

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

	<b>FTE Positions</b>	<b>General Fund</b>	<b>Other Funds</b>	<b>Total</b>
2023-25 legislative appropriation <sup>1</sup>	9.75	\$4,424,856 <sup>2</sup>	\$131,386,713	\$135,811,569 <sup>3</sup>
2021-23 legislative appropriation	<u>108.25</u>	<u>51,595,873</u>	<u>197,569,185</u>	<u>249,165,058</u>
2023-25 appropriation increase (decrease) to 2021-23 appropriation	(98.50)	(\$47,171,017)	(\$66,182,472)	(\$113,353,489)

<sup>1</sup>The 2023 Legislative Assembly provided a separate appropriation for the Department of Mineral Resources; therefore, the 2023-25 legislative appropriation amounts do not include funding for the Department of Mineral Resources. Prior to the 2023-25 biennium, funding for the Department of Mineral Resources was included with the Industrial Commission.

<sup>2</sup>The amount shown includes \$4,424,856 of one-time funding and \$0 of ongoing funding from the general fund.

<sup>3</sup>The 2023-25 legislative appropriation does not include any transfers of appropriation authority from the Office of Management and Budget funding pools for targeted market equity adjustments, retirement contribution increases, or new and vacant FTE positions.

**Item Description**

**Full-time equivalent changes** - The Legislative Assembly approved 9.75 FTE positions for the Industrial Commission for the 2023-25 biennium, a decrease of 98.50 FTE positions. The Legislative Assembly transferred 101.5 FTE positions from the Industrial Commission to the Department of Mineral Resources to separate the agencies and added 1 FTE grant administrator position, 1 FTE deputy director position for the Public Finance Authority, and 1 FTE administrative assistant position.

**Targeted market equity** - The Legislative Assembly appropriated \$82.5 million, including \$45.1 million from the general fund and \$37.4 million from other funds, to the Office of Management and Budget for a targeted market equity pool to be distributed to state agencies.

**New and vacant FTE funding pool** - The Legislative Assembly reduced the 2023-25 biennium other funds appropriation authority for the Industrial Commission by \$520,943 for the new and vacant FTE funding pool, of which \$490,562 is for new FTE positions and \$30,381 is for vacant FTE position savings.

**Lignite research grants** - Section 16 of House Bill No. 1014 designates up to \$4.5 million from the lignite research fund for lignite marketing studies, advanced energy technology, or possible lignite-related litigation, which may be spent without industry matching funds.

**Status/Result**

Of the 3 new FTE positions, 1 FTE grant administrator position was filled in December 2023. The Industrial Commission anticipates filling the remaining 2 new FTE positions in July 2024, including 1 FTE deputy director position and 1 FTE administrative assistant position.

The Industrial Commission received \$1,490 of other funds authority for targeted market equity increases; however, the Industrial Commission did not identify a need to provide any targeted market equity increases due to the minimal amount of funding available.

Through January 2024, the Industrial Commission received \$150,743 of other funds authority from the new and vacant FTE funding pool for 1 new FTE position and reported estimated vacant FTE position savings of \$60,000, related to an average of two vacancies, ranging from one to two vacancies, for the first 7 months of the 2023-25 biennium. Of the \$60,000, the Industrial Commission used \$1,312 for additional salary increases.

The Industrial Commission has contracted with the Lignite Energy Council to assist with management of the Lignite Vision 21 Project and the enhance, preserve, and protect initiative. The objective of the Lignite Vision 21 Project was to construct new lignite-fired power plants in North Dakota; however, the council is now focused on enhancing, preserving, and protecting the lignite industry. Through March 31, 2024, the Industrial Commission has committed \$3,723,608 for nonmatching lignite projects with \$0 spent for the projects.

**One-time funding** - The 2023 Legislative Assembly provided one-time funding of \$13,596,691 as follows:

- \$12,110 from other funds for equipment for new FTE positions;
- \$110,688 from other funds for operating expenses related to record digitization (\$75,000) and inflationary costs (\$35,688);
- \$300,000 from the general fund for North Dakota Transmission Authority consulting expenses;
- \$8,623,893, including \$1,124,856 from the general fund and \$7,499,037 from federal funds, for an electric grid resilience grant;
- \$1,250,000 from other funds for grant management software; and
- \$300,000 from other funds for carbon capture and utilization education and marketing.

**Clean Sustainable Energy Authority** - The 2021 Legislative Assembly created the Clean Sustainable Energy Authority in Senate Bill No. 2014 and amended the authority in House Bill No. 1015. The authority recommends financial support from the clean sustainable energy fund for low-emission energy technology projects. The Industrial Commission administers the fund and has continuing appropriation authority to provide grants, loans, and other financial assistance as recommended by the authority. For the 2021-23 biennium, the Legislative Assembly provided \$45 million for the clean sustainable energy fund, including \$25 million from the general fund and \$20 million from the federal State Fiscal Recovery Fund designated for hydrogen development projects. The Legislative Assembly also authorized the authority to borrow up to \$250 million from the Bank of North Dakota to support loans or loan guarantees from the clean sustainable energy fund. For the 2023-25 biennium, the Legislative Assembly provided \$60 million from the strategic investment and improvements fund (SIIF) for the clean sustainable energy fund, including \$30 million for grants and \$30 million to repay a line of credit and provide funding for loans. The Legislative Assembly also authorized an increase to the line of credit by \$140 million allowing the authority to borrow up to \$390 million from the Bank of North Dakota to support loans or loan guarantees from the clean sustainable energy fund. The Industrial Commission is required to request a deficiency appropriation from the Legislative Assembly if the funds available in the clean sustainable energy fund are insufficient to repay the loan from the Bank on June 30, 2025.

**Fertilizer development incentive program** - House Bill No. 1546 (2023) authorized the creation of a fertilizer development incentive program to provide \$125 million of loan forgiveness upon the completion of a fertilizer development plant which produces fertilizer using hydrogen produced by the electrolysis of water. The authority shall request an appropriation from SIIF or other funding sources to repay any outstanding amounts borrowed.

The following is a summary of the status of the one-time funding:

Description	Appropriation	Spending through March 2024
Equipment for new FTE positions	\$12,110	\$757
Operating expenses	\$110,688	\$20,585
North Dakota Transmission Authority consulting expenses	\$300,000	\$87,500
Electric grid resilience grant	\$8,623,893	\$10,400
Lignite litigation expenses	\$3,000,000	\$133,639
Grant management software	\$1,250,000	\$0
Carbon capture and utilization education and marketing	\$300,000	\$0

The Industrial Commission anticipates all of the one-time funding will be spent by the end of the biennium.

In July 2023, the Clean Sustainable Energy Authority approved \$8.5 million for grants and \$237.5 million for loans to support low-emission energy technology projects. The Industrial Commission anticipates additional grant and loan funding may be approved during the 2023-25 biennium, but the amounts are unknown.

In March 2024, the Industrial Commission approved a fertilizer development project by NextEra under the \$125 million loan forgiveness program.

**Underground energy storage research project** - Section 15 of House Bill No. 1014 transfers \$6 million from SIF to the State Energy Research Center fund and identifies \$5.3 million from the State Fiscal Recovery Fund and requires the Industrial Commission to distribute the funding to the State Energy Research Center for an underground energy storage research project to construct up to two salt caverns. Section 24 amends an appropriation from the State Fiscal Recovery Fund approved during the November 2021 special legislative session to allow the funding to be used for an underground energy storage research project.

**Public Finance Authority bonding authorization** - House Bill No. 1431 (2021) authorized the Public Finance Authority to issue up to \$680 million of bonds to support infrastructure projects and programs and appropriated the bond proceeds to the Bank of North Dakota for distribution. The Public Finance Authority issued appropriation bonds which are not subject to the bonding limits associated with the North Dakota Building Authority under North Dakota Century Code Section 54-17.2-23. The bonds have a term of 20 years, and are anticipated to be repaid, subject to legislative appropriations, using legacy fund earnings transferred to a legacy sinking and interest fund. Of the \$680 million of bond proceeds, \$435.5 million is for the Fargo diversion project, \$74.5 million is for a transfer to the resources trust fund for repayment of outstanding loans of the Western Area Water Supply Authority, \$50 million is for the infrastructure revolving loan fund, \$70 million is for a transfer to the highway fund for highway bridge projects and matching federal funds, and \$50 million is for a North Dakota State University agriculture products development center, including a Northern Crops Institute project.

In December 2021 and July 2022, the Public Finance Authority issued a total of \$710,115,000 of bonds to support infrastructure projects and programs authorized by the Legislative Assembly (\$680,000,000) and capitalized interest and other costs (\$30,115,000). The repayments for the bonds are approximately \$102,600,000 per biennium.

**North Dakota Building Authority lease payments limitation** - 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.

The Industrial Commission has not distributed any funding to the State Energy Research Center for the underground energy storage research project through March 2024. However, the research project is anticipated to be completed with construction of one salt cavern by June 2025.

House Bill No. 1014 includes an appropriation of \$102,620,461 from the legacy sinking and interest fund for the bond payments due during the 2023-25 biennium.

Based on the 2023 legislative forecast, sales, use, and motor vehicle excise tax collections total \$2.79 billion for the 2023-25 biennium before adjustments for allocations to the flexible transportation fund, state aid distribution fund, and county aid distribution fund. As a result, the maximum statutory general fund amount of lease payments for the 2023-25 biennium totals \$55.9 million. The estimated general fund debt service requirement for the 2023-25 biennium is \$12.7 million, which is \$43.2 million less than the limit.

The estimated debt service limit for the 2025-27 biennium is \$58.1 million, based on a 4 percent increase in sales, use, and motor vehicle excise tax collections for the 2025-27 biennium compared to the 2023 legislative revenue forecast for the 2023-25 biennium. The general fund debt service requirement for the 2025-27 biennium is estimated to total \$10.2 million, which is \$47.9 million less than the limit. This estimate may change when the legislative revenue forecast is complete for the 2025-27 biennium.