

Industrial Commission
Budget No. 405
Senate Bill Nos. 2014 and 2345; House Bill No. 1452

	FTE Positions	General Fund	Other Funds	Total
2021-23 legislative appropriation	108.25	\$51,595,873 ²	\$197,569,185 ²	\$249,165,058
2019-21 legislative appropriation	<u>112.25¹</u>	<u>27,449,198³</u>	<u>89,470,303³</u>	<u>116,919,501</u>
2021-23 appropriation increase (decrease) to 2019-21 appropriation	(4.00)	\$24,146,675	\$108,098,882	\$132,245,557

¹The 2019-21 biennium authorized FTE positions included 2 contingent FTE positions authorized in Section 7 of House Bill No. 1014 (2021); however, the contingency was not met, and the positions were not filled.

²The 2021-23 legislative appropriation amount includes \$198,306,260 of one-time funding, of which \$25,106,260 is from the general fund for paleontology and geological equipment (\$106,260) and a transfer to the clean sustainable energy fund (\$25,000,000) and \$173,200,000 is from the federal State Fiscal Recovery Fund for pipeline infrastructure grants (\$150,000,000), an abandoned well conversion program (\$3,200,000), and hydrogen grants (\$20,000,000).

³The 2019-21 legislative appropriation amount includes \$76,941,513 of one-time funding, of which \$195,000 is from the general fund for temporary salary funding (\$175,000) and a transfer to the high-level radioactive waste fund (\$20,000), \$270,000 is from the strategic investment and improvements fund for studies, \$5,000,000 is from the abandoned oil and gas well plugging and site reclamation fund for an information technology project, and \$71,476,513 is from federal coronavirus relief funds for plugging and reclaiming abandoned oil wells and for grants to reimburse oil companies for water acquisition and disposal costs.

Item Description

FTE Changes - The Legislative Assembly authorized 108.25 FTE positions for the Industrial Commission for the 2021-23 biennium, a decrease of 4 FTE positions from the 2019-21 biennium authorized level of 112.25 FTE positions. The Legislative Assembly removed 1 FTE computer network specialist position, 1 FTE engineering technician position, 1 FTE contingent engineering technician position, and 1 FTE contingent petroleum engineering position, the same as the agency's budget request.

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.

Underground energy storage study - Sections 6 and 14 Senate Bill No. 2014 provide for a transfer of \$9.5 million from the strategic investment and improvements fund to the oil and gas research fund and identify \$9.5 million from the oil and gas research fund for a study of underground energy storage.

Hydrogen study - Section 15 of Senate Bill No. 2014 identified \$500,000 from the oil and gas research fund for a hydrogen study.

Status/Result

The Industrial Commission removed the 4 FTE positions identified by the Legislative Assembly. All of the positions were vacant prior to removal.

The Industrial Commission has contracted with the Lignite Energy Council to assist with management of the Lignite Vision 21 Program and the Advanced Energy Technology Program. 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. Through March 31, 2022, expenditures for the projects total \$212,712.

The Industrial Commission spent \$9,071 through March 2022. The remaining \$9,490,929 is anticipated to be spent by the end of the biennium.

The study is anticipated to be completed by June 2023. Through March 31, 2022, the Industrial Commission spent \$18,049.

One-time funding - The 2021 Legislative Assembly provided one-time funding of \$198,306,260 as follows:

- \$106,260 from the general fund for paleontology and geological equipment;
- \$25,000,000 from the general fund for a transfer to clean sustainable energy fund;
- \$150,000,000 from the State Fiscal Recovery Fund for pipeline infrastructure grants to transport natural gas to eastern North Dakota with \$10,000,000 designated for Grand Forks County;
- \$3,200,000 from the State Fiscal Recovery Fund for an abandoned well conversion to water supply grant program; and
- \$20,000,000 from the State Fiscal Recovery Fund to provide hydrogen development grants subject to approval by the Clean Sustainable Energy Authority.

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 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. The Industrial Commission shall 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.

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

Paleontology and geological equipment - \$106,260	Through March 2022, the Industrial Commission spent \$62,632 with the remaining \$43,628 anticipated to be spent by the end of the biennium.
Transfer to the clean sustainable energy fund - \$25,000,000	The Office of Management and Budget transferred \$25,000,000 from the general fund in August 2021. Through March 2022, the Industrial Commission spent \$1,175,055.
Pipeline infrastructure grants - \$150,000,000	The Industrial Commission has not distributed any of the grant funding through March 2022. One application for \$10 million was received by the Industrial Commission related to a project in Grand Forks County. However, the status of the remaining portion of the pipeline project is unknown.
Abandoned well conversions - \$3,200,000	The Industrial Commission has not spent any funding for the well conversions through March 2022, but all of the funding is anticipated to be spent by the end of the biennium.
Hydrogen development grants - \$20,000,000	The Industrial Commission has not distributed any of the grant funding through March 2022, but \$10 million was approved for a grant in December 2021. The timing of the distribution of the grant funding is unknown and will depend on the time needed to complete the development projects.

In December 2021, the Clean Sustainable Energy Authority approved \$28 million for grants and \$135 million for loans to support low-emission energy technology projects and hydrogen development projects. The Industrial Commission anticipates additional grant and loan funding may be approved during the 2021-23 biennium, but the amounts are unknown.

North Dakota Transmission Authority project bonding - Section 22 of Senate Bill No. 2014 expanded the Industrial Commission's authority to issue bonds to support transmission projects by increasing the bond limit from 30 percent of the total project cost to the greater of 30 percent of the total project cost or 30 percent of the appraised value.

Public Finance Authority bonding authorization - House Bill No. 1431 authorizes the Public Finance Authority to issue up to \$680 million of bonds to support infrastructure projects and programs, and appropriates the bond proceeds to the Bank of North Dakota for distribution. The Public Finance Authority may issue appropriation bonds which are not subject to the bonding limits associated with the Building Authority under North Dakota Century Code Section 54-17.2-23. The term of the bonds is limited to 20 years, and the State Investment Board may purchase the bonds as investments for the funds under its management. The bonds 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 will be transferred 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 will be transferred to the highway fund for highway bridge projects and for matching federal funds, and \$50 million is for a North Dakota State University agriculture products development center, including a Northern Crops Institute project.

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.

In April 2022, the Industrial Commission approved a bond issuance of \$150 million and authorized the North Dakota Transmission Authority to loan the proceeds to Nexus to facilitate the purchase of a high voltage transmission line from central North Dakota to Minnesota.

In December 2021, the Public Finance Authority issued \$389,841,539 of bonds reflecting a premium of \$641,539. The bonds include \$15,341,539 for capitalized interest (\$13,384,552) and other bonding costs (\$1,956,987) with the remaining \$374,500,000 available to support infrastructure projects and programs authorized by the Legislative Assembly. The bonds have a 20-year repayment schedule and a net interest rate of 2.71 percent.

The authority anticipates another bond issuance in the fall of 2022 to support the remaining \$305,500,000 of infrastructure projects and programs authorized by the Legislative Assembly. The combined total estimated biennial repayment for the bonds is \$90 million to \$100 million.

Based on the 2021 legislative forecast, the sales, use, and motor vehicle excise tax collections total \$2,026.2 million for the 2021-23 biennium, including sales and use tax collections of \$1,765.3 million and motor vehicle excise tax collections of \$260.9 million. As a result, the maximum statutory general fund amount of lease payments for the 2021-23 biennium totals approximately \$44.4 million. The estimated general fund debt service requirement for the 2021-23 biennium is approximately \$17.0 million, which is \$27.4 million less than the limit.

The estimated debt service limit for the 2023-25 biennium is approximately \$46.2 million, which reflects a 4 percent increase in sales, use, and motor vehicle excise tax collections for the 2023-25 biennium compared to the 2021 legislative revenue forecast for the 2021-23 biennium. The general fund debt service requirement for the 2023-25 biennium is estimated to total approximately \$12.7 million, which is \$33.5 million less than the limit. This amount will change when the legislative revenue forecast is complete for the 2023-25 biennium.

The bonding authorized by the 2021 Legislative Assembly in House Bill No. 1431 was not subject to the lease payment limitation and will not affect the debt service payments made by the North Dakota Building Authority.