

**Industrial Commission
Budget No. 405
Senate Bill Nos. 2014 and 2256**

	FTE Positions	General Fund	Other Funds	Total
2025-27 legislative appropriation	9.75	\$400,000	\$147,287,428	\$147,687,428
2023-25 legislative appropriation	<u>9.75</u>	<u>5,052,443</u>	<u>131,408,937</u>	<u>136,461,380</u>
2025-27 appropriation increase (decrease) to 2023-25 appropriation	0.00	(\$4,652,443)	\$15,878,491	\$11,226,048

Item Description

New and vacant FTE pool - The Legislative Assembly transferred \$20,376 for the new and vacant FTE pool line item, all of which is for estimated savings from vacant positions.

One-time funding - The 2025 Legislative Assembly provided one-time funding of \$26,668,089 as follows:

- \$13,668,089, including \$1,782,794 from the Strategic Investment and Improvements Fund (SIIF) and \$11,885,295 from federal funds, for an electric grid resiliency grant;
- \$3,000,000 from SIIF for lignite litigation; and
- \$10,000,000 from SIIF for a Research Technology Park Grant Program.

Lignite research grants - Section 13 of Senate Bill No. 2014 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.

Enhanced oil recovery grants - Section 12 of Senate Bill No. 2014 transfers \$4 million from the State Energy Research Center Fund and \$21 million from SIIF to the Oil and Gas Research Fund to provide \$25 million for an Enhanced Oil Recovery Grant Program.

Status/Result

Through January 2026, the Industrial Commission had estimated vacant FTE position savings of \$53,045 and used \$13,385 of the savings for accrued leave payouts and extra salary increases. The number of vacancies ranged from 1 to 2 FTE with an average monthly vacancy rate of 1.43 FTE positions.

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

Description	Appropriation	Spending through March 2026
Electric grid resiliency grant	\$13,668,089	\$0
Lignite litigation expenses	\$3,000,000	\$399,561
Research Technology Park Grant Program	\$10,000,000	\$5,000,000

The Industrial Commission is uncertain about the amount of one-time funding that will be spent by the end of the biennium.

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, 2026, the Industrial Commission has committed \$3,316,695 for nonmatching lignite projects with \$0 spent for the project.

In addition to the \$25 million transferred by the Legislative Assembly, the Industrial Commission committed \$17.5 million of other funding available in the Oil and Gas Research Fund and \$14 million from a federal grant from the United States Department of Energy to provide total funding of \$56.5 million for enhanced oil recovery grants. Through March 2026, the Industrial Commission approved \$45 million of grant awards but had not distributed any funding.

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 SIF 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 Legislative Assembly did not provide any new funding for the 2025-27 biennium. As amended in Senate Bill No. 2188 (2025), 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, 2029.

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 SIF or other funding sources to repay any outstanding amounts borrowed.

Underground energy storage research project - Section 15 of House Bill No. 1014 (2023) 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.

Section 27 of Senate Bill No. 2014 (2025) decreases the amount of funding from SIF by \$4 million, from \$6 million to \$2 million, and allows the funding to be used for a business case analysis rather than construction of salt caverns.

For the 2025-27 biennium through March 2026, the Industrial Commission has approved \$4,547,376 in new grant commitments from the Clean Sustainable Energy Fund. The Industrial Commission anticipates additional grant and loan funding may be approved during the 2025-27 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. However, NextEra decided not to proceed with the project and declined the loan.

The Industrial Commission distributed \$173,625 to the State Energy Research Center for the underground energy storage business case analysis through March 2026. The analysis is anticipated to be completed by June 2027.

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 the 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.

Pipeline capacity purchase program - House Bill No. 1014 (2023) provides up to \$60 million per biennium of state support to purchase capacity on a pipeline project. Senate Bill No. 2014 (2025) expanded the program to provide up to \$100 million per biennium of state support for the program. Funding for the state support is derived from a line of credit through the Bank of North Dakota. The line of credit is guaranteed by funding from SIFF beginning in the 2027-29 biennium.

Senate Bill No. 2014 includes an appropriation of \$102,622,743 from the Legacy Sinking and Interest Fund for the bond payments due during the 2025-27 biennium. The repayments are scheduled to continue through the 2041-43 biennium.

Based on the 2025 legislative forecast, sales, use, and motor vehicle excise tax collections total \$2.89 billion for the 2025-27 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 2025-27 biennium totals \$63.4 million. The estimated General Fund debt service requirement for the 2025-27 biennium is \$12.8 million, which is \$50.6 million less than the limit.

The estimated debt service limit for the 2027-29 biennium is \$65.3 million, based on a 3 percent increase in sales, use, and motor vehicle excise tax collections for the 2027-29 biennium compared to the 2025 legislative revenue forecast for the 2025-27 biennium. The General Fund debt service requirement for the 2027-29 biennium is estimated to total \$10.3 million, which is \$55 million less than the limit. This estimate may change when the legislative revenue forecast is complete for the 2027-29 biennium.

In April 2026, the Industrial Commission approved the proposed pipeline project from WBI Energy Transmission, Inc., as the eligible recipient of state support. Up to \$500 million has been committed from the state at \$50 million per year for 10 years, but the actual amount of state support will depend on other pipeline capacity purchase agreements, which are currently unknown. No funding has been spent under the pipeline capacity purchase program, and the pipeline is anticipated to be completed by 2029.