

**Department of Trust Lands
Budget No. 226
Senate Bill Nos. 2013 and 2134**

	FTE Positions	General Fund	Other Funds	Total
2017-19 legislative appropriations	31.00	\$0	\$238,481,273	\$238,481,273
2017-19 base budget	33.00	0	108,243,153	108,243,153
Legislative increase (decrease) to base budget	(2.00)	\$0	\$130,238,120	\$130,238,120

SUMMARY OF LEGISLATIVE CHANGES TO THE BASE BUDGET AND MAJOR FUNDING ITEMS

Salaries and Wages

The Legislative Assembly did not include funding for employee salary increases.

Changes to Base Budget

	FTE Positions	General Fund	Other Funds	Total
The legislative action:				
Adjusted funding for base payroll changes for cost-to-continue 2015-17 biennium salaries and benefit increases and for other base payroll changes.			(\$73,683)	(\$73,683)
Added funding for employee health insurance premiums to reflect a revised premium rate of \$1,240.83 per month.			84,948	84,948
Added 1 FTE geographic information systems specialist position (\$177,080) and related operating expenses (\$23,025).	1.00		200,105	200,105
Removed 3 FTE positions, including 1 FTE natural resources director position (\$259,307), 1 FTE Energy Infrastructure and Impact Office position (\$151,237), and 1 FTE project manager position (\$206,550).	(3.00)		(617,094)	(617,894)
Adjusted funding for operating expenses including increases for building maintenance and utility costs (\$93,746); increases for professional development (\$45,000); and decreases for professional development, information technology services, and travel (\$405,685).			(266,939)	(266,939)
Removed funding for Energy Infrastructure and Impact Office administrative expenses.			(389,217)	(389,217)
Removed funding for grants to political subdivisions from the oil and gas impact grant fund.			(99,300,000)	(99,300,000)
Added one-time funding for an information technology system replacement project.			3,600,000	3,600,000

Added one-time funding for grants to airports including \$25 million from the oil and gas impact grant fund and \$15 million from the newly created energy impact fund.			40,000,000	40,000,000
Added one-time funding for mineral revenue repayments including \$100 million from the strategic investment and improvements fund and \$87 million from a Bank of North Dakota line of credit (Senate Bill No. 2134).			187,000,000	187,000,000
Total	(2.00)	\$0	\$130,238,120	\$130,238,120

FTE Changes

The Legislative Assembly approved 31 FTE positions for the Department of Trust Lands for the 2017-19 biennium, a decrease of 2 FTE position from the 2015-17 biennium authorized level of 33 FTE positions. The Legislative Assembly added 1 FTE geographic information systems specialist position and removed 1 FTE natural resources director position, 1 FTE Energy Infrastructure and Impact Office position, and 1 FTE project manager position.

One-Time Funding

One-time appropriations for the 2017-19 biennium for the Department of Trust Lands include \$3.6 million for an information technology system replacement project, \$40 million for grants to airports, and \$187 million for mineral revenue repayments.

Distributions to State Institutions

Sections 8 and 9 of Senate Bill No. 2013 provide for permanent fund income distributions to state institutions pursuant to Article IX of the Constitution of North Dakota. The 2017-19 biennium distributions include one-time corrections resulting from the misallocation of prior mineral revenues, as identified during a performance audit conducted during the 2015-16 interim. The distributions are as follows:

	2015-17 Biennium	2017-19 Biennium	Increase (Decrease)
Common schools	\$206,134,000	\$288,264,000	\$82,130,000
North Dakota State University	3,368,000	4,738,000	1,370,000
University of North Dakota	2,742,000	3,662,000	920,000
Youth Correctional Center	1,372,000	800,814	(571,186)
School for the Deaf	1,180,000	1,598,000	418,000
North Dakota State College of Science	1,066,000	1,535,984	469,984
State Hospital	1,078,000	1,459,984	381,984
Veterans' Home	434,000	711,984	277,984
Valley City State University	570,000	808,000	238,000
North Dakota Vision Services - School for the Blind	534,000	929,984	395,984
Mayville State University	382,000	542,000	160,000
Dakota College at Bottineau	78,000	275,984	197,984
Dickinson State University	78,000	275,984	197,984
Minot State University	78,000	275,984	197,984
Total	\$219,094,000	\$305,878,702	\$86,784,702

Other Sections in Senate Bill No. 2013

Health insurance increase - Section 2 identifies the amount of funding included in the agency budget for state employee health insurance premium rate increases during the 2017-19 biennium.

Township distributions - Section 4 provides one-time funding of \$16.1 million to the State Treasurer for special transportation funding distributions to non-oil-producing townships (See the **State Treasurer** section of this report for more detailed information). **The Governor vetoed this section.**

Fund transfers - Section 5 provides for a transfer of \$8 million from the political subdivision allocation fund to the energy impact fund. Section 6 provides for a transfer of any amounts remaining in the political subdivision allocation fund to the strategic investment and improvements fund. Section 7 provides for a transfer of \$3 million from the strategic investment and improvements fund to the newly created energy impact fund.

Oil and gas impact grant fund exemption - Section 10 provides an exemption for the amount appropriated from the oil and gas impact grant fund for administrative costs and oil impact grants for the 2015-17 biennium and for the deposits in the fund for taxable events through June 30, 2017, allowing the funding to continue to be available during the 2017-19 biennium.

Flood-impacted political subdivision infrastructure development grant exemption - Section 11 provides an exemption to allow an unspent grant to a flood-impacted political subdivision to be available in the 2017-19 biennium.

Information technology project - Section 12 identifies \$3.6 million from the state lands maintenance fund for an information technology project and provides legislative intent for the Governor and agency to achieve efficiencies and budgetary savings through innovative ideas and information technology solutions. Of the \$3.6 million, \$1.8 million is available only upon approval of the Budget Section. **The Governor vetoed the requirement for Budget Section approval.**

Airport grants - Section 13 identifies \$25 million from the oil and gas impact grant fund for an oil impact grant of \$20 million to the Williston airport and a grant of \$5 million to the Dickinson airport. Section 14 identifies \$15 million from the energy impact fund for a grant to the Williston airport. Pursuant to both sections, the funding is available to the Williston airport only when any related federal funding is committed and available to be spent on the new airport construction project.

Oil and gas tax allocation formulas - Sections 15 and 16 amend the oil and gas tax revenue allocation formulas (See the "2017-19 Biennium Oil and Gas Tax Revenue Allocation Flowchart" under the **General Fund Revenue** section of this report for more detailed information). Section 23 provides an effective date related to the formula changes.

Energy impact fund - Section 17 creates a new section to Chapter 57-51 to establish the energy impact fund.

Political subdivision allocation fund - Section 18 amends Section 57-51.1-07.6 to remove the distributions to political subdivisions from the political subdivision allocation fund. Section 19 repeals the political subdivision allocation fund on September 1, 2017, pursuant to the effective date included in Section 23.

Mineral royalties - Section 20 provides a statement of legislative intent regarding the calculation of mineral royalties. **The Governor vetoed this section.**

Oil and gas valuation study - Section 21 provides for a study by the Tax Department and other state agencies regarding the valuation of oil and gas for mineral royalties and tax liability. Section 28 of House Bill No. 1015 amends the study to remove certain requirements.

Hub city oil and gas tax allocation study - Section 22 provides for a Legislative Management study regarding the oil and gas tax revenue allocations to hub cities and hub city school districts.

Department of Trust Lands administrative rules - Section 23 provides an effective date related to the provisions of House Bill No. 1300, which requires the Department of Trust Lands to follow the administrative rules process. Section 29 of House Bill No. 1015 amended Section 23 of Senate Bill No. 2013 to remove the effective date. **The Governor vetoed Section 29 of House Bill No. 1015, which allows the delayed effective date of January 1, 2018, to remain in effect.**

Related Legislation

House Bill No. 1300 - Requires the Department of Trust Lands to follow the administrative rules process by removing the department from the list of exempt agencies.

Senate Bill No. 2101 - Corrects Section 57-62-02 relating to the transfer of interest from the coal development trust fund to the general fund pursuant to constitutional requirements.

Senate Bill No. 2102 - Changes the provisions for the Commissioner of the Board of University and School Lands to provide information on the best use of land from a required report to an optional assessment.

Senate Bill No. 2134 - Defines the ordinary highwater mark used to determine sovereign minerals within Missouri River reservoirs and provides for mineral revenue repayments.