

**FIRST ENGROSSMENT
with House Amendments
ENGROSSED SENATE BILL NO. 2014**

Introduced by

Appropriations Committee

(At the request of the Governor)

1 A BILL for an Act to provide an appropriation for defraying the expenses of the state industrial
2 commission and the agencies under the management of the industrial commission; to provide
3 legislative intent; to provide an appropriation; to provide a contingent appropriation; to authorize
4 transfers; to amend and reenact subsection 1 of section 54-17.6-05, subsection 17 of section
5 54-44.3-20, and section 57-51.1-07.3 of the North Dakota Century Code, relating to the oil and
6 gas research council membership, the oil and gas research fund, and classified employees; to
7 provide for a value-added market opportunities for renewable energy resources and oil and gas
8 study; to provide for a report to the legislative management; and to declare an emergency.

9 BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

10 **SECTION 1. APPROPRIATION.** The funds provided in this section, or so much of the funds
11 as may be necessary, are appropriated out of any moneys in the general fund in the state
12 treasury, not otherwise appropriated, and from special funds derived from federal funds and
13 other income, to the state industrial commission and agencies under its control for the purpose
14 of defraying the expenses of the state industrial commission and agencies under its control, for
15 the biennium beginning July 1, 2013, and ending June 30, 2015, as follows:

Subdivision 1.

INDUSTRIAL COMMISSION

		Adjustments or	
	<u>Base Level</u>	<u>Enhancements</u>	<u>Appropriation</u>
20 Salaries and wages	\$12,059,220	\$5,092,992	\$17,152,212
21 Accrued leave payments	0	347,696	347,696
22 Operating expenses	3,378,744	2,551,832	5,930,576
23 Capital assets	0	5,800	5,800
24 Grants - lignite research	19,971,300	(471,300)	19,500,000

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1	and development			
2	Grants - bond payments	25,389,733	(5,579,764)	19,809,969
3	Mineral resources contingency	<u>743,972</u>	<u>(743,972)</u>	<u>0</u>
4	Total all funds	\$61,542,969	\$1,203,284	\$62,746,253
5	Less estimated income	<u>46,766,756</u>	<u>(5,850,935)</u>	<u>40,915,821</u>
6	Total general fund	\$14,776,213	\$7,054,219	\$21,830,432
7	Full-time equivalent positions	76.06	22.69	98.75

8 Subdivision 2.

9 BANK OF NORTH DAKOTA - OPERATIONS

10			Adjustments or	
11		<u>Base Level</u>	<u>Enhancements</u>	<u>Appropriation</u>
12	Bank of North Dakota operations	\$45,587,155	\$4,469,582	\$50,056,737
13	Accrued leave payments	0	881,231	881,231
14	Capital assets	<u>1,266,000</u>	<u>(521,000)</u>	<u>745,000</u>
15	Total special funds	\$46,853,155	\$4,829,813	\$51,682,968
16	Full-time equivalent positions	176.50	3.00	179.50

17 Subdivision 3.

18 BANK OF NORTH DAKOTA - ECONOMIC DEVELOPMENT

19			Adjustments or	
20		<u>Base Level</u>	<u>Enhancements</u>	<u>Appropriation</u>
21	Partnership in assisting community	\$6,000,000	(\$6,000,000)	\$0
22	expansion fund			
23	Agriculture partnership in assisting	1,000,000	(1,000,000)	0
24	community expansion fund			
25	Beginning farmer revolving loan fund	1,400,000	(1,400,000)	0
26	Biofuels partnership in assisting	<u>1,000,000</u>	<u>(1,000,000)</u>	<u>0</u>
27	community expansion fund			
28	Total general fund	\$9,400,000	(\$9,400,000)	\$0

29 Subdivision 4.

30 MILL AND ELEVATOR ASSOCIATION

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		Adjustments or		
	<u>Base Level</u>	<u>Enhancements</u>	<u>Appropriation</u>	
1				
2				
3	Salaries and wages	\$26,018,008	\$2,654,043	\$28,672,051
4	Accrued leave payments	0	575,807	575,807
5	Operating expenses	20,443,869	1,352,131	21,796,000
6	Contingencies	400,000	0	400,000
7	Agriculture promotion	<u>210,000</u>	<u>0</u>	<u>210,000</u>
8	Total from mill and elevator fund	\$47,071,877	\$4,581,981	\$51,653,858
9	Full-time equivalent positions	131.00	4.00	135.00

10 Subdivision 5.

11 HOUSING FINANCE AGENCY

		Adjustments or		
	<u>Base Level</u>	<u>Enhancements</u>	<u>Appropriation</u>	
12				
13				
14	Salaries and wages	\$6,516,277	\$541,513	\$7,057,790
15	Accrued leave payments	0	147,806	147,806
16	Operating expenses	5,114,849	(1,323,091)	3,791,758
17	Grants	26,858,920	2,674,130	29,533,050
18	Housing finance agency contingencies	<u>100,000</u>	<u>0</u>	<u>100,000</u>
19	Total special funds	\$38,590,046	\$2,040,358	\$40,630,404
20	Full-time equivalent positions	46.00	0.00	46.00

21 Subdivision 6.

22 BILL TOTAL

		Adjustments or		
	<u>Base Level</u>	<u>Enhancements</u>	<u>Appropriation</u>	
23				
24				
25	Grand total general fund	\$24,176,213	\$154,219	\$24,330,432
26	Grand total special funds	<u>179,281,834</u>	<u>5,601,217</u>	<u>184,883,051</u>
27	Grand total all funds	\$203,458,047	\$5,755,436	\$209,213,483

28 **SECTION 2. ONE-TIME FUNDING - EFFECT ON BASE BUDGET - REPORT TO**

29 **SIXTY-FOURTH LEGISLATIVE ASSEMBLY.** The following amounts reflect the one-time

30 funding items approved by the sixty-second legislative assembly for the 2011-13 biennium and

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1 the 2013-15 one-time funding items included in the grand total appropriation in section 1 of this
2 Act:

3	<u>One-Time Funding Description</u>	<u>2011-13</u>	<u>2013-15</u>
4	Renewable energy development program	\$1,500,000	\$0
5	Temporary employees - core library	90,000	0
6	Carbon dioxide storage facility administrative fund	532,000	0
7	Coalbed methane/shallow gas studies	25,000	0
8	Fracturing sand and proppant studies	50,000	0
9	Oil-bearing rock study	40,000	80,000
10	Paleontologic preparatory work	62,400	0
11	Western area water supply loan	35,000,000	0
12	Possible environmental protection agency litigation	1,000,000	0
13	Possible federal agency litigation	0	1,000,000
14	Core library - architect services	0	25,000
15	Temperature profiles study	0	50,000
16	Wide-bed plotter	<u>0</u>	<u>5,800</u>
17	Total all funds	\$38,299,400	\$1,160,800
18	Total special funds	<u>10,000,000</u>	<u>0</u>
19	Total general fund	\$28,299,400	\$1,160,800

20 The 2013-15 one-time funding amounts are not a part of the entity's base budget for the
21 2015-17 biennium. The industrial commission shall report to the appropriations committees of
22 the sixty-fourth legislative assembly on the use of this one-time funding for the biennium
23 beginning July 1, 2013, and ending June 30, 2015.

24 **SECTION 3. LEGISLATIVE INTENT - BOND PAYMENTS.** The amount of \$19,809,969
25 included in subdivision 1 of section 1 of this Act in the grants - bond payments line item must be
26 paid from the following funding sources during the biennium beginning July 1, 2013, and ending
27 June 30, 2015:

28	North Dakota university system	\$10,436,045
29	North Dakota university system - energy conservation projects	491,397
30	Department of corrections and rehabilitation	1,289,450
31	State department of health	642,688

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1	Job service North Dakota	540,376
2	Adjutant general	28,586
3	Information technology department - ConnectND	2,504,100
4	Office of management and budget	665,272
5	Office of attorney general	765,851
6	State historical society	1,392,337
7	Parks and recreation department	73,627
8	Research and extension service	571,400
9	Veterans' home	<u>408,840</u>
10	Total	\$19,809,969

11 **SECTION 4. APPROPRIATION.** In addition to the amount appropriated to the housing
12 finance agency in subdivision 5 of section 1 of this Act, there is appropriated any additional
13 income or unanticipated income from federal or other funds which may become available to the
14 agency for the biennium beginning July 1, 2013, and ending June 30, 2015.

15 **SECTION 5. APPROPRIATION - EMERGENCY COMMISSION APPROVAL.** In addition to
16 the amount appropriated to the state industrial commission in subdivision 1 of section 1 of this
17 Act, there is appropriated, with the approval of the emergency commission, funds that may
18 become available to the commission from bonds authorized by law to be issued by the state
19 industrial commission for the biennium beginning July 1, 2013, and ending June 30, 2015.

20 **SECTION 6. TRANSFER.** The sum of \$647,547, or so much of the sum as may be
21 necessary, included in the special funds appropriation line item in subdivision 1 of section 1 of
22 this Act, may be transferred from the entities within the control of the state industrial commission
23 to the industrial commission fund for administrative services rendered by the commission.
24 Transfers shall be made during the biennium beginning July 1, 2013, and ending June 30, 2015,
25 upon order of the commission. Transfers from the student loan trust must be made to the extent
26 permitted by sections 54-17-24 and 54-17-25.

27 **SECTION 7. TRANSFER - BANK OF NORTH DAKOTA - PARTNERSHIP IN ASSISTING**
28 **COMMUNITY EXPANSION.** The Bank of North Dakota shall transfer the sum of \$28,000,000,
29 or so much of the sum as may be necessary, from the Bank's current earnings and undivided
30 profits to the partnership in assisting community expansion fund during the period beginning
31 with the effective date of this Act and ending June 30, 2015.

1 **SECTION 8. TRANSFER - BANK OF NORTH DAKOTA - AGRICULTURE PARTNERSHIP**
2 **IN ASSISTING COMMUNITY EXPANSION.** The Bank of North Dakota shall transfer the sum of
3 \$2,000,000, or so much of the sum as may be necessary, from the Bank's current earnings and
4 undivided profits to the agriculture partnership in assisting community expansion fund during the
5 period beginning with the effective date of this Act and ending June 30, 2015.

6 **SECTION 9. TRANSFER - BANK OF NORTH DAKOTA - BIOFUELS PARTNERSHIP IN**
7 **ASSISTING COMMUNITY EXPANSION.** The Bank of North Dakota shall transfer the sum of
8 \$2,000,000, or so much of the sum as may be necessary, from the Bank's current earnings and
9 undivided profits to the biofuels partnership in assisting community expansion fund during the
10 period beginning with the effective date of this Act and ending June 30, 2015.

11 **SECTION 10. TRANSFER - BANK OF NORTH DAKOTA - BEGINNING FARMER**
12 **REVOLVING LOAN FUND.** The Bank of North Dakota shall transfer the sum of \$6,000,000, or
13 so much of the sum as may be necessary, from the Bank's current earnings and undivided
14 profits to the beginning farmer revolving loan fund during the period beginning with the effective
15 date of this Act and ending June 30, 2015.

16 **SECTION 11. APPROPRIATION - DEPARTMENT OF COMMERCE.** There is appropriated
17 out of any moneys in the general fund in the state treasury, not otherwise appropriated, the sum
18 of \$500,000, or so much of the sum as may be necessary, to the department of commerce for
19 the purpose of conducting a study to evaluate value-added market opportunities for renewable
20 energy resources and oil and gas under section 13 of this Act, for the biennium beginning
21 July 1, 2013, and ending June 30, 2015.

22 **SECTION 12. APPROPRIATION.** There is appropriated out of any moneys in the general
23 fund in the state treasury, not otherwise appropriated, the sum of \$2,000,000, or so much of the
24 sum as may be necessary, to the department of commerce for the purpose of providing grants
25 to homeless shelters, for the biennium beginning July 1, 2013, and ending June 30, 2015.

26 **SECTION 13. VALUE-ADDED MARKET OPPORTUNITIES FOR RENEWABLE ENERGY**
27 **RESOURCES AND OIL AND GAS STUDY - REPORT TO THE LEGISLATIVE**
28 **MANAGEMENT.**

29 1. During the 2013-14 interim, the department of commerce shall conduct a study to
30 evaluate value-added market opportunities related to renewable energy resources and
31 oil and gas.

1 2. The department of commerce shall cooperate with the energy policy commission in
2 conducting this study.

3 3. The department of commerce shall report its findings and recommendations to the
4 legislative management before September 1, 2014.

5 **SECTION 14. LIGNITE RESEARCH, DEVELOPMENT, AND MARKETING PROGRAM -**
6 **LIGNITE MARKETING FEASIBILITY STUDY.** The amount of \$4,500,000, or so much of the
7 amount as may be necessary, included in the grants and special funds appropriation line item in
8 subdivision 1 of section 1 of this Act, is from the lignite research fund for the purpose of
9 contracting for an independent, nonmatching lignite marketing feasibility study or studies that
10 determine those focused priority areas where near-term, market-driven projects, activities, or
11 processes will generate matching private industry investment and have the most potential of
12 preserving existing lignite production and industry jobs or that will lead to increased
13 development of lignite and its products and create new lignite industry jobs and economic
14 growth for the general welfare of this state. Moneys appropriated pursuant to this section may
15 also be used for the purpose of contracting for nonmatching studies and activities in support of
16 the lignite vision 21 program; for litigation that may be necessary to protect and promote the
17 continued development of lignite resources; for nonmatching externality studies and activities in
18 externality proceedings; or other marketing, environmental, or transmission activities that assist
19 with marketing of lignite-based electricity and lignite-based byproducts. Moneys not needed for
20 the purposes stated in this section are available to the commission for funding projects,
21 processes, or activities under the lignite research, development, and marketing program.

22 **SECTION 15. OIL AND GAS RESEARCH PROGRAM - OIL AND GAS DEVELOPMENT**
23 **IMPACT STUDIES.** The industrial commission may use the sum of \$150,000, or so much of the
24 sum as may be necessary, from the oil and gas research fund for nonmatching followup studies
25 to provide updates and refinements to employment models used to track and forecast changes
26 in the oil and gas industry workforce and estimate housing and population in the Williston basin
27 and to make a comprehensive assessment of the demographic makeup of the current and
28 expected oil and gas industry workforce.

29 **SECTION 16. DEPARTMENT OF MINERAL RESOURCES FUNDING - TRIGGER.** Of the
30 funds appropriated in subdivision 1 of section 1 of this Act, \$430,518 in the salaries and wages
31 line and \$155,712 in the operating line are from the general fund. If funds are required due to

1 the total number of wells capable of production or injection in the state exceeding 15,000, the oil
2 and gas division may spend up to \$586,230 and hire three full-time equivalent positions, upon
3 notification to the office of management and budget.

4 **SECTION 17. AMENDMENT.** Subsection 1 of section 54-17.6-05 of the North Dakota
5 Century Code is amended and reenacted as follows:

- 6 1. The oil and gas research council is composed of ~~eight~~seven members, four of whom
7 must currently be engaged in and have at least five years of active experience in the
8 oil and natural gas exploration and production industry. The council consists of:
- 9 a. Four members appointed by the governor from a list provided by the North
10 Dakota petroleum council. The governor may reject the list and request the
11 council to submit a new list until the appointments are made.
- 12 b. One member appointed by the governor from a list provided by the North Dakota
13 association of oil and gas producing counties. The governor may reject the list
14 and request the association to submit a new list until the appointment is made.
- 15 c. The executive director of the North Dakota petroleum council or the executive
16 director's designee.
- 17 ~~d. The president of the northern alliance of independent producers or the~~
18 ~~president's designee.~~
- 19 e. A county commissioner from an oil producing county appointed by the governor.
- 20 ~~f.e.~~ The director of the oil and gas division and the state geologist shall serve on the
21 council as advisory nonvoting members.

22 **SECTION 18. AMENDMENT.** Subsection 17 of section 54-44.3-20 of the North Dakota
23 Century Code is amended and reenacted as follows:

- 24 17. Engineers, engineering technicians, and geologists employed by the director of
25 mineral resources.

26 **SECTION 19. AMENDMENT.** Section 57-51.1-07.3 of the North Dakota Century Code is
27 amended and reenacted as follows:

28 **57-51.1-07.3. Oil and gas research fund - Deposits - Continuing appropriation.**

29 There is established a special fund in the state treasury to be known as the oil and gas
30 research fund. Before depositing oil and gas gross production tax and oil extraction tax
31 revenues in the general fund, property tax relief sustainability, strategic investment and

1 improvements fund, or the state disaster relief fund, two percent of the revenues must be
2 deposited monthly into the oil and gas research fund, up to ~~four~~ten million dollars per biennium.
3 All moneys deposited in the oil and gas research fund and interest on all such moneys are
4 appropriated as a continuing appropriation to the council to be used for purposes stated in
5 chapter 54-17.6.

6 **SECTION 20. LEGISLATIVE INTENT - OIL AND GAS RESEARCH FUND.** It is the intent
7 of the legislative assembly that the industrial commission give special emphasis to value-added
8 processing of oil and gas projects in the awarding of funds from the oil and gas research fund
9 during the biennium beginning July 1, 2013, and ending June 30, 2015.

10 **SECTION 21. LEGISLATIVE INTENT - ADMINISTRATIVE RULES - RESERVE PITS.** It is
11 the intent of the sixty-third legislative assembly that the industrial commission's department of
12 mineral resources oil and gas division include in its next administrative rules review and revision
13 process, the effect of provisions included in North Dakota Administrative Code section
14 43-02-03-19.5 relating to reserve pits for drilling mud and drill cuttings from shallow wells drilled
15 and completed outside of the Bakken and Three Forks formations for the biennium beginning
16 July 1, 2013, and ending June 30, 2015.

17 **SECTION 22. EMERGENCY.** The amount of \$61,751 and five full-time equivalent positions
18 included in subdivision 1 of section 1 and sections 7 through 10 of this Act are declared to be an
19 emergency measure.