



**TESTIMONY OF JOSEPH STEGMILLER
SURFACE DIRECTOR
North Dakota Department of Trust Lands**

Senate Bill 2049

House Government and Veterans Affairs Committee
March 3, 2023

Chairman Schauer and members of the House Government and Veterans Affairs Committee, I am Joseph Stegmiller, the Surface Director with the North Dakota Department of Trust Lands (Department). I am here to testify in favor of Senate Bill 2049.

The Board of University and School Lands (Board), as established by the North Dakota Constitution, is charged with overseeing the management of state trust lands and investing the revenue generated therefrom to grow as a source of long-term income for the support of certain trust beneficiaries. The Board is comprised of the Governor, Secretary of State, Attorney General, State Treasurer, and Superintendent of Public Instruction. The Department is the administrative arm of the Board, serving under the direction and authority of the Board. The Department is a special fund agency, operating off its own revenues and investments, and as such does not receive state general funds.

The Department manages approximately 2.6 million mineral acres with their approximate 8,300 associated oil & gas leases, and over 700,000 surface acres with their approximate 4,400 associated agricultural leases. Revenues generated from these leases, along with payments received from other income sources such as oil & gas lease bonus payments and easements granted for pipelines, roads, and well pads, are deposited into 13 permanent trust funds and invested to provide long-term income for trust beneficiaries. Beneficiaries of these trust funds include public K-12 education, various colleges and universities, and other state institutions throughout North Dakota. The largest trust fund is the Common Schools Trust Fund (CSTF) which had a balance of roughly \$5.65 billion as of June 30, 2022.

Senate Bill 2049 intends to update chapters 15-04 and 15-08 of the North Dakota Century Code with more modern language and requirements. These chapters of the century code relate to agricultural leasing and the management of trust lands, which are leased to farmers and ranchers for pasture and meadow purposes. These agricultural leases run for 5 years and are offered at public auction in the county seat. The following changes are proposed to update chapters 15-04 and 15-08.

Section 1. Amendment. N.D.C.C. § 15-04-09:

The first proposed change is to amend N.D.C.C § 15-04-09. This statute relates to the requirements for advertising of surface lease auctions. The statute requires the Department to notify the county treasurer ten days prior to an auction with the list of tracts that will be auctioned off. This is a remnant from when the county treasurers were more involved with the auctions. Early in the state's history, the county treasurer was responsible for conducting local auctions for trust lands and collecting annual lease payments on behalf of the Department. The Department now handles all auctions and leasing internally. Previous statutes involving county treasurers' responsibilities for auctions were repealed in 1995. However, this portion of the statute still serves an outdated purpose and imposes unnecessary burden on the Department.

Repeal of this part of the statute would save the Department both time and money while preventing exposure of the Department to unnecessary legal liability.

Section 2. Amendment N.D.C.C. § 15-04-19 & Section 5. Repeal. N.D.C.C. § 15-04-18:

The next two proposed changes deal with timber harvesting on trust lands. During the 2021 session, the Legislature passed N.D.C.C. § 15-08-19.4 which provides a more up-to-date pathway for timber harvesting on trust lands. However, the outdated statute has not yet been repealed. This outdated statute allows lessees of trust lands to cut enough timber to heat their homes. An avenue for timber harvesting is still available, but as stated in the more up to date 15-08-19.4, timber harvesting on trust lands needs written permission from the Land Commissioner. A repeal of N.D.C.C. § 15-04-18, would also require an amendment to N.D.C.C. § 15-04-19 to remove a reference to N.D.C.C. § 15-04-18.

The proposed repeal of N.D.C.C. § 15-04-18 and amendment to N.D.C.C. § 15-04-19 would reduce confusion on what is permissible for timber harvesting on trust lands.

Section 3. Amendment. N.D.C.C. § 15-08-19.1:

This proposed amendment would remove the authority of the surface lessees of trust lands to deny organized events on trust lands. The way the statute is written, the surface lessee has sole authority of what organized events can take place on trust lands. The Department agrees that the lessee should have a say in the matter of organized events since the lessee has a right to occupy and utilize trust lands based on the surface agricultural lease. However, while considering the rights of the lessee, the Commissioner, on behalf of the Board, should be the decision-maker for what occurs on trust lands. Examples of organized events on trust lands in the past have been bird watching groups and filming movies. This proposed change will ensure the authority of managing trust lands is held by the Commissioner as the Board's agent, while taking into consideration a lessee's utilization of the land.

After the Department submitted the draft proposal on December 8th, 2022, the Department had reached out to the North Dakota Stockmen's Association about the proposed changes and the Stockmen's Association requested additional language be included that the lessee be consulted. The Department was happy to accommodate this request and had requested a proposed amendment at the Senate committee hearing. This amendment added that the commissioner would consult the lessee about the potential organized event before approval.

Section 4. Amendment. N.D.C.C. § 15-08-19.4:

This proposed amendment would allow for more flexibility by the Department to approve beehives located on trust lands. Currently, for beehives to be legally placed on trust lands, the beekeeper must be named as a party to the surface lease which is drafted primarily for grazing livestock. Its language does not address all the concerns of keeping beehives on trust lands. The Department believes that beehives would be better handled with a separate permit which would not only benefit the Department, but also provide an easier avenue for beekeepers to utilize trust lands.

Thank you for your time and consideration, I look forward to answering any questions you may have.