

**Department of Environmental Quality  
Budget No. 303  
Senate Bill Nos. 2024 and 2267; House Bill No. 1577**

	FTE Positions	General Fund	Other Funds	Total
2025-27 legislative appropriation	175.00	\$18,975,236 <sup>1</sup>	\$122,839,637	\$141,814,873
2023-25 legislative appropriation	<u>173.00</u>	<u>16,538,583</u>	<u>102,871,491</u>	<u>119,410,074</u>
2025-27 appropriation increase (decrease) to 2023-25 appropriation	2.00	\$2,436,653	\$19,968,146	\$22,404,799

<sup>1</sup>This amount includes \$99,500 of one-time funding. Excluding this amount, the agency's ongoing General Fund appropriation is \$18,875,736.

**Item Description**

**Full-time equivalent changes** - The Legislative Assembly approved 175 FTE positions for the Department of Environmental Quality (DEQ) for the 2025-27 biennium, an increase of 2 FTE positions from the 2023-25 biennium authorized level of 173 FTE positions. The Legislative Assembly added 2 FTE chemist positions to establish the State Fuel Inspection Program and the Emerging Contaminants Program for water testing.

**New and vacant FTE pool** - The Legislative Assembly transferred \$2,290,870 for the new and vacant FTE pool line item for DEQ for 2 new FTE positions (\$428,222) and estimated savings from vacant positions (\$1,862,648).

**One-time funding** - The Legislative Assembly, in House Bill No. 1577, Senate Bill No. 2267, and Section 2 of Senate Bill No. 2024, identified \$15,237,886 of one-time funding for the 2025-27 biennium as follows:

	General Fund	Other Funds	Total
Move to the new chemistry laboratory		\$1,500,000	\$1,500,000
New chemistry laboratory capital assets		1,375,000	1,375,000
New chemistry laboratory operating expenses		700,186	700,186
Emerging Contaminants Program equipment		943,200	943,200
Petroleum tank database		700,000	700,000
State Fuel Inspection Program capital assets		215,000	215,000
Water and Wastewater Operator Certification Program		5,000	5,000

**Status/Result**

The Department of Environmental Quality filled the chemist position related to the State Fuel Inspection Program in January 2026. Through March 2026, the chemist position related to the emerging contaminants laboratory remains unfilled. The department indicated recruitment for the position has been intentionally deferred until the laboratory is established and will likely occur near the end of the current biennium or next biennium.

Through January 2026, DEQ estimated vacant FTE position savings of \$1,160,436. The department used \$35,901 for accrued leave payouts, extra salary increases, and extra overtime funding. The department had between 16 and 21 vacant FTE positions from July 2025 through January 2026 with an average vacant position rate of 18.14 FTE positions. Through March 2026, DEQ has not requested a transfer of appropriation authority from the new and vacant FTE pool line item to the salaries and wages line item for new FTE positions.

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

Move to the new chemistry laboratory	The department plans to move to the new laboratory facility in October 2026. A majority of the \$1.5 million provided from the Strategic Investment and Improvements Fund (SIIF) will be used to pay vendors to move equipment. Because the cost to purchase a walk-in cooler and equipment in the feed and fertilizer laboratory was comparable to the cost of moving and setting up existing equipment, DEQ received Emergency Commission and Budget Section approval to move \$200,000 of this appropriation from the operating expenses line item to the capital assets line item. Through March 2026, DEQ has spent \$3,338 on storage and moving supplies and anticipates the remaining funding will be spent between October 2026 and December 2026.
New chemistry laboratory capital assets	The department anticipates the \$1,375,000 from SIIF will be used to purchase refrigerators, freezers, and other testing related equipment. There have been no expenditures through March 2026, and DEQ is in the process of coordinating procurement for delivery to the new laboratory.

Wastewater infrastructure grants (House Bill No. 1577)		9,700,000	9,700,000
Implementation of onsite wastewater treatment system regulation (Senate Bill No. 2267)	\$99,500		99,500
Total	\$99,500	\$15,138,386	\$15,237,886

New chemistry laboratory operating expenses	The \$700,186 provided from SIIF will be used for a security system at the new laboratory, equipment purchases less than \$10,000, Information Technology Department set-up costs, and to pay off the balance of a UNESCO energy saving contract at the old laboratory. Through March 2026, DEQ has spent \$175,440 on the installation of a security system, including cameras and badge readers.
Emerging Contaminants Program equipment	Special funds from fees, provided for operating expenses (\$3,200) and capital assets (\$940,000), will be used for computers and laboratory equipment to establish a program to test water for emerging contaminants. The department anticipates funding will not be spent until after the move to the new laboratory, likely in January 2027.
Petroleum tank database	The Petroleum Tank Release Compensation Fund Board reviewed several options and decided not to move forward with a new system, so the \$700,000 is not anticipated to be spent. For now, the program will enhance the current system to fit program needs.
State Fuel Inspection Program capital assets	The department anticipates using special funds of \$215,000, provided from inspection fees, for a fuel blending unit and two distillation units. Delivery and installation will be coordinated with the move to the new laboratory.
Water and Wastewater Operator Certification Program	The Legislative Assembly, in Senate Bill No. 2110 (2025) allows water distribution and wastewater system operator certificate examinations to be given by a third-party testing service and allows the fees for the examinations to be set in North Dakota Administrative Code. A fiscal note prepared by DEQ indicated revenue and expenses would both increase by approximately \$72,000 for the cost of the third-party testing service and revenue related to the additional fees collected to pay the third-party testing service cost. Administrative Rules related to testing were updated April 1, 2026, and DEQ will start the procurement process for the proctoring service contract and third-party examination.
Wastewater infrastructure grants	See the <b>Wastewater Infrastructure Grant Program</b> section below.
Implementation of onsite wastewater treatment system regulation	Section 5 of Senate Bill No. 2267 provided \$99,500 from the General Fund for salaries and wages (\$71,050) and operating expenses (\$28,450) to implement onsite wastewater treatment system regulation. Through March 2026, expenditures totaled \$46,890 for salaries and wages (\$29,140) and operating expenses (\$17,750). The department anticipates all of the funding will be used to establish the program.

**New laboratory building** - The Legislative Assembly, in House Bill No. 1004 (2023), provided \$55.12 million from the federal State Fiscal Recovery Fund for a new laboratory building to be shared by the Department of Health and Human Services (DHHS) and DEQ during the 2023-25 biennium. In addition, 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 building project. The Legislative Assembly, in Section 32 of House Bill No. 1012 (2025), authorized DHHS to continue the \$55.12 million from the State Fiscal Recovery Fund for the new laboratory building to the 2025-27 biennium to complete the project.

**State Fuel Inspection Program** - The Legislative Assembly, in Section 7 of Senate Bill No. 2024, amended North Dakota Century Code Section 23.1-13-16 to provide for the deposit of fuel inspection fees into the DEQ Operating Fund instead of the General Fund and to provide the funds be used, subject to legislative appropriation, for the State Fuel Inspection Program. The inspection fee is one-fortieth of one cent per gallon for every gallon of gasoline, kerosene, tractor fuel, heating oil, or diesel fuel sold or used during a calendar month, except those gallons sold out of state or those gallons sold as original package sales as defined in Chapters 57-43.1 and 57-43.2. The Legislative Assembly provided 1 FTE chemist position and \$237,900 from special funds from inspection fees to establish a State Fuel Inspection Program. In addition, the Legislative Assembly provided \$215,000 of one-time funding from special funds from inspection fees for equipment related to the program.

**Onsite wastewater treatment system regulation program** - The Legislative Assembly, in Senate Bill No. 2267, created a new chapter that authorizes DEQ to adopt rules regarding the licensing, permitting, and inspections of onsite wastewater treatment systems. The bill also provides one-time funding of \$99,500 from the General Fund to DEQ to implement onsite wastewater treatment system regulation. The department will license installers and deposit the revenue in its Operating Fund and future costs related to regulation will be funded by special funds from license fees.

The new laboratory will increase DEQ's chemistry laboratory space from approximately 14,000 square feet to approximately 44,689 square feet, including allocated shared space. Except for the State Fuel Inspection Program, which is anticipated to move in June 2026, DEQ is planning to relocate the majority of its laboratory operations in October 2026. The timing of the move was intentionally scheduled for the fall to avoid disruption during the laboratory's peak workload period, which typically runs from late April through September. The department has been coordinating with vendors to develop cost estimates and timelines for the relocation of laboratory equipment.

Through March 2026, primary expenditures have been associated with installation of the facility's security system. Based on current estimates and planning, DEQ anticipates the existing budget will be sufficient to cover the costs of the move. Due to the increase in square footage, DEQ is anticipating higher operating costs when it moves into the new chemistry laboratory and will request additional 2027-29 biennium funding for projected increases in ongoing operating costs of the new laboratory.

The department worked with the State Treasurer, Tax Commissioner, and Office of Management and Budget to establish a process to allocate inspection fees to DEQ's Operating Fund and filled the chemist position related to the State Fuel Inspection Program in January 2026. The new chemist is developing program procedures, conducting sampling activities, and supporting the program's implementation and early operations. Through March 2026, program revenue totaled \$203,230 and expenditures totaled \$17,473. The department anticipates using special funds of \$215,000, provided from the inspection fees, for a fuel blending unit and two distillation units. Because installation of the equipment will require the building contractor to work with the vendor, DEQ anticipates the fuel inspection equipment will be installed in June or July 2026.

The department released draft rules for an onsite wastewater treatment system regulation program for public comment on April 15, 2026. Through March 2026, no revenue has been generated. The program is supported in the current biennium by a one-time General Fund appropriation of \$99,500. Through March 2026, expenditures relating to ongoing rule development and program setup activities totaled \$46,890, including salaries and wages (\$29,140) and operating expenses (\$17,750). The department anticipates all the funding from the General Fund will be utilized. Because the program was established with one-time funding, DEQ will seek special fund authority in the 2027-29 biennium to support ongoing implementation and operations once the program becomes fully established. For the 2027-29 biennium, onsite wastewater treatment system regulation program revenue is estimated to total \$165,000 and expenditures are estimated to total \$200,000. Any revenue shortfall will be made up by DEQ's General Fund appropriation.

**Wastewater Infrastructure Grant Program** - The Legislative Assembly, in House Bill No. 1577, established the Wastewater Infrastructure Grant Program for political subdivisions, which prioritizes projects that have experienced a reduction in previously approved federal funds or federal assistance related to wastewater infrastructure grant program projects and are prepared to begin the wastewater infrastructure project upon receipt of the grants. Section 4 of the bill provided one-time funding of \$9.7 million from a Bank of North Dakota line of credit to DEQ for certain wastewater infrastructure grants. The bill also provided, if an entity awarded a wastewater infrastructure grant later receives federal funding for the same project, the entity must use the federal funding to repay DEQ for the line of credit. The department is required to request a deficiency appropriation from the 70<sup>th</sup> Legislative Assembly to repay the line of credit principal and interest.

The department has obligated the full amount of the grant through subaward agreements to the City of Lincoln (\$7,800,000) and the City of Fessenden (\$1,900,000). Through March 2026, \$1,891,685 has been provided to the City of Fessenden for their project. Funding for the City of Lincoln project began in April 2026. Through March 2026, DEQ has not accessed the line of credit; however, as the projects progress DEQ anticipates using the line of credit.