

**1999 SENATE EDUCATION
SB 2088**

1999 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2088

Senate Education Committee

Conference Committee

Hearing Date 1/13/99

| Tape Number | Side A | Side B | Meter # |
|--|--------|--------|---------|
| 1 | X | | 30-1472 |
| | | | |
| | | | |
| Committee Clerk Signature <i>Linda Christman</i> | | | |

Minutes:

Senator Freborg called meeting to order. Clerk took roll, all were present. Senator Freborg opened hearing on SB 2088.

Senator Freborg: Is there any testimony for SB 2088?

Linda Kahl testified in support. Testimony attached.

Senator Kelsh: What specified divided land, top of page 2 the very first word and section 3 the last sentences, the sold once on a contract and can't be sold as a single unit. Would that mean that by taking that out of there it couldn't be any longer? What is the reason for taking this language out of the last sentences of section 3?

Linda Kahl: Board has the authority under the statutes to sub divide. Basically this is one of he exceptions I was talking about. If something is subdivided already we don't have to go with court exception. Lands that have not been subdivided especially can be offered. Trying to get

rid of the exceptions and remove restrictions. If we get rid of restrictions, then we don't need that anymore because that is one of the exceptions.

Senator O'Connell: Give me a brief 101 course in grant and non grant.

Linda Kahl: Grant was given to us, non grant are acquired property or we maybe sold them and got them back.

Senator Redlin: You lease pasture, say a section, I know there are several, do you lease that all in one shot.

Linda Kahl: We lease it by quater sections. The leases can vary on the land.

Senator Kelsh: Do you sometimes lease 40 acre plots or 80 acre plots?

Linda Kahl: Yes.

Senator Freborg: You cannot sell more than a quarter section. You can't sell a part of a quarter with a full quarter. Is that right?

Linda Kahl: We can sell all of it, it is just a matter of how accurate.

Senator Freborg: I understand that you show the current restrictions and then the proposed change. Why wouldn't you sell the 115 acres in blue with the 180 acres in yellow above it? In other words the southwest quarter and the northwest quarter together. Can't do that now so you have to stay with the quarter, the full quarter or something less.

Linda Kahl: Unless with the exception of a road by passing it, etc. Can hook it if it is under 100 acres.

Senator Cook: Do we have any land in CRP?

Linda Kahl: Yes.

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Senate Education Committee
Bill/Resolution Number Sb 2088
Hearing Date 1/13/99

Senator Flakoll: This also pertains to university lands so as example the Fargo dome was NDSU land.

Linda Kahl: No lease on it anymore.

Senator Freborg: Any more questions? Thank you Linda. Any more testimony in favor? Any testimony in opposition of SB 2088.

Senator Freborg closed the hearing on SB 2088.

Senator Kelsh moved for a Do Pass. Senator O'Connell seconded.

Motion has been made and seconded for a Do Pass on SB 2088. Is there any discussion? No discussion.

ROLL CALL: 7 yes, 0 no.

CARRIER: Senator Kelsh

FISCAL NOTE

(Return original and 10 copies)

Bill/Resolution No.: _____ Amendment to: SB 2088

Requested by Legislative Council _____ Date of Request: 4-5-99

1. Please estimate the fiscal impact (in dollar amounts) of the above measure for state general or special funds, counties, cities, and school districts.

Narrative: The bill, as amended, transfers 5% of the annual net revenue from school trust grant lands (approximately \$266,000 per biennium) to counties where original grant lands are located.

(See detail on reverse side)

2. **State** fiscal effect in dollar amounts:

| | 1997-99 Biennium | | 1999-2001 Biennium | | 2001-03 Biennium | |
|---------------|------------------|---------------|--------------------|---------------|------------------|---------------|
| | General Fund | Special Funds | General Fund | Special Funds | General Fund | Special Funds |
| Revenues: | | 0 | | 0 | | 0 |
| Expenditures: | | 0 | | \$266,142 | | \$266,142 |

3. What, if any, is the effect of this measure on the appropriation for your agency or department:

- a. For rest of 1997-99 biennium: 0
- b. For the 1999-2001 biennium: None, if HB 1083 is signed by the Governor.
- c. For the 2001-03 biennium: None, if HB 1083 is signed by the Governor.

4. **County, City, and School District** fiscal effect in dollar amounts:

| 1997-99 Biennium | | | 1999-2001 Biennium | | | 2001-03 Biennium | | |
|------------------|--------|------------------|--------------------|--------|------------------|------------------|--------|------------------|
| Counties | Cities | School Districts | Counties | Cities | School Districts | Counties | Cities | School Districts |
| 0 | 0 | 0 | \$266,142 | 0 | (\$15,500) | \$266,142 | 0 | (\$52,785) |

If additional space is needed, attach a supplemental sheet.

Signed 

Typed Name Robert J. Olheiser

Department Land Department

Date Prepared: 4-6-99

Phone Number (701) 328-2800

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North Dakota
STATE LAND DEPARTMENT

1707 N 9th Street
 PO Box 5523
 Bismarck, ND 58506-5523



Robert J. Olheiser
 COMMISSIONER

Additional Information Related to SB 2088
 (as Amended by a Conference Committee on April 1, 1999)

5% of Estimated Annual Net Rent on Original Grant Lands

Prepared by the ND State Land Department on 4-5-99

| County | Net Rent | 5% | County | Net Rent | 5% |
|-----------|-----------|---------|--------------|--------------------|------------------|
| Adams | \$89,632 | \$4,482 | Mountrail | \$101,091 | \$5,055 |
| Barnes | \$13,280 | \$664 | Nelson | \$2,531 | \$127 |
| Benson | \$37,721 | \$1,886 | Oliver | \$40,269 | \$2,013 |
| Billings | \$53,021 | \$2,651 | Pembina | \$0 | \$0 |
| Bottineau | \$7,736 | \$387 | Pierce | \$70,894 | \$3,545 |
| Bowman | \$78,836 | \$3,942 | Ramsey | \$516 | \$26 |
| Burke | \$47,199 | \$2,360 | Ransom | \$3,657 | \$183 |
| Burleigh | \$137,713 | \$6,886 | Renville | \$11,605 | \$580 |
| Cass | \$0 | \$0 | Richland | \$1,458 | \$73 |
| Cavalier | \$123 | \$6 | Rolette | \$24,664 | \$1,233 |
| Dickey | \$21,262 | \$1,063 | Sargent | \$3,662 | \$183 |
| Divide | \$66,188 | \$3,309 | Sheridan | \$118,930 | \$5,947 |
| Dunn | \$117,048 | \$5,852 | Sioux | \$65,195 | \$3,260 |
| Eddy | \$43,305 | \$2,165 | Slope | \$64,769 | \$3,238 |
| Emmons | \$75,783 | \$3,789 | Stark | \$31,862 | \$1,593 |
| Foster | \$10,251 | \$513 | Steele | \$0 | \$0 |
| Valley | \$41,934 | \$2,097 | Stutsman | \$80,802 | \$4,040 |
| Forks | \$7,431 | \$372 | Towner | \$25,529 | \$1,276 |
| Grant | \$151,789 | \$7,589 | Traill | \$0 | \$0 |
| Griggs | \$2,606 | \$130 | Walsh | \$0 | \$0 |
| Hettinger | \$69,992 | \$3,500 | Ward | \$64,412 | \$3,221 |
| Kidder | \$147,703 | \$7,385 | Wells | \$29,296 | \$1,465 |
| Lamoure | \$2,429 | \$121 | Williams | \$127,521 | \$6,376 |
| Logan | \$51,708 | \$2,585 | Total | \$2,661,419 | \$133,071 |
| McHenry | \$96,876 | \$4,844 | | | |
| McIntosh | \$33,010 | \$1,651 | | | |
| McKenzie | \$153,581 | \$7,679 | | | |
| McLean | \$97,587 | \$4,879 | | | |
| Mercer | \$67,431 | \$3,372 | | | |
| Morton | \$69,578 | \$3,479 | | | |

FISCAL NOTE

Return original and 10 copies)

Bill/Resolution No.: _____ Amendment to: SB 2088

Requested by Legislative Council _____ Date of Request: 3-18-99

1. Please estimate the fiscal impact (in dollar amounts) of the above measure for state general or special funds, counties, cities, and school districts.

Narrative: The bill, as amended, transfers 5% of the net revenue from school trust grant lands (approximately \$266,000 per biennium) to counties where original grant lands are located.

2. State fiscal effect in dollar amounts:

| | 1997-99 Biennium | | 1999-2001 Biennium | | 2001-03 Biennium | |
|---------------|------------------|---------------|--------------------|---------------|------------------|---------------|
| | General Fund | Special Funds | General Fund | Special Funds | General Fund | Special Funds |
| Revenues: | | 0 | | 0 | | 0 |
| Expenditures: | | 0 | (\$266,142) | | (\$266,142) | |

3. What, if any, is the effect of this measure on the appropriation for your agency or department:

- a. For rest of 1997-99 biennium: _____ 0 _____
- b. For the 1999-2001 biennium: None, if HB 1083 passes
- c. For the 2001-03 biennium: None, if HB 1083 passes

4. County, City, and School District fiscal effect in dollar amounts:

| 1997-99 Biennium | | | 1999-2001 Biennium | | | 2001-03 Biennium | | |
|------------------|--------|------------------|--------------------|--------|------------------|------------------|--------|------------------|
| Counties | Cities | School Districts | Counties | Cities | School Districts | Counties | Cities | School Districts |
| 0 | 0 | 0 | \$266,142 | 0 | 0 | \$266,142 | 0 | 0 |

If additional space is needed, attach a supplemental sheet.

Signed 

Typed Name Robert J. Olheiser

Department Land Department

Date Prepared: 3-22-99

Phone Number (701) 328-2800

FISCAL NOTE

(Return original and 10 copies)

Bill/Resolution No.: SB 2088 Amendment to: _____

Requested by Legislative Council Date of Request: 12-31-98

- 1. Please estimate the fiscal impact (in dollar amounts) of the above measure for state general or special funds, counties, cities, and school districts.

Narrative:

While there would be some minor reduction in our administrative leasing costs if the changes in this section of the bill were approved, the financial impact of the changes is not as significant as the potential for improving efficiencies in the leasing process.

- 2. State fiscal effect in dollar amounts:

| 1997-99 Biennium | | 1999-2001 Biennium | | 2001-03 Biennium | |
|------------------|---------------|--------------------|---------------|------------------|---------------|
| General Fund | Special Funds | General Fund | Special Funds | General Fund | Special Funds |

Revenues:

Expenditures: (500) NA (500) NA (500)

- 3. What, if any, is the effect of this measure on the appropriation for your agency or department:

- a. For rest of 1997-99 biennium: None
b. For the 1999-2001 biennium: None
c. For the 2001-03 biennium: None

- 4. County, City, and School District fiscal effect in dollar amounts:

| 1997-99 Biennium | | | 1999-2001 Biennium | | | 2001-03 Biennium | | |
|------------------|--------|------------------|--------------------|--------|------------------|------------------|--------|------------------|
| Counties | Cities | School Districts | Counties | Cities | School Districts | Counties | Cities | School Districts |

If additional space is needed, attach a supplemental sheet.

Signed Robert J. Olheiser

Typed Name ROBERT J OLHEISER

Department STATE LAND DEPARTMENT

Date Prepared: 01-06-99

Phone Number 328-2800

Date: 1/13
Roll Call Vote #: _____

1999 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. SB 2088

Senate EDUCATION Committee

- Subcommittee on _____
or
 Conference Committee

Legislative Council Amendment Number _____

Action Taken Do Pass

Motion Made By Sen. Kelsh Seconded By Sen O'Connell

| Senators | Yes | No | Senators | Yes | No |
|-----------------------------|-----|----|----------|-----|----|
| Senator Freborg, Chairman | ✓ | | | | |
| Senator Cook, Vice Chairman | ✓ | | | | |
| Senator Flakoll | ✓ | | | | |
| Senator Wanzek | ✓ | | | | |
| Senator Kelsh | ✓ | | | | |
| Senator O'Connell | ✓ | | | | |
| Senator Redlin | ✓ | | | | |
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Total (Yes) 7 No 0

Absent _____

Floor Assignment Sen Kelsh

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE (410)
January 13, 1999 1:16 p.m.

Module No: SR-07-0551
Carrier: Kelsh
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE

SB 2088: Education Committee (Sen. Freborg, Chairman) recommends **DO PASS**
(7 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SB 2088 was placed on the
Eleventh order on the calendar.

1999 HOUSE EDUCATION

SB 2088

1999 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2088

House Education Committee

Conference Committee

Hearing Date 3-10-99

| Tape Number | Side A | Side B | Meter # |
|---|--------|--------|-------------|
| Tape # 1 | x | | 44.3 to end |
| Tape # 1 | | x | 0.1 to 16.5 |
| Committee Clerk Signature <i>Joan Diers</i> | | | |

Minutes:

Chairman R Kelsch , Vice Chair Drovdal , Rep Brandenburg , Rep Brusegaard , Rep Haas , Rep Johnson , Rep Nelson , Rep Nottestad , Rep L Thoreson , Rep Grumbo , Rep. Hanson , Rep. Lundgren , Rep. Mueller , Rep. Nowatzki , Rep. Solberg .

Chairman R Kelsch : We will open the hearing on SB 2088 and ask the clerk to read the title.

Linda Kahl: Administrative Officer & Leasing Coordinator: (See attached testimony)

Rep. Mueller : A point of clarification for me, in section four, leases made under this section must be for cash only and the rental must be collected in advance. Advance in the case of four years previous to the four year period in its total etc.

Kahl: Not sure what your question is. If you are asking if it makes a difference when the payment is made, is that what you are asking?

Rep. Mueller : I am asking do those who lease the land, have to pay for those five years in advance.

Kahl: They pay one year at a time, regardless of the lease.

Rep Nelson : In section two, where you hold the public auctions, wouldn't it be more efficient to hold the public auctions in Bismarck for you.

Kahl: Yes. But from a customer service standpoint, it wouldn't be very nice of us to do that.
end tape # 1 side A, begin tape # 1 side B.

Rep Nelson : With this change, it looks to me, in the law, is it could happen that all auctions could be in Bismarck.

Kahl: It could. That is not our intent.

Rep Johnson : Who decides when they want to bring it back.

Kahl: The decision is made by the Land Department staff and it would be on a case by case. IT would also be what makes sense from a financial stand point. For the most part it is going to be leased by the association, there are not a lot of cases where it is necessary, but where it is, it is very necessary.

Rep. Hanson : Are all leases open to the public?

Kahl: Open in what way.

Rep. Hanson : Grazing Association do they have dibs on certain areas that no one else can bid on?

Kahl: There are tracts within the grazing association that we lease that they manage for us.

Rep. Hanson : So you will only derive the maximum amount of money if someone wanted to bid ten dollars an acre and they are paying you four. So you would have to lease it because it is in the grazing association.

Kahl: As I understand it, someone outside the association wanted to come in bid that tract away they are free to do so.

Rep. Hanson : So it is not an automatic.

Kahl: If those tracts come up for public auction, just like all the other tracts, and whoever wants to come to the auction is free to bid on those.

Vice Chair Drovdal : For the committee sake, and while the land department is still here, I am going to propose an amendment. The amendment has to do with is to require the land department to pay the local county five per cent, to help cover the cost of road maintenance, fire and police protection. I would ask Bob to address the amendments.

Bob Olheiser: I represent the board of university and school lands. I will explain what the amendments what it does and what the impact will do. All tracts when they come up for lease are open to anybody to bid on. There are no dibs on the part of the grazing association. The location of the auction, again Linda is correct, the technical part is, we could do this from Bismarck but we go out to where our business is.

Rep Nelson : I agree with you on that point, but when we make changes to century code I would feel more comfortable with some language that brought in some regional affiliation rather than leaving it open ended.

Olheiser: We have reviewed the amendments and basically what the amendments would do is require the land board to take a maximum of five per cent of the revenue that we generate from

surface grass lands and distribute that revenue back to the counties where those lands are located. This is not an in lieu tax payment or anything like that. It would be to pay for services such as fire, it is clear that the counties provide road service and access to school trust land and that adds value to lands and so as we understand the amendment it would be an attempt to give something back to those counties in payment for those services that they provide. Based on our current numbers, the five per cent could be \$160,000 to \$200,00 a year. The board is not opposed to paying for services. We have no objection to the amendment if the committee wishes to put that on the bill.

Rep. Nowatzki : What would be the fiscal note?

Rep. Mueller : In the language of the amendment, may not exceed five per cent, why are we not saying five per cent?

Vice Chair Drovdal : We can discuss that when we actually propose the amendment.

Rep Nelson : If this amendment would pass, and the money would go back to the counties, in situations where townships are organized, would the money go back to the townships?

Olheiser: As we understand the amendment, we would make a single payment to the County Commissioners and they would decide how to subdivide that or they may keep it.

Rep Nottestad : Would there be a five per cent reduction payment of the school payment?

Olheiser: The answer is no and the reason we would not reduce school payments is because currently the land board has the option of all the monies that we produce for schools, is divided two ways. Currently about 25 million dollars of that is distributed to grades k-12 but the land board currently is taking a portion of that money and putting that money back into the permanent trust fund. We need to develop a critical mass in the permanent fund so it gets to a point to about

eight hundred million dollars, according to the land board investments will allow us to increase distribution to schools by four per cent every year forever.

Rep Nottestad : Where the money goes to can still slow down the building up the money.

Rep Nelson : How much revenue do you generate per year in the lease of school and trust lands?

Olheiser: About three point eight million dollars.

Vice Chair Drovdal : Are there any other questions for Mr Olheiser, if not we thank you input.

Are there any other testimony on SB 2088 at this time? Anyone who opposes the bill?

Mike Donahue: Representative of the North Dakota Wild Life Association, we are not opposed to SB 2088 , we are neutral. But we would like to see an amendment to section three that would preclude any sale of any school lands at least until July 1, 2003. The purpose there, our organization is opposed to the sale of any school land. North Dakota started with three point two million acres of school land and now we are down to seven hundred and fourteen thousand surface acres. Currently the association has a request for comments out and in that request it has listed nineteen thousand one hundred eighty seven acres. Those acreages are within forty one counties in the state. The request came out December 1998 and ends September 30, 1999, and they must be tracked. We need time to develop recreation and the request only has agricultural land. We need time to affirm all these values.

Vice Chair Drovdal : Can you tell me how many acres have been sold since the moratorium has been put on.

Donahue: I can't answer that.

Vice Chair Drovdal : Anyone wishing to testify on SB 2088.

Joe Westby: NDEA and I would like to lend my support to the amendments.

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House Education Committee

Bill/Resolution Number Sb 2088

Hearing Date 3-10-99

Vice Chair Drovdal : Any questions for Mr Westby, seeing none, we thank you for your testimony. Any other people who wish to comment for or against SB 2088? Seeing none I will close the hearing on SB 2088.

1999 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2088-3-16-99

House Education Committee

Conference Committee

Hearing Date 3-16-99

| Tape Number | Side A | Side B | Meter # |
|---|--------|--------|-------------|
| Tape # 1 | x | | 29.3 to end |
| Tape # 1 | | x | 0.1 to 6.1 |
| Committee Clerk Signature <i>Joan Diers</i> | | | |

Minutes:

Chairman R Kelsch , Vice Chair Drovdal , Rep Brandenburg , Rep Brusegaard , Rep Haas , Rep Johnson , Rep Nelson , Rep Nottestad , Rep L Thoreson , Rep Grumbo , Rep. Hanson , Rep. Lundgren , Rep. Mueller , Rep. Nowatzki , Rep. Solberg .

Chairman R Kelsch : We will take up SB 2088, what are the wishes of the committee?

Vice Chair Drovdal : I will move amendments 98086.0102, that I proposed.

Rep Brandenburg : seconded the motion. .

Chairman R Kelsch : Committee discussion on the amendment.

Rep. Hanson : We have three sets of amendments, who will straighten them out if we pass all three and put them in the right section.

Chairman R Kelsch : Our intern Will, will go that or legislative council will.

Rep Nelson : The amendment that offered 98086.0104, takes the language Rep Drovdal and just incorporates another provision that takes the money that is distributed to the county and distributes back to the organized townships in the event that there are organized townships.

Chairman R Kelsch : Each of you take your amendments and describe what they do exactly.

What followed was a discussion on the three amendments.

Chairman R Kelsch : Vice Chair Drovdal amendments have been moved and seconded, voice vote on the amendment, carries.

Rep. Hanson : Moves amendments 98086.0103.

Rep. Solberg : seconded the motion. .

Chairman R Kelsch : Committee discussion.

Voice vote on amendments 98086.0103. Motion fails.

Chairman R Kelsch : Next we have amendments 98086.0104.

Rep Haas : I move we accept 98086.0104 as a substitute for Vice Chair Drovdal 's amendments.

Rep. Lundgren : seconded the motion. .

Chairman R Kelsch : Committee discussion

Rep. Solberg : Vice Chair Drovdal is that favorable to you?

Vice Chair Drovdal : Yes it is.

Chairman R Kelsch : Any further committee discussion, hearing none, voice vote. Motion carries. We now have the amended bill before us.

Rep. Solberg : Move a DO PASS as amended.

Vice Chair Drovdal : seconded the motion. .

Chairman R Kelsch : Committee discussion.

Rep Nelson : There was also another issue, line 22 the language was crossed out (and must be held at the county seat.)The land commissioner agreed when I visited with him after the hearing that one hundred mile radius of the land affected, would be accepted to them. I would offer that language as an amendment.

Chairman R Kelsch : Committee discussion.

End tape 1 side A, begin tape 1 side B.

Discussion continues.

Rep. Hanson : Move a substitute motion on line 22, remove the over strike.

Rep Brusegaard : seconded the motion. .

Chairman R Kelsch : Committee discussion.. Voice vote, motion carries.

Rep Brusegaard : Move to amend the bill to remove the over strike on page 1 line 12 and 13.

Rep. Hanson : seconded the motion. .

Chairman R Kelsch : We have a amendment, voice vote, motion carries.

Chairman R Kelsch : Committee discussion. Ask the clerk to call the roll on a DO PASS as amended on SB 2088. The motion of DO PASS as amended passes 15 YES 0 NO 0 Absent
Floor Assignment Vice Chair Drovdal .

PROPOSED AMENDMENTS TO SENATE BILL NO. 2088

Page 1, line 1, after "Act" insert "to create and enact a new section to chapter 15-04 of the North Dakota Century Code, relating to payments for county services benefiting school trust lands; and"

Page 2, after line 3, insert:

"SECTION 3. A new section to chapter 15-04 of the North Dakota Century Code is created and enacted as follows:

County services benefiting school trust lands - Payment. On or before March first of each year, the board of university and school lands shall pay a fee to the board of county commissioners of each county in which the state retains original grant lands. The payment is for the provision during the previous year of county services that benefit school trust lands in a county and may not exceed five percent of the net revenue generated during that period from the original grant lands in that county. For purposes of this section, net revenue means the gross revenue from surface management, less any administrative and operating expenses, but does not include any moneys that must be deposited in a permanent trust fund."

Renumber accordingly

98086.0103
Title.

Prepared by the Legislative Council staff for
Representative Hanson
February 12, 1999

PROPOSED AMENDMENTS TO SENATE BILL NO. 2088

Page 1, line 2, after "lands" insert "; and to provide for a study by the board of university and school lands"

Page 2, line 15, after "~~unit~~" insert "Notwithstanding this section, grant or nongrant lands may not be sold until after June 30, 2003" and remove the overstrike over the period

Page 2, after line 30, insert:

"SECTION 5. BOARD OF UNIVERSITY AND SCHOOL LANDS STUDY.

Between June 30, 1999, and March 31, 2002, the board of university and school lands shall coordinate, conduct, and complete a study of the use and purpose of lands managed by the board and determine whether any of the lands should ever be sold. The study must include evaluation of the intrinsic and economic values of grant and nongrant lands including recreation and tourism. The board shall ensure that the agriculture commissioner, parks and recreation department, game and fish department, geological survey, department of tourism, interested members of the public, and private organizations representing agriculture, conservation, and recreation interests participate in the study. A draft report must be published by April 1, 2002, and be offered for public review until August 1, 2002."

Renumber accordingly

PROPOSED AMENDMENTS TO SENATE BILL NO. 2088

Page 1, line 1, after "Act" insert "to create and enact a new section to chapter 15-04 of the North Dakota Century Code, relating to payments for county services benefiting school trust lands; and"

Page 2, after line 3, insert:

"SECTION 3. A new section to chapter 15-04 of the North Dakota Century Code is created and enacted as follows:

County services benefiting school trust lands - Payment. On or before March first of each year, the board of university and school lands shall pay a fee to the board of county commissioners of each county in which the state retains original grant lands. The board of county commissioners shall forward a prorated portion of any fee received under this section to the organized townships in which the original grant lands are located for use in the repair, maintenance, and construction of roads and bridges and shall use the remainder of the fee for the repair, maintenance, and construction of roads and bridges in unorganized townships in which original grant lands are located. The total fees paid under this section may not exceed five percent of the net revenue generated during that period from the original grant lands in that county. For purposes of this section, net revenue means the gross revenue from surface management, less any administrative and operating expenses, but does not include any moneys that must be deposited in a permanent trust fund."

Re-number accordingly

VR
3/16/99

HOUSE AMENDMENTS TO SENATE BILL NO. 2088 EDU 3-17-99

Page 1, line 1, after "Act" insert "to create and enact a new section to chapter 15-04 of the North Dakota Century Code, relating to payments for county services benefiting school trust lands; and" and remove "15-04-09,"

Page 1, remove lines 4 through 16

Page 1, line 21, remove the overstrike over the overstruck comma

Page 1, line 22, remove the overstrike over "~~and must be held at the county seat~~"

HOUSE AMENDMENTS TO SENATE BILL NO. 2088 EDU 3-17-99

Page 2, after line 3, insert:

"**SECTION 2.** A new section to chapter 15-04 of the North Dakota Century Code is created and enacted as follows:

County services benefiting school trust lands - Payment. On or before March first of each year, the board of university and school lands shall pay a fee to the board of county commissioners of each county in which the state retains original grant lands. The board of county commissioners shall forward a prorated portion of any fee received under this section to the organized townships in which the original grant lands are located for use in the repair, maintenance, and construction of roads and bridges and shall use the remainder of the fee for the repair, maintenance, and construction of roads and bridges in unorganized townships in which original grant lands are located. The total fees paid under this section may not exceed five percent of the net revenue generated during that period from the original grant lands in that county. For purposes of this section, net revenue means the gross revenue from surface management, less any administrative and operating expenses, but does not include any moneys that must be deposited in a permanent trust fund.

Renumber accordingly

Date: 3-16-99
Roll Call Vote #: 1

1999 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. SB-2088

House Education Committee

Subcommittee on _____
or
 Conference Committee

Legislative Council Amendment Number 98086.0105

Action Taken Do Pass as amended

Motion Made By Solberg Seconded By Drovdal

| Representatives | Yes | No | Representatives | Yes | No |
|--------------------------------|-----|----|---------------------|-----|----|
| Rep. ReaAnn Kelsch-Chairperson | ✓ | | Rep. Dorvan Solberg | ✓ | |
| Rep. David Drovdal-Vice Chair | ✓ | | | | |
| Rep. Michael D. Brandenburg | ✓ | | | | |
| Rep. Thomas T. Brusegaard | ✓ | | | | |
| Rep. C. B. Haas | ✓ | | | | |
| Rep. Dennis E. Johnson | ✓ | | | | |
| Rep. Jon O. Nelson | ✓ | | | | |
| Rep. Darrell D. Nottestad | ✓ | | | | |
| Rep. Laurel Thoreson | ✓ | | | | |
| Rep. Howard Grumbo | ✓ | | | | |
| Rep. Lyle Hanson | ✓ | | | | |
| Rep. Deb Lundgren | ✓ | | | | |
| Rep. Phillip Mueller | ✓ | | | | |
| Rep. Robert E. Nowatzki | ✓ | | | | |

Total (Yes) 15 No 0

Absent 0

Floor Assignment Drovdal

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE

SB 2088: Education Committee (Rep. R. Kelsch, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (15 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SB 2088 was placed on the Sixth order on the calendar.

Page 1, line 1, after "Act" insert "to create and enact a new section to chapter 15-04 of the North Dakota Century Code, relating to payments for county services benefiting school trust lands; and" and remove "15-04-09,"

Page 1, remove lines 4 through 16

Page 1, line 21, remove the overstrike over the overstruck comma

Page 1, line 22, remove the overstrike over "~~and must be held at the county seat~~"

Page 2, after line 3, insert:

"SECTION 2. A new section to chapter 15-04 of the North Dakota Century Code is created and enacted as follows:

County services benefiting school trust lands - Payment. On or before March first of each year, the board of university and school lands shall pay a fee to the board of county commissioners of each county in which the state retains original grant lands. The board of county commissioners shall forward a prorated portion of any fee received under this section to the organized townships in which the original grant lands are located for use in the repair, maintenance, and construction of roads and bridges and shall use the remainder of the fee for the repair, maintenance, and construction of roads and bridges in unorganized townships in which original grant lands are located. The total fees paid under this section may not exceed five percent of the net revenue generated during that period from the original grant lands in that county. For purposes of this section, net revenue means the gross revenue from surface management, less any administrative and operating expenses, but does not include any moneys that must be deposited in a permanent trust fund."

Renumber accordingly

1999 SENATE EDUCATION

SB 2088

CONFERENCE COMMITTEE

1999 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB2088CC

Senate Education Committee

Conference Committee

Hearing Date March 29, 1999

| Tape Number | Side A | Side B | Meter # |
|--|--------|--------|---------|
| 2 | x | | 0-3200 |
| 3/31/99 | x | | 0-3063 |
| | | | |
| Committee Clerk Signature <i>Jinda Christman</i> | | | |

Minutes:

CONFERENCE COMMITTEE

SENATOR WANZEK REP. H. DROVDAL

SENATOR FREBORG REP. NELSON

SENATOR KELSH REP. HANSON

SENATOR WANZEK called the Senate Conference Committee to order on SB2088. All members present. We're here in conference to discuss SB2088 and the amendments the House had adopted. Will one of the House members please explain the amendments.

REP. H. DROVDAL: The amendments that we proposed in section 3 have to do with land that is owned or managed by the State Land Department (school land) and what it is asking is that the board send out to the counties to which the land is located a fee of up to 5% of the lease money that they get that year to help maintain the central services such as roads, road repair, that serves

that particular land. It would be at the same rate that a neighbor taxpayer pays for those same essential services. It does not include social services, it does not include school/education funding, it just means essential services. Doesn't touch the permanent trust fund or the interest of the permanent trust fund, it is only the additional money that is coming from leases for that.

SENATOR FREBORG : It is all general fund money.

REP. DROVDAL: This is money that the Land Department received each year, leases from farmers and ranchers.

SENATOR FREBORG : Where does it go.

REP. DROVDAL: It goes into their special fund that they generally disperse out to tuition payments.

REP. HANSON: It is not tuition apportionment, tuition apportionment is on the student, maybe it is.

SENATOR WANZEK : We have Robert Olheiser here, would you mind explaining.

BOB OLHEISER, COMMISSIONER OF ND STATE LAND DEPARTMENT. The answer to the question is all of the funds involved in this particular amendment are special funds that would go, if it does not go to the purpose of 1% to help counties, then it goes into the permanent trust fund which we are responsible for managing and those permanent funds would be mainly the common school trust fund. In addition there might be some institutional educational trust funds out such as Veteran's Funds, etc.

REP. NELSON: In the House testimony you testified as to how much the per pupil ADM payment would decrease if this was enacted. Could you enlighten the committee as to how much that was.

BOB: It's approximately \$7-8 per student depending on how enrollments go, maybe as much as \$9, but let's say \$7-9 per student would be the maximum amount. The money we're talking about here, the 5% would not decrease the distribution that we would be making to DPI on an annual basis. The reason for that is because the Land Board has distributions coming in place that will pretty much guarantee certain increases in those distributions for at least the next 5 or 6 years. Where this money would have an impact is when we distribute part of our funds and part of those incomes don't back into the permanent trust fund. This would be money that would be earmarked normally to go into the permanent trust fund so the funds won't grow as fast.

SENATOR FREBORG : Can't relate to the \$7-9 that it affects the payment to the schools. What money are you talking about.

BOB: The amount we put in which is about \$266,000 a year. What would that equate to per student and that is equivalent to \$7-9 per student, but we're not going to decrease distributions by that amount. I gave the number to provide an answer. If you take \$266,000 and divide by the number of students it comes out to an average of \$7-9.

SENATOR FREBORG : \$266,000 per biennium, not yearly. I always related a million dollars to \$8 per student. Where are we getting \$144,000 a year relating to \$7-9. A million dollars will provide approximately \$8 per student state wide.

BOB: You triggered my memory, in the original testimony that we did for the bill it would have included full taxation, so I have to back off the number I gave you. It wouldn't be \$7-9 for this bill it would be about 1/3 of this amount for this bill. The \$7-9 was if we paid full taxes which was the original idea.

SENATOR FREBORG : 1/3 per biennium. \$7-9 was for a biennium. So you're talking about the \$266,000 that's about a 1/3. Let's say a million dollars is worth \$9 per student so this costs us about \$3.

BOB: \$2-3 per biennium.

SENATOR WANZEK : Roughly \$7-8 per student if there was full taxation being paid on this property. Does that only include the amount of taxation that would go to schools on an average or is that the total taxation.

BOB: That original number was based on full taxation. The original bill we dealt with was about 1.1 million, that was total amount. He is right that is the \$7-9 depending on the number of students, but that was if we paid full taxes for all the services the county provided including counties, school districts, cities and everything. That would be if the full taxes went to the school.

BOB: It would be the 1.1 million if we paid full taxes and that would come from the school. It would come from the county school trust fund for example.

SENATOR KELSH : Can you explain the last sentence of that amendment "does not include any moneys that must be deposited in the permanent trust fund." How would you separate.

BOB: That language is in there because for example in our mineral area any royalties or bonuses that we receive from land, they must be deposited in the permanent trust fund. This particular amendment only deals with surface lease revenue so it could not.

REP. NELSON: My recollection of this amendment is in my own township there are 17 quarters of nontaxable land. Most of you know the school gets the revenue on property tax, schools receive in a ballpark figure about 50% of the taxes. In my case all 17 quarters aren't state land. I

think we have 8-9 quarters of state land. Of that 50% the township isn't getting for road construction, obviously that is the biggest cost that the townships have when there is road repair, etc. We're not getting any help at all from this state school land and the Department seemed to be very favorable as far as contributing this 5 % money. It doesn't get us up to true and full value as far as what the townships would give, it contributes to the growing needs that our counties and townships have in this area as well as the schools. It doesn't seem like it is going to be a burden, I think it will improve relationships with the State Land Department and help increase the ability of townships to work on these roads.

REP. DROVDAL: The bill that was referred to earlier was one that Senator Bowman and Senator Solberg sponsored in the Senate that was defeated and that included in lieu of tax for all taxes that the neighboring property owners paid. The objection there was that we were paying, we were taking money from education and putting into other services other than education that they didn't feel that the Land Department should pay for because they didn't use, like social services, etc. This particular version is a good neighbor policy it should take some pressure off the Land Department as far as the sales of land. We hope you will go along with the amendment.

SENATOR WANZEK : Wouldn't payments in lieu of, wouldn't a major part of that go to education but they'd go to schools in that vicinity.

REP. DROVDAL: That was part of the other bill and Senator Bowman and myself plan to meet with the ND Land Dept. and discuss having payment to the school districts in which land is located.

SENATOR WANZEK : All the money in this amendment goes to the township.

REP. DROVDAL: This money still up to 5% goes back to the county or township. Whichever is responsible for the road.

SENATOR KELSH : This has some affect, \$2-\$3 but if this was put into the fund and then that was built it would have a ballooning affect at some point. The increase is paid off. This is going to have a continuing affect on the amount of money that they pay out in tuition apportionment.

REP. DROVDAL: The money we're talking about, if it didn't go to the counties for this purpose it would go back, it would not go into the permanent trust fund, so it would not have a ballooning affect or inflationary affect. Different proportions to it because there are different amounts in different counties. Those county taxpayers are currently paying for repairing roads and bridges. Lease holders who are leasing the state land are using those roads and bridges so shouldn't they be paying a share just as the neighbor is doing because it is the state land in many cases that is setting the lease rate for the neighbor land.

SENATOR KELSH : 5% goes directly out, it doesn't go into the county school trust fund.

REP. DROVDAL: Up to 5% goes into what the tax rate is in that particular county. Currently if we didn't pass this it would go into the fund and then go out. An oil lease goes into permanent trust fund, this goes into tuition apportionment payment.

SENATOR FREBORG : Need to explain this ballooning affect you were talking about. It does accrue it's paid out.

BOB: It is not distributed, the money we are talking about here would not be distributed on an annual basis. There could be potential long term growth that we would miss if this passes. On the other hand the amount of money we're talking about here with an investment portfolio, what we make and lose that amount of money everyday with market fluctuation. It is really hard to

quantify the affect this would have on the fund because it depends on what the market does. This is not an amount of money that would be distributed on an annual basis only the interest and income would be the distributed portion annually. So it has impact but not to the extent that it actually takes money away from school kids directly, but indirectly it does because the fund wouldn't grow as fast without it.

REP. HANSON: Is there any state law that the lease holder has to pay taxes on.

BOB: On all original grant money it was given to the state by the Congress, the answer is no. No one pays taxes on that land at all.

REP. HANSON: None of those tax paying lands are included in this list.

BOB: That is correct. These are only grant lands.

SENATOR FREBORG : Is there any money that comes in for schools that isn't distributed. Only the interest in all cases is distributed right.

BOB: The Century Code define distributable income for the purpose of our payments to the DPI. That is defined as interest from bonds, rent, dividends from stock and 10% of any gains or losses amortized over a 10 year period. Those would constitute distributable income for the purpose of our making our payment.

SENATOR WANZEK : Does the money we're talking about this \$132,000 per year actually is generated from revenue but there is a certain % of the revenue that must be reinvested and permanently reinvested in trust funds. So that \$133,00 is not going to be reinvested which will result in a little slower growth of the overall trust.

BOB: Exactly right. There is an impact but it is hard to measure that relatively. In addition to this discussion we would like to ask the House members if you would consider page 1 of the bill

line 22, the House took out, we ask to remove language that our auctions must be held in the county seat and House put language back in. We're asking if you would reconsider again and take it out again because this is an element of our auction program that really is an inefficiency in government opportunity for us. If you feel its necessary of course we'll do that, but if you're asking our professional opinion on how to save money and not reduce our customer service that is when that would help us.

THE REMAINDER OF THE TAPE WAS VERY BAD WITH LOUD SCREECHING NOISES.

SENATOR KELSH : Is it all right to take the notification out of section 1.

BOB: Section 1 of course in our original draft of the bill we took the County Treasurer out and we would prefer that but that particular provision isn't that important to us as the county seat provision. That simply is a mailing that we do. \$53.00 to inform everyone. Arranging an auction at county seat for 5 tracts and going through all the work which we could combine 2 or 3 of those auctions in one setting. That was almost as convenient to everyone.

SENATOR WANZEK : We'll give the House a chance to explain their concern.

REP. NELSON: I did offer an amendment that would allow one of the cases where the county seat were within 10 miles of each other and they wanted to hold the land auction at one of the counties, seemed like a reasonable amendment to offer and the language was 100 miles. Just as a safeguard if and when there was a change in land board management that they wouldn't have to come to Bismarck. The amendment was lost in committee, so I would question if whether we had the ability to change it again. I don't know if there is a place where our committee would feel comfortable.

SENATOR KELSH : Hundred miles isn't unreasonable.

REP. NELSON: The way I understand it is that the advertising would stay exactly the same just the auction itself.

REP. DROVDAL: Would it make any difference whether you had to drive to Dickinson to have an auction or land in Kidder county.

BOB: Good neighbor policy is important.

SENATOR WANZEK recessed the conference committee on SB2088.

3/31/99

SENATOR WANZEK reconvened the conference committee on SB2088.

REP. DROVDAL: Our minutes did answer some of the questions concerning the amendments we put on the bill. The first one had to do with page 1, section 2 that we took the overstrike out and said that the auction must be in the county to which the land is located in. The reason talks about 100 miles and we felt for the future and now the lands located in that county and the bidders in that county the consumer is in that county, it may be sure there may be one person will come and there may be 5 or 6 people will learn what it's all about and when that person decides not to farm anymore we'll have people who will understand the process and it will be open to the public and they'll be no question about open records. If you go 100 miles away there is only one person who will go that 100 miles or into Bismarck as originally presented, they could all be right in Bismarck. We want to protect that and make sure it is out there were the consumer is protected and will always know it is an open process right there in his own county. There is nothing wrong with having the state people who are paid for their mileage and paid for their time to drive out there.

3-31-99

SENATOR WANZEK : Understand where you're coming from but I don't believe it is the intent of the Land Board to try and circumvent locating the auction in a general geographic vicinity to the land. I do see sometimes where they might be a lot more efficient. Provide some convenience and efficiency and I would have to believe the landlord is not going to abuse that, personally I think we should somehow allow them to do that.

REP. HANSON: If the land is within a county it should be sold within that county. Everything in the past has always taken place at the courthouse and if it is not accessible or handicap accessible they can meet at the door and recess and go up town to the coffee shop.

REP. DROVDAL: I did visit with the Land Department after the meeting and asked if we added an amendment of 100 miles of county seat if they felt that would be helpful and they said you betcha, we just love that it would help us out a lot. It only goes to prove to me that in fact they would take it away from the area and make it more convenient to them instead of for the consumer/taxpayer.

SENATOR WANZEK : I'm not sure I would even support the amendment to go to 100 miles, I'm just saying this is giving them some flexibility. I can see circumstances where it would be helpful.

REP. DROVDAL: Do you see it as inconceivable that a hunting group may want to lease that land.

SENATOR FREBORG : I move the Land Board amendments by the Land Department. I believe it is section 2, payment would be based on the previous year. "After the word county it would read, "during the year preceding the payment period." Overstrike during that period and after the word county insert, "during the year preceding the payment."

Page 11

Senate Education Committee

Bill/Resolution Number sb2088cc-

Hearing Date March 29, 1999

REP. DROVDAL: 2nd

3-31-99

Vote: 6 Yes 0 No

SENATOR WANZEK : I believe we need to withdraw the motion until after the committee agrees to recede or accede. The committee withdraws the former action.

BOB OLHEISTER GAVE THE COMMITTEE AN UPDATE ON THE BOARD MEETING OF THE LAND BOARD.

SENATOR WANZEK : We had a lot of discussion on section 2.

REP. NELSON: In the discussion we had, in the House side we tried to make a case of why we think this is a fairness issue and why this provision is not only good for the counties that are affected, the western counties for example seem to have more school trust land than some of the valley counties, just an attempt to bring some revenue back to be placed in those areas. Why does the Senate have a problem with that.

SENATOR KELSH : Problem I have with it, we on the Senate side kill bills that are high quality because they got \$50,000, \$100,000 or more appropriations on them because we need it in foundation aid. Money needs to go to schools, help kids learn, etc. This is something that would take money away from the amount of money they'd get. You're taking 2 or 2 ½ million from school trust fund. Somewhere down the line we'll be adding to the tuition apportionment payment, when you sit here and fight over \$25,000/50,000 and kill bills because of that and then start giving 2 ½ million away, I'm opposed.

REP. DROVDAL: I've worked hard to get additional money into foundation aid payments especially rural schools.

REP. HANSON: In our testimony during our committee meeting we were told it brought in amounts of about \$3 a year per kid. NDEA came in and supported the bill.

SENATOR WANZEK : \$3 per student over how many years. You mean \$3 a year per student off foundation aid. This money is not part of the tuition apportionment, it is the amount that goes back into the resource, the school trust fund. It is the income off this potential money we would lose.

SENATOR FREBORG : It is \$1,300 at 10%, \$1,330 a year at 10% interest. If we have about 116,000 units you can figure out how many pennies they are not going to get.

REP. NELSON: Won't reduce the payments at all because that money is, they appropriate so much money for the tuition apportionment, the rest goes into a permanent trust. Bob was asked if there would be a 5% reduction in the pay per school payment. He answered no the reason we would not reduce payment is because currently the landlord has the option of all money we produce for schools. My understanding is there would not be a reduction in payment.

REP. DROVDAL: Top of page 4, to pay for services, etc. attempt to give something back.

SENATOR FREBORG : I move that the Senate accede to the House amendments and further amend.

REP. DROVDAL: 2nd

Vote: 6 Yes 0 No

REP. DROVDAL: 100 mile radius, so Dickinson might have all of the auctions. We have large holdings both east and west so that is where we'd go.

SENATOR FREBORG : I move the Land Department amendments, overstrike in section 2

Page 13

Senate Education Committee

Bill/Resolution Number sb2088cc-

Hearing Date ~~March 29, 1999~~

3-31-99

“during that period” include at the end of county on that same line, “during the year preceding the payment.”

REP. DROVDAL: 2nd

Vote: 6 Yes 0 No

SENATOR WANZEK adjourned the conference committee.

(Bill Number) SB 2088 (, as (re)engrossed):

Your Conference Committee

For the Senate:

For the House:

Sen. Wanzek Y
Sen. Theberg Y
Sen. Kelsh Y

Rep. N. Dronold Y
Rep. Nelson Y
Rep. Hanson Y

[X] recommends that the (SENATE/HOUSE) (ACCEDE to) (RECEDE from)
723/724 725/726 S724/H726 S723/H725

the (Senate/House) amendments on (SJ/HJ) page(s) 769 - 770

[] and place 727 on the Seventh order.

[X] , adopt (further) amendments as follows, and place
SB2088 on the Seventh order:

[] having been unable to agree, recommends that the committee be discharged
and a new committee be appointed. 690/515

((Re)Engrossed) was placed on the Seventh order of business on the
calendar.

DATE: 3/31/99

CARRIER: Kelsh

LC NO. 98086 . 0106 of amendment

LC NO. of engrossment

Emergency clause added or deleted

Statement of purpose of amendment

(1) LC (2) LC (3) DESK (4) COMM.

REPORT OF CONFERENCE COMMITTEE

SB 2088: Your conference committee (Sens. Wanzek, Freborg, Kelsh and Reps. Drovdal, Nelson, Hanson) recommends that the **HOUSE RECEDE** from the House amendments on SJ pages 769-770, adopt amendments as follows, and place SB 2088 on the Seventh order:

That the House recede from its amendments as printed on pages 769 and 770 of the Senate Journal and page 857 of the House Journal and that Senate Bill No. 2088 be amended as follows:

Page 1, line 1, after "Act" insert "to create and enact a new section to chapter 15-04 of the North Dakota Century Code, relating to payments for county services benefiting school trust lands; and" and remove "15-04-09,"

Page 1, remove lines 4 through 16

Page 1, line 21, remove the overstrike over the overstruck comma

Page 1, line 22, remove the overstrike over "~~and must be held at the county seat~~"

Page 2, after line 3, insert:

"SECTION 2. A new section to chapter 15-04 of the North Dakota Century Code is created and enacted as follows:

County services benefiting school trust lands - Payment. On or before March first of each year, the board of university and school lands shall pay a fee to the board of county commissioners of each county in which the state retains original grant lands. The board of county commissioners shall forward a prorated portion of any fee received under this section to the organized townships in which the original grant lands are located for use in the repair, maintenance, and construction of roads and bridges and shall use the remainder of the fee for the repair, maintenance, and construction of roads and bridges in unorganized townships in which original grant lands are located. The total fees paid under this section may not exceed five percent of the net revenue generated from the original grant lands in that county during the year preceding the payment. For purposes of this section, net revenue means the gross revenue from surface management, less any administrative and operating expenses, but does not include any moneys that must be deposited in a permanent trust fund."

Renumber accordingly

SB 2088 was placed on the Seventh order of business on the calendar.

1999 TESTIMONY

SB 2088

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North Dakota
STATE LAND DEPARTMENT

1707 N 9th Street
PO Box 5523
Bismarck, ND 58506-5523



Robert J. Olheiser
COMMISSIONER

TESTIMONY OF LINDA KAHL
Administrative Officer & Leasing Coordinator

IN SUPPORT OF
SENATE BILL NO. 2088
House Education Committee

March 10, 1999

Senate Bill 2088 is being introduced to accomplish the following:

1. Create consistency between leasing and sale statutes.
2. Increase flexibility and allow discretion to create more leasable and manageable school trust land units.
3. Reduce administrative leasing costs.

A BRIEF DISCUSSION OF THE PROPOSED CHANGES FOLLOWS:

SECTION 1. To amend and reenact section 15-04-09 of the North Dakota Century Code.

This section of the bill eliminates the requirement of providing county treasurers with prior notification of lease auctions. The 1995 legislative assembly approved changes to the statute that formally removed county officials from the leasing process. The response we have received from the counties indicates they have been pleased with the results of the 1995 legislation because it has reduced their workload. However, unless the notification provision is removed, we risk having an auction invalidated if we unintentionally forgot to provide a county with advance notice of the lease auction. While we have continued to provide notice to county officials as a professional courtesy, this portion of the statute is no longer necessary and the ramification of failing to comply could be disproportionately damaging to our leasing program.

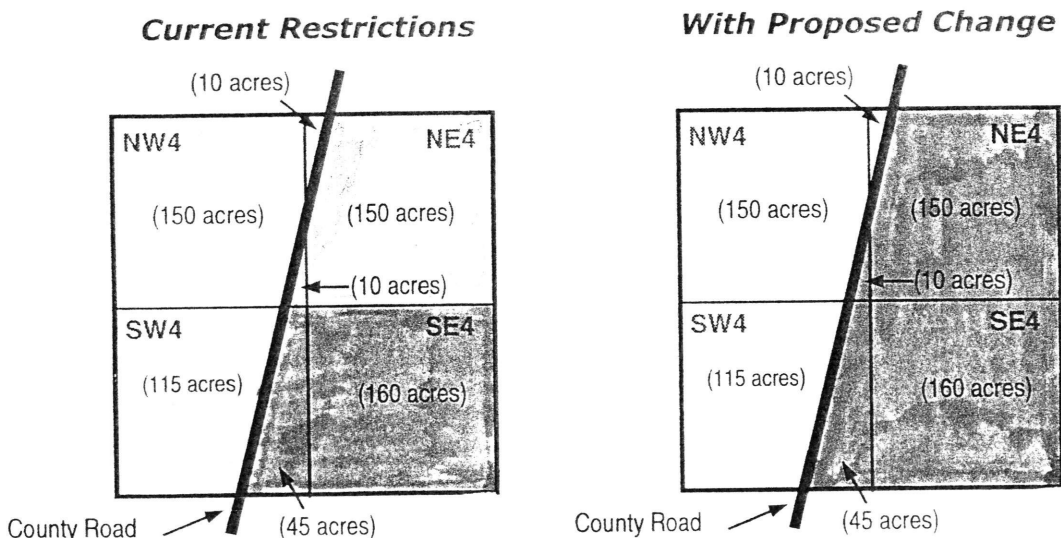
SECTION 2. To amend and reenact section 15-04-10 of the 1997 supplement to the North Dakota Century Code.

There are two proposed changes in this section: 1) Allows public auctions in the fall at locations other than the county seat, and 2) Allows the combination of tracts into more efficient leasing units.

The current statute requires that public auctions be held at the county seat of the county in which the parcels are located. This restriction on auction locations made more sense when transportation systems were poor, but now the difference between holding an auction in Foster County (Carrington) and Eddy County (New Rockford) is only 15 minutes of driving time. In most

cases, it would still make sense for us to have our auctions at the courthouses, and our intention would be to continue that practice to the extent possible. However, there are times that it would be beneficial for us (and our lessees as well) to have discretionary authority to change the auction location. For instance, in years where there are only a handful of expiring leases in each of three adjoining counties, it seems reasonable for us to be allowed to choose a location central to the tracts being offered. Computer mapping allows us to plot the tracts being offered and establish an appropriate centralized location. Besides increasing efficiency, there would be some minimal economic advantages as well through decreased auction costs.

The second proposed change in this section would allow us to combine tracts into more logical and efficient leasing units if it made sense to do so. The majority of our tracts are logically leased by quarter-section. However, in some cases, from a land management and leasability standpoint, it would be preferable to cross quarter lines to combine tracts for leasing purposes. We currently have limited combination authority under NDCC 15-08-25, which allows us to hook a tract of 100 or less useable acres to another tract, but that still doesn't always create the best leasing unit from our perspective, or that of a rancher. For example:



SECTION 3. Amends and reenacts section 15-06-26 of the North Dakota Century Code.

The changes to this section are intended to make sales of school trust land consistent with the proposed changes to the leasing provisions of the previous section. If a parcel of school trust land were to be sold, it is common sense to allow the board of university and school lands to sell it in a unit that produces the greatest return for the trusts. That may be as a quarter section or it may be in some other unit such as "everything east of the highway".

It should also be noted that the language we propose to delete on page 2, lines 10-12, was actually removed from the State Constitution back in 1944, however, it was never removed from the Century Code.

SECTION 4. Amends and reenacts section 15-07-20 of the North Dakota Century Code.

15-07-20 currently restricts the lease term of crop acres on **non-grant** land to a maximum of four years. This is inconsistent because cropland on grant land and all grassland may be leased for a maximum of five years. It is only cropland on non grant land that is restricted to a 4-year lease. This is confusing to our lessees and creates problems when a quarter section includes both cropland and pasture, or when a cropland tract has a pasture that overlaps onto an adjacent tract. In those cases, we have to reduce the lease term on the grass to 4 years so it will come up for lease with the cropland. Making this change would reduce confusion about lease terms, provide consistency throughout the statutes, and create opportunities for further administrative efficiencies in our leasing program.

On behalf of the Board of University and School Lands, I respectfully request your support of SB 2088.

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 Fax: (701) 328-3650
 www.land.state.nd.us

North Dakota
STATE LAND DEPARTMENT

1707 N 9th Street
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 Bismarck, ND 58506-5523



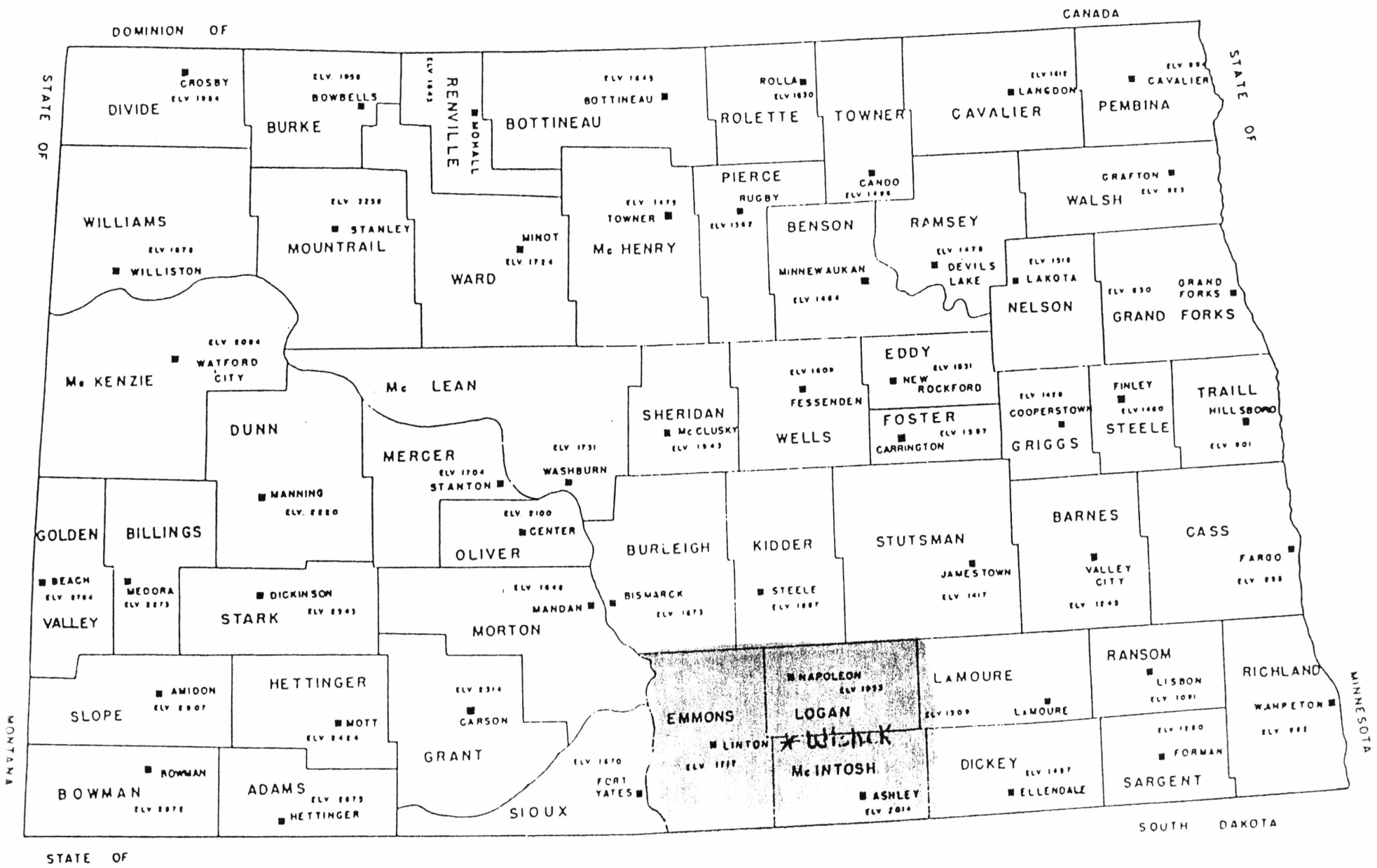
Robert J. Olheiser
 COMMISSIONER

Additional Information Related to SB 2088
(as Amended in the House of Representatives) - March 29, 1999

5% of Estimated Annual Net Rent on Original Grant Lands

Prepared by the ND State Land Department on 3-29-99

| County | Net Rent | 5% | County | Net Rent | 5% |
|---------------|-----------------|-----------|---------------|--------------------|------------------|
| Adams | \$89,632 | \$4,482 | Mountrail | \$101,091 | \$5,055 |
| Barnes | \$13,280 | \$664 | Nelson | \$2,531 | \$127 |
| Benson | \$37,721 | \$1,886 | Oliver | \$40,269 | \$2,013 |
| Billings | \$53,021 | \$2,651 | Pembina | \$0 | \$0 |
| Bottineau | \$7,736 | \$387 | Pierce | \$70,894 | \$3,545 |
| Bowman | \$78,836 | \$3,942 | Ramsey | \$516 | \$26 |
| Burke | \$47,199 | \$2,360 | Ransom | \$3,657 | \$183 |
| Burleigh | \$137,713 | \$6,886 | Renville | \$11,605 | \$580 |
| Cass | \$0 | \$0 | Richland | \$1,458 | \$73 |
| Cavalier | \$123 | \$6 | Rolette | \$24,664 | \$1,233 |
| Dickey | \$21,262 | \$1,063 | Sargent | \$3,662 | \$183 |
| Divide | \$66,188 | \$3,309 | Sheridan | \$118,930 | \$5,947 |
| Dunn | \$117,048 | \$5,852 | Sioux | \$65,195 | \$3,260 |
| Eddy | \$43,305 | \$2,165 | Slope | \$64,769 | \$3,238 |
| Emmons | \$75,783 | \$3,789 | Stark | \$31,862 | \$1,593 |
| Foster | \$10,251 | \$513 | Steele | \$0 | \$0 |
| Valley | \$41,934 | \$2,097 | Stutsman | \$80,802 | \$4,040 |
| Forks | \$7,431 | \$372 | Towner | \$25,529 | \$1,276 |
| Grant | \$151,789 | \$7,589 | Traill | \$0 | \$0 |
| Griggs | \$2,606 | \$130 | Walsh | \$0 | \$0 |
| Hettinger | \$69,992 | \$3,500 | Ward | \$64,412 | \$3,221 |
| Kidder | \$147,703 | \$7,385 | Wells | \$29,296 | \$1,465 |
| Lamoure | \$2,429 | \$121 | Williams | \$127,521 | \$6,376 |
| Logan | \$51,708 | \$2,585 | Total | \$2,661,419 | \$133,071 |
| McHenry | \$96,876 | \$4,844 | | | |
| McIntosh | \$33,010 | \$1,651 | | | |
| McKenzie | \$153,581 | \$7,679 | | | |
| McLean | \$97,587 | \$4,879 | | | |
| Mercer | \$67,431 | \$3,372 | | | |
| Morton | \$69,578 | \$3,479 | | | |



STATE OF

SOUTH DAKOTA