Department of Trust Lands
Budget 226
House Bill No. 1013; Senate Bill No. 2371

	FTE Positions	General Fund	Other Funds	Total
2011-13 legislative appropriation	24.75	$65,000,000[1]	$140,465,189	$205,465,189
2009-11 legislative appropriation	21.75	0	13,792,561	13,792,561
2011-13 appropriation increase (decrease) to 2009-11 appropriation	3.00	$65,000,000	$126,672,628	$191,672,628

[1]This amount includes $65 million of one-time funding. Excluding this amount, the agency's ongoing general fund appropriation is $0.

Item Description	Status/Result
Name change	In August 2011, the Board of University and School Lands adopted an agency name change from the State Land Department to the Department of Trust Lands.
FTE changes - The 2011-13 biennium appropriation includes funding for 24.75 FTE positions, an increase of 3 FTE positions from the 2009-11 biennium authorized level of 21.75 FTE positions. The Legislative Assembly approved the addition of 3 FTE positions--auditor III (minerals royalty auditor) ($157,684), accounting budget specialist ($115,395), and office assistant III ($90,189).	The Department of Trust Lands filled the office assistant III position in October 2011, the auditor III position in November 2011, and the accounting budget specialist in April 2012.
Energy infrastructure and impact grant awards - In Section 6 of 2011 House Bill No. 1013, the Legislative Assembly increased the maximum amount of oil and gas tax revenues that may be deposited in the oil and gas impact grant fund by $92 million per biennium, from $8 million to $100 million. In Section 5 of 2011 House Bill No. 1013, the Legislative Assembly provided authority to the Board of University and School Lands to award and distribute energy infrastructure and impact grants from money deposited in the oil and gas impact grant fund. Annual distributions may not exceed 60 percent of the biennial appropriation for energy infrastructure and impact grants. The board is authorized to create an advisory committee to assist in making grant award determinations. In Sections 6, 7, 8, 9, and 10 of 2011 House Bill No. 1013, the Legislative Assembly updated language to change the name of the Energy Development Impact Office to the Energy Infrastructure and Impact Office. In Section 10 of 2011 House Bill No. 1013, the Legislative Assembly added the following items to the powers and duties of the Energy Infrastructure and Impact Office director: • Receive and review applications for impact assistance. • Make recommendations at least quarterly to the Board of University and School Lands on grants to counties, cities, school districts, and other political subdivisions in oil and gas development impact areas.	The Department of Trust Lands utilizes the oil and gas impact grant fund for providing energy infrastructure and impact grants and for the administration of the energy infrastructure and impact grant program. Of the $100 million of oil and gas tax revenues deposited in the oil and gas impact grant fund, $99,778,269 is available for energy infrastructure and impact grant awards in the 2011-13 biennium. The remaining amount of $221,731 is available for salaries and operating expenses relating to administration of the energy infrastructure and impact grant program. Conditions for the contingent appropriation included in 2011 Senate Bill No. 2371 were met, and the transfer and appropriation of $30 million was available to the Department of Trust Lands in April 2012. The Land Board directed additional funds from the contingent appropriation to the January 2012 to March 2012 emergency services grant round pursuant to legislative intent. The Board of University and School Lands plans to award and distribute approximately 35 percent of the grants to Williston, Dickinson, and Minot (no city may receive more than 60 percent of the funds) and approximately 65 percent to other cities, counties, school districts, and political subdivisions impacted by oil and gas development. The Board of University and School Lands established an advisory committee to make recommendations regarding policies, procedures, and distributions of the 65 percent consisting of nine members as follows:

- Recommendations are to provide 35 percent of money available in the oil and gas impact fund to incorporated cities with a population of 10,000 or more. An incorporated city may not receive more than 60 percent of the funds available.
- Recommendations are to provide 65 percent of money available in the oil and gas impact fund to cities not otherwise eligible for funding under this section, counties, school districts, and other political subdivisions impacted by oil and gas development.

In Section 23 of 2011 Senate Bill No. 2371, the Legislative Assembly provided for a contingent transfer of $30 million from the general fund to the oil and gas impact grant fund. The Office of Management and Budget may transfer this funding only if the Tax Commissioner certifies that total oil and gas tax revenue collections for the period July 1, 2011, through February 29, 2012, exceed oil and gas tax revenue collection projections for that period by at least $48 million.

Section 24 of 2011 Senate Bill No. 2371 provides a contingent appropriation of $30 million from the oil and gas impact grant fund to the commissioner of University and School Lands for providing oil and gas impact grants in accordance with North Dakota Century Code Sections 57-62-03.1 and 57-62-05. For these funds, the commissioner is to give priority to approving grants related to emergency services.

Two county representatives

- David Hynek, Mountrail County Commissioner
- Jim Arthaud, Billings County Commissioner

Two city representatives

- Lyn James, Bowman Mayor
- Brent Sanford, Watford City Mayor

One emergency services representative

- Barry Jager, Burke County Sheriff and Emergency Manager

One township representative

- Floyd Miller, township officer in Williams County

One at-large

- Rick Larson, Energy Industry Representative (and former EDIO director)

Department of Transportation Director

- Francis Ziegler

Commissioner of University and School Lands

- Lance Gaebe

The Board of University and School Lands has completed grant rounds to date in the 2011-13 biennium as follows:

July 2011	July to September 2011 - Quarterly grant round - City infrastructure	$53,500,000
August 2011	Firefighters - Big rig extraction training	20,000
December 2011	October to December 2011 - Quarterly grant round - Townships and transportation	2,000,998
December 2011	Housing and Urban Development western communities planning grant - Cost-share	300,000
March 2012	January to March 2012 - Quarterly grant round - Emergency services and response	11,990,101
Total awarded to date		$67,811,099

The Legislative Assembly in 2011 provided that annual distributions may not exceed 60 percent of the biennial appropriation for energy infrastructure and impact grants ($77,866,961 for fiscal year 2012). Therefore, $10,055,862 of the maximum year one allocation remains available for distribution in the April to June 2012 grant round designated for airports, counties, parks, and other infrastructure as determined by the advisory committee. The Department of Trust Lands calculated the annual allocations as follows:

Appropriation for grants in Section 1 of 2011 House Bill No. 1013	$99,778,269[1]
Contingent appropriation for grants in Section 24 of 2011 Senate Bill No. 2371	30,000,000
Total biennial appropriation	$129,778,269
60 percent annual award limit	$77,866,961
2012 Fiscal Year	$77,866,961
Awarded to date (estimate)	67,811,099
Remaining 2012 fiscal year distributions	10,055,862
2013 fiscal year	$51,911,308
Reduction for 2011 Senate Bill No. 2150 - Rapid school enrollment grants	5,000,000[2]
Reduction for 2011 Senate Bill No. 2325 - Upper Great Plains Transportation study	350,000[3]
Remaining available for 2013 fiscal year distributions	$46,561,308

[1]Oil and gas tax revenues of $100 million deposited in the oil and gas impact grant fund available for energy infrastructure and impact grant awards is reduced by $221,731 for salaries ($90,189) and operating ($131,542) expenses relating to administration of the program.

[2]In 2011 Senate Bill No. 2150, the Legislative Assembly appropriated $5 million to the Superintendent of Public Instruction from the oil and gas impact grant fund for grants to school districts that can demonstrate rapid enrollment growth.

[3]In 2011 Senate Bill No. 2325, the Legislative Assembly appropriated $350,000 to the Upper Great Plains Transportation Institute from the oil and gas impact grant fund for updating and maintaining reports for transportation infrastructure needs for all county and township roads.

The advisory committee's tentative schedule for the 2013 fiscal year distribution follows a schedule similar to fiscal year 2012; city infrastructure (July to September 2012), townships and transportation (October to December 2012), emergency services and response assets training (January to March 2013), and airports, counties, parks, and other infrastructure (April to June 2013).

Developmentally disabled facility revolving loan fund program - In 2011 Senate Bill No. 2121, the Legislative Assembly provided that the Department of Human Services sell loans in the developmentally disabled facility revolving loan fund to the Bank of North Dakota with the proceeds to be deposited in the common schools trust fund. The bill affects the repayment of developmentally disabled loan fund program Nos. 2 and 3 which previously were paid from the lands and minerals trust fund to the common schools trust fund.

The Department of Human Services sold the balance of loans in the developmentally disabled facility revolving loan fund to the Bank of North Dakota in August 2011. Proceeds of $1,292,029 were deposited in the common schools trust fund.

Flood-impacted political subdivision infrastructure development grants - In Section 10 of 2011 Senate Bill No. 2371, the Legislative Assembly provided a $30 million one-time general fund appropriation to the Land Department for providing infrastructure development grants to flood-impacted political subdivisions. The Legislative Assembly provided that up to $110,000 of the appropriation may be used by the commissioner for salaries and operating expenses relating to administration of the program.

In Section 11 of 2011 Senate Bill No. 2371, the Legislative Assembly provided guidance for the flood-impacted political subdivision infrastructure development grants. The Energy Infrastructure and Impact Office director is to develop a plan for providing infrastructure grants to eligible political subdivisions, receive and review applications for infrastructure grants, and make recommendations to the Board of University and School Lands on grants to eligible political subdivisions. The Board of University and School Lands is to award and distribute infrastructure grants to eligible political subdivisions based on identified needs. Eligible political subdivisions include counties, as well as cities, school districts, and other political subdivisions located within such counties, that have received an individual assistance designation by the Federal Emergency Management Agency relating to a 2011 flood event. Individual assistance designated counties include Barnes, Benson, Burleigh, McHenry, Morton, Ramsey, Renville, Richland, and Ward. Funding received by eligible political subdivisions may be used for up to 50 percent of the costs not otherwise reimbursed through federal or other state funds to:

- Develop new community infrastructure, the need for which is directly related to the displacement of residents due to flooding. Infrastructure includes community-owned waterlines, sewer, curb, and gutter.
- Evaluate the extent of damage to community-owned infrastructure.
- Restore or repair flood-related damage to community-owned infrastructure.
- Expand landfill capacity or reimburse flood-related waste disposal costs.
- Raise roads or develop flood control structures.
- Acquire property needed for infrastructure.
- Acquire homes damaged by levy construction.
- Provide reimbursement for other flood-related expenses.

In Section 12 of 2011 Senate Bill No. 2371, the Legislative Assembly provided legislative intent that the money appropriated to and distributed by the Energy Infrastructure and Impact Office for flood-impacted political subdivision grants is to be used by grantees to address needs not funded by other state or federal response or insurance coverage.

The Department of Trust Lands hired a temporary employee in December 2011 to manage the flood-impacted political subdivision infrastructure development grant program with the $110,000 appropriation provided for administration of the program. Grant guidelines were established to ensure grants addressed needs not provided by other state or federal response or insurance coverage. In April 2012, grant applications were evaluated in consultation with other state agencies involved in flood recovery efforts. The Department of Trust Lands evaluated 107 applications for assistance with projects with a 50 percent cost-share totaling $37.7 million. In late April 2012, the Department of Trust Lands awarded grants totaling $25.6 million for 92 projects. The projects require a 50 percent local cost-share. The Department of Trust Lands is reserving the remaining $4.4 million for unanticipated and unknown future needs. Grants were awarded by county as follows:

County	Number of Projects	Grants Awarded
Barnes	10	$500,000
Benson	15	467,806
Burleigh	5	2,685,606
McHenry	19	527,026
Morton	5	1,079,749
Ramsey	6	459,800
Renville	2	514,001
Richland	19	500,048
Ward	11	18,835,995
Total	92	$25,570,031

Grants to new major oil and gas-producing counties - In Section 25 of 2011 Senate Bill No. 2371, the Legislative Assembly provided a one-time transfer of $5 million from the general fund to the oil and gas impact grant fund for distribution to new major oil and gas-producing counties. In Section 26 of 2011 Senate Bill No. 2371, the Legislative Assembly appropriated $5 million from the oil and gas impact grant fund for distributions of $1,250,000 for each new major oil-producing county after November 2011 to address the impact from new oil and gas development. A major new oil-producing county is one that produced less than 100,000 barrels of oil in November 2011 and subsequently has more than four rigs operating in the county.

State land lease income - The Department of Trust Lands manages permanent trust assets consisting of 696,812 surface acres and 1.8 million mineral acres. Surface acres are leased to ranchers and farmers across the state and mineral acres are offered for oil, gas, coal, gravel, and scoria leasing.

As of April 2012, the Department of Trust Lands has not provided a grant to a new major oil and gas-producing county. The Department of Trust Lands plans to distribute grants upon certification by the Industrial Commission that a county meets the provisions of the grant program--a county that produced less than 100,000 barrels of oil in November 2011 and subsequently has more than four rigs operating in the county.

The tables below show revenues generated from the lease of state land for fiscal years 2008 through 2011 and provides an estimate for fiscal year 2012.

Surface Lease Rents Net of In Lieu Property Taxes

Trust Fund	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012 Estimate[1]
Capitol building	$91,579	$91,161	$99,146	$99,342	$104,275
Permanent trusts					
Common schools	4,547,056	4,546,916	4,869,891	5,036,265	5,195,590
Other permanent	590,210	587,858	644,363	653,046	680,068
Total	$5,228,845	$5,225,935	$5,613,400	$5,788,653	$5,979,933
Percentage increase (decrease)		(-0.1%)	7.4%	3.1%	3.3%

[1]Fiscal year 2012 is an estimate based on actual collections received through April 2012. Surface lease rentals are expected to grow by an average of 3 to 4 percent annually going forward.

Oil and Gas Royalties

Trust Fund	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012 Estimate[2]
Strategic investment and improvements[1]	$9,179,632	$11,639,756	$19,698,697	$31,813,522	$49,791,078
Capitol building	60,789	24,672	43,935	236,411	212,012
Permanent trusts					
Common schools	43,151,050	42,560,483	58,088,507	82,850,400	115,928,564
Other permanent	4,297,844	3,319,770	6,010,412	7,749,299	11,116,249
Total	$56,689,315	$57,544,681	$83,841,551	$122,649,632	$177,047,903
Percentage increase (decrease)		1.5%	45.7%	46.3%	44.4%

[1]The strategic investment and improvements fund was formerly known as the lands and minerals trust fund.

[2]Fiscal year 2012 is an estimate based on actual collections received through April 2012. Revenue has increased by over 40 percent in each of the past three fiscal years and is expected to increase going forward but at a lower percentage due to the higher base levels from which the rate is calculated.

Oil and Gas Lease Bonuses					
Trust Fund	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012 Estimate[2]
Strategic investment and improvements[1]	$3,833,070	$7,082,402	$95,800,380	$101,570,331	$57,487,907
Capitol building	624,333	58,678	1,344,085	91,536	28,540
Permanent trusts					
Common schools	8,215,490	17,645,286	187,128,938	62,083,368	60,554,457
Other permanent	882,153	917,307	9,773,131	9,666,334	7,326,827
Total	$13,555,046	$25,703,673	$294,046,534	$173,411,569	$125,397,731
Percentage increase (decrease)		89.6%	1,044.0%	(-41.0%)	(-27.7%)

[1]The strategic investment and improvements fund was formerly known as the lands and minerals trust fund.

[2]Fiscal year 2012 is an estimate based on actual collections received through April 2012. Oil and gas lease bonus payments are one-time payments that are collected at the time a lease is issued. The bonus collected is based on the number of acres leased. If a well is drilled on leased minerals, no additional bonus will be collected from those minerals as long as production continues. Because most of the Department of Trust Land's inventory of minerals in prime oil country has now been leased, it is expected that lease bonus revenues will decline substantially going forward.