positions were originally approved by the Budget Section in June 2022.
1 FTE human resource director position	Filled November 2023.
1 FTE assistant director position	Vacant as of April 2024.
1 FTE civil rights and environmental justice position	Filled December 2022. This position was originally approved by the Budget Section in June 2022.
1 FTE accountant budget specialist III position	Filled January 2024.

Targeted market equity and reclassification of chemist and environmental scientist positions - The Legislative Assembly appropriated \$82.5 million, including \$45.1 million from the general fund and \$37.4 million from other funds, to OMB for a targeted market equity pool to be distributed to state agencies. In addition to targeted market equity allocated to DEQ by OMB, the Legislative Assembly appropriated \$2 million from the general fund for equity

The department received \$1,530,403 for targeted market equity increases, of which \$683,387 was from the general fund, and \$847,016 was from other funds. Equity increases were provided to 105 employees. The \$2,000,000 provided from the general fund to reclassify chemist and environmental scientist positions was distributed to address salary compression issues and was allocated to 123 positions.

funding for salaries and wages to reclassify chemist and environmental scientist positions.

New and vacant FTE funding pool - The Legislative Assembly reduced the 2023-25 biennium appropriation authority for DEQ by \$3,743,544, of which \$947,910 was from the general fund and \$2,795,634 was from other funds for the new and vacant FTE funding pool. The reduction included \$1,772,248 for new FTE positions and \$1,971,296 for estimated vacant salary savings.

One-time funding - The Legislative Assembly, in Sections 2 and 3 of House Bill No. 1024, identified \$26,984,594 of one-time funding for the 2023-25 biennium as follows:

	General Fund	Other Funds	Total
Chemistry laboratory inflation	\$116,800		\$116,800
Federal Infrastructure Investment and Jobs Act (IIJA) municipal facilities revolving loan fund administration		\$177,350	177,350
Drinking water program portal		325,000	325,000
Environmental data systems upgrade	71,000	1,294,444	1,365,444
Lead pipe removal and clean water project grants		25,000,000	25,000,000
Total	\$187,800	\$26,796,794	\$26,984,594

The department has not requested funding from the new and vacant FTE funding pool. Through January 2024, DEQ had estimated vacant FTE position savings of \$1,055,071. The department used \$43,189 of the savings for other purposes, including accrued leave payouts, extra overtime funding, and temporary pay increases. Vacancies in the department have ranged from 13 to 20 FTE positions with an average monthly vacancy rate of 16.57 FTE positions.

The following is a summary of DEQ's one-time funding items:

Chemistry laboratory inflation	The department anticipates funding provided for chemistry laboratory inflation will be expended during the biennium.
IIJA municipal facilities revolving loan fund administration	The IIJA administration funding included \$22,350 for operating expenses related to information technology and office equipment and \$155,000 of capital assets funding for equipment for the chemistry laboratory. The department has spent minimal funding for information technology and office equipment for one temporary staff member and is reviewing additional needs. The department anticipates using the capital assets funding to purchase an inductively coupled plasma-mass spectrometer by December 2024.
Drinking water program portal	The IIJA administration funding also included \$325,000 for operating expenses related to information technology contract services to update the drinking water portal to accept lead service line reports. The department is in the process of finalizing a contract for the first part of the drinking water portal upgrade but due to timing of ongoing projects, anticipates funding may need to be continued into the 2025-27 biennium.
Environmental data systems upgrade	The department was appropriated \$1,365,444 for one-time environmental data system upgrades. The package included four separate projects. The first project was for a pollution discharge elimination system program totaling \$535,444. This project contract was signed in March 2024 and the department anticipates the project will be completed in the current biennium. The second project is for an ambient water quality data tracking system for \$180,000. The department has issued a request for proposal and is in the process of evaluating the responses. The department anticipates the project to be completed in the current biennium. The third project is to upgrade the solid waste database at a cost of \$600,000. The department received the federal award for the project. The project is in the planning stage and will be started in the current biennium, but will likely extend into the 2025-27 biennium. The final project is for an accounting division electronic document management system budgeted at \$50,000. The department is currently evaluating available options. Due to cost increases,

Lead pipe removal and clean water project grants	<p>the department may need to request carryover authority and additional funding during the 2025-27 biennium to complete the project.</p> <p>In Section 3 of House Bill No. 1024, the Legislative Assembly provided \$25 million of one-time funding from federal funds to DEQ for grants to political subdivisions with a population of 10,000 or less for lead pipe removal and other projects eligible for funding from the clean water state revolving loan fund. A federal funding source was not identified and the department does not anticipate federal funding will become available. Therefore, no expenditures related to this appropriation are anticipated.</p>
--	---

Infrastructure Investment and Jobs Act municipal facilities and lead and copper programs - The Legislative Assembly, in House Bill No. 1024, appropriated \$21 million for grants related to IJJA municipal facilities and lead and copper programs.

Through March 2024 the department has been awarded IJJA grants totaling approximately \$20,200,000, including funding for brownfields (\$469,140), water quality management (\$93,000), solid waste infrastructure for recycling (\$693,192), and emerging contaminant in small or disadvantaged communities (\$18,914,000). The department is in the process of subawarding the emerging contaminant in small or disadvantaged communities grant funding to the Northeast Regional Water District and the East Central Regional Water District. The department is also in the process of allocating additional IJJA funding received by state revolving fund programs. The IJJA funds disbursed through the state revolving fund programs are administered by the Bank of North Dakota, in cooperation with the Public Finance Authority, and are not part of the department's appropriation.

Laboratory information management (LIM) system project carryover - The Legislative Assembly, in Section 8 of House Bill No. 1024, allowed the department to continue unexpended one-time funding provided during the 2021-23 biennium for the LIM system project.

In 2021, the Legislative Assembly provided \$1 million of one-time funding from the general fund to replace the chemistry laboratory's existing LIM system. Of the \$1 million from the general fund appropriated for the LIM system, DEQ continued \$405,176 of general fund authority into the 2023-25 biennium. Through March 2024, the department has spent \$216,876, for a total of \$811,700 for the LIM system project. The department was testing the system and in the process of moving the system to production in March 2024, when a vendor configuration issue caused a delay. As a result, the production date has been delayed until October 2024, after the summer sample season. The department anticipates completing the project during the 2023-25 biennium at a total of cost of approximately \$1.1 million. The department will reallocate funding from within its budget for the additional costs.

United States Department of Justice and Volkswagen Corporation settlement - In October 2017 the environmental mitigation trust was finalized as part of a nationwide settlement. Funding from the trust was made available to all states and is intended to mitigate the negative air quality impacts caused by Volkswagen Corporation's installation and use of emissions testing defeat devices in their vehicles in the United States. These devices violated the federal Clean Air Act and increased air emissions of the pollutant nitrogen oxide. North

Because DEQ was in the process of drafting the mitigation plan and preparing documents related to changing the name on the settlement from the State Department of Health to DEQ, there were no expenditures related to the settlement during the 2017-19 biennium. During the 2019-21 biennium, expenditures totaled \$1.6 million for eligible medium and large trucks, eligible buses, and electric vehicle charging stations. During the 2021-23 biennium, expenditures totaled \$4.6 million for eligible medium and large trucks, eligible

Dakota's share of the trust was \$8,125,000, without interest. The State Department of Health was designated to receive the funds by the Governor's office.

New laboratory building space - The Legislative Assembly, in House Bill No. 1004 (2023), the appropriation bill for the Department of Health and Human Services (DHHS) - Public Health Division, provided \$55.12 million from the federal State Fiscal Recovery Fund for a new laboratory building to be shared by DHHS and DEQ during the 2023-25 biennium. Section 14 of the bill provided an exemption to allow DHHS to continue any unexpended funding provided from the State Fiscal Recovery Fund during the 2021 special legislative session for the public health laboratory capital project. The section provided any unexpended funds remaining of the \$15 million one-time funding appropriation are available for the public health laboratory capital project during the 2023-25 biennium, to provide a total of \$70.12 million from the State Fiscal Recovery Fund for the project. In addition, Section 12 of the bill established a Laboratory Building Steering Committee and required the committee to include representation from DHHS, DEQ, OMB, the Governor's office, and the Legislative Assembly.

buses, and electric vehicle charging stations. The department has obligated \$2.2 million for eligible medium and large trucks and eligible buses during the 2023-25 biennium, for a total of \$8.4 million. To date, funds have been provided for eligible large trucks (\$4.9 million), eligible medium trucks (\$300,000), eligible buses (\$2.1 million), and electric vehicle charging stations (\$1.1 million). The department is in the process of closing the account and additional funds may be available after interest and fees are finalized.

The department has been participating in steering committee meetings and the new laboratory building is expected to be completed in early 2026. The new laboratory will increase DEQ's chemistry laboratory space, from approximately 14,000 square feet to approximately 50,000 square feet, and will accommodate more equipment. Due to the increase in square footage, DEQ is anticipating higher operating costs when it moves into the new chemistry laboratory. In addition to a request for one-time moving costs, estimated to be as much as \$3 million, DEQ will request additional 2025-27 biennium funding for projected increases in ongoing operating costs of the new laboratory.

The department indicated an energy savings contract related to the old laboratory building, will have a balance remaining of just over \$1.06 million at the end of 2023-25 biennium. The department is uncertain who will pay the remaining balance of the energy savings contract when the old laboratory building is vacated.