

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

	FTE Positions	General Fund	Other Funds	Total
2019-21 legislative appropriation	112.25 ¹	\$27,449,198 ²	\$17,993,790	\$45,442,988
2017-19 legislative appropriation	<u>110.25</u>	<u>25,678,395³</u>	<u>22,293,206</u>	<u>47,971,601</u>
2019-21 appropriation increase (decrease) to 2017-19 appropriation	2.00	\$1,770,803	(\$4,299,416)	(\$2,528,613)

¹The 2019-21 biennium authorized FTE positions include 2 contingent FTE positions that are authorized in Section 7 of House Bill No. 1014. See the **Contingent FTE positions** section below for additional information.

²The 2019-21 legislative appropriation amount includes \$195,000 of one-time funding from the general fund. Excluding this amount, the agency's ongoing general fund appropriation is \$27,254,198.

³The amount shown includes a deficiency appropriation of \$269,408 from the general fund approved by the 2019 Legislative Assembly for litigation expenses.

Item Description

Contingent FTE positions - The Legislative Assembly provided a contingent appropriation of \$229,544 from the general fund and authorized up to 2 additional FTE positions for the Department of Mineral Resources for the 2019-21 biennium. The appropriation and positions are contingent upon the total number of wells capable of production and injection exceeding 20,800 wells.

Lignite research grants - Section 28 of House Bill No. 1014 provides that up to \$4.5 million of the lignite research funding is available for studies, projects, marketing programs, lignite-related litigation costs, the Lignite Vision 21 Project, and other lignite-related activities. House Bill No. 1066 (2019) changes the allocation of the state's share of oil and gas tax revenue to provide an allocation of up to \$10 million to the lignite research fund.

Lignite litigation - Section 30 of House Bill No. 1014 designated \$500,000 from the lignite research fund to pay fees associated with lignite litigation.

Recycling produced water study - House Bill No. 1014 identifies \$300,000 from the oil and gas research fund for a study of recycling produced water.

Status/Result

As of March 31, 2020, the positions were not filled, and none of the related funding was spent because the contingency was not met. The Industrial Commission anticipates the total number of wells capable of production and injection will exceed 18,200 in the fall of 2021, after the end of the 2019-21 biennium. Therefore, the positions are not anticipated to be filled.

The Industrial Commission has contracted with the Lignite Energy Council to assist with management of the Lignite Vision 21 Project. The original objective of the Lignite Vision 21 Project was to construct new lignite-fired power plants in North Dakota; however, the project is now focused on the development of advanced energy technology related to lignite resources. The Industrial Commission is in the process of determining the amounts to be designated for litigation, project management, and other planning services from the \$4.5 million identified as nonmatching funds. Through March 31, 2020, the commission has not spent any of the \$4.5 million related to litigation and project management.

Through March 2020, the Industrial Commission spent \$2,619 related to lignite litigation.

The Industrial Commission contracted with the Energy and Environmental Research Center (EERC) to conduct the study. The EERC has applied for federal funding to supplement the state funding and expand the scope of the study. If the federal funding is received, the project is anticipated to be completed by January 2022. The Industrial Commission has not spent any of the \$300,000 as of March 31, 2020.

One-time funding - The 2019 Legislative Assembly provided one-time funding of \$5,465,000 as follows:

- \$175,000 from the general fund for temporary employees;
- \$20,000 from the general fund for a transfer to the high-level radioactive waste fund;
- \$160,000 from the strategic investment and improvements fund for a rare earth elements study;
- \$110,000 from the strategic investment and improvements fund for a fracturing sand study; and
- \$5,000,000 from the abandoned oil and gas well plugging and site reclamation fund for an IT project.

The following is a summary of the status of the Industrial Commission's one-time funding:

Temporary employees - \$175,000	As of March 31, 2020, the Industrial Commission spent \$50,920. The Industrial Commission anticipates spending \$3,640 of the remaining \$124,080 by the end of the 2019-21 biennium.
Transfer to the high-level radioactive waste fund - \$20,000	The Office of Management and Budget transferred \$20,000 from the general fund in December 2019. Through March 2020, the Industrial Commission spent \$462 for costs associated with a meeting related to high-level radioactive waste.
Rare earth elements study - \$160,000	Of the \$160,000, the Industrial Commission spent \$75,852 through March 2020. The remaining \$84,148 is anticipated to be spent by the end of the 2019-21 biennium. The analysis of lignite samples for rare earth elements is anticipated to be completed in June 2021. A grant of \$90,000 from the lignite research fund will allow additional samples to be tested.
Fracturing sand study - \$110,000	The Industrial Commission spent \$87,822 through March 2020, and the remaining \$22,178 is anticipated to be spent by the end of the biennium. The study is anticipated to be completed by December 2020.
IT project - \$5,000,000	The IT project is anticipated to be completed by December 2020. The Industrial Commission spent \$1,809,510 through March 2020. The project is on schedule and within budget.

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.

Based on the 2019 legislative forecast, sales, use, and motor vehicle excise tax collections total \$2,118.2 million for the 2019-21 biennium, including sales and use tax collections of \$1,868.3 million and motor vehicle excise tax collections of \$249.9 million. As a result, the maximum statutory general fund amount of lease payments for the 2019-21 biennium totals approximately \$46.4 million. The estimated general fund debt service requirement for the 2019-21 biennium is approximately \$9.0 million, which is \$37.4 million less than the limit.

The estimated debt service limit for the 2021-23 biennium is approximately \$48.0 million, which reflects a 4 percent increase in sales, use, and motor vehicle

excise tax collections for the 2021-23 biennium compared to the 2019 legislative revenue forecast for the 2019-21 biennium. The general fund debt service requirement for the 2021-23 biennium is estimated to total approximately \$6.8 million, which is \$41.2 million less than the limit. This amount will change when the legislative revenue forecast is complete for the 2019-21 biennium and when bonds are issued for the capital projects authorized by the Legislative Assembly in Senate Bill No. 2297 (2019).

The 2019 Legislative Assembly authorized \$100 million of capital projects to be funded through bonded indebtedness as follows:

	Project Bonding
NDSU - Dunbar Hall	\$40,000,000
VCSU - Communications and Fine Arts Building project	30,000,000
NDSU - Agriculture products development center	20,000,000
UND - Gamble Hall project	6,000,000
DSU - Pulver Hall	4,000,000
Total	\$100,000,000