

**Department 226 - Department of Trust Lands  
House Bill No. 1013**

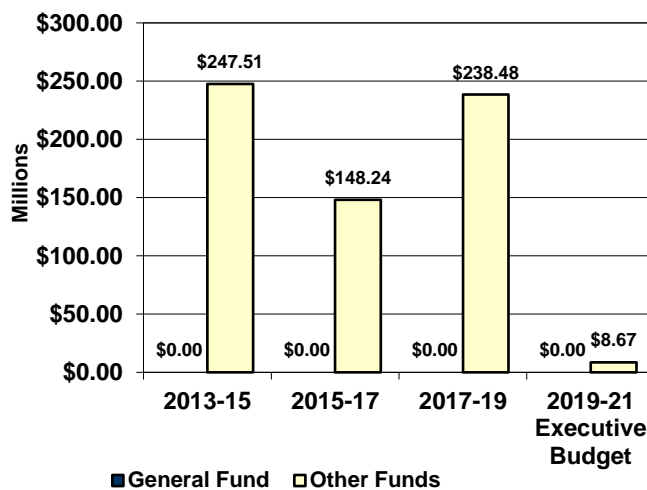
**Executive Budget Comparison to Prior Biennium Appropriations**

	FTE Positions	General Fund	Other Funds	Total
2019-21 Executive Budget	28.00	\$0	\$8,674,631	\$8,674,631
2017-19 Legislative Appropriations	31.00	0	238,481,273	238,481,273
Increase (Decrease)	(3.00)	\$0	(\$229,806,642)	(\$229,806,642)

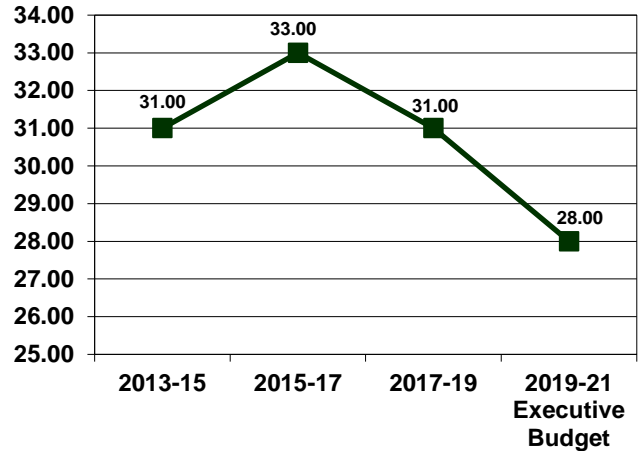
**Ongoing and One-Time Other Funds Appropriations**

	Ongoing Other Funds Appropriation	One-Time Other Funds Appropriation	Total Other Funds Appropriation
2019-21 Executive Budget	\$8,674,631	\$0	\$8,674,631
2017-19 Legislative Appropriations	7,881,273	230,600,000	238,481,273
Increase (Decrease)	\$793,358	(\$230,600,000)	(\$229,806,642)

**Agency Funding**



**FTE Positions**



**Executive Budget Comparison to Base Level**

	General Fund	Other Funds	Total
2019-21 Executive Budget	\$0	\$8,674,631	\$8,674,631
2019-21 Base Level	0	7,881,273	7,881,273
Increase (Decrease)	\$0	\$793,358	\$793,358

**First House Action**

Attached is a comparison worksheet detailing first house changes to base level funding and the executive budget.

**Executive Budget Highlights  
(With First House Changes in Bold)**

	General Fund	Other Funds	Total
1. Provides funding for state employee salary and benefit increases of which \$226,509 is for salary increases, \$105,814 is for health insurance increases, and \$29,630 is for retirement increases. <b>The House added funding for salary adjustments of 2 percent per year and increases in health insurance premiums from \$1,241 to \$1,427 per month. The House did not add funding for retirement contribution increases.</b>	\$0	\$361,953	\$361,953
2. Removes 3 FTE positions, including 2 administrative assistants and an audit technician	\$0	(\$288,863)	(\$288,863)
3. Adds funding for 2 FTE positions, including an administrative assistant and an attorney, and related operating expenses. <b>The House did not add the 2 FTE positions or related funding.</b>	\$0	\$415,492	\$415,492

4. Transfers 2 FTE programmer analyst positions to the Information Technology Department for the information technology unification initiative resulting in an increase in operating expenses for the agency. <b>The House did not transfer the 2 FTE positions or adjust the operating expenses related to an information technology unification initiative.</b>	\$0	\$23,175	\$23,175
5. Reduces funding for operating expenses primarily related to travel, equipment, information technology costs, professional development, and other services	\$0	(\$504,949)	(\$504,949)
6. Increases funding for operating expenses, including inflationary increases (\$57,285), information technology project management costs (\$50,000), and other costs (\$40,300). <b>The House did not include funding for the increases in operating expenses.</b>	\$0	\$147,585	\$147,585
7. Adds funding for legal and audit costs	\$0	\$384,564	\$384,564
8. Adds funding for a mineral valuation study. <b>The House added one-time funding of \$350,000 for a mineral valuation study.</b>	\$0	\$350,000	\$350,000
9. Adds funding for financial software maintenance agreements	\$0	\$175,000	\$175,000
10. Adds funding for Microsoft Office 365 licensing	\$0	\$23,342	\$23,342

### Other Sections in House Bill No. 1013

**Fund distributions** - Section 3 provides permanent fund income distributions to state institutions as follows:

	2017-19 Legislative Appropriation <sup>1</sup>	2019-21 Executive Budget	Increase (Decrease)
Common schools	\$288,264,000	\$366,756,000	\$78,492,000
North Dakota State University	4,738,000	5,916,000	1,178,000
University of North Dakota	3,662,000	4,504,000	842,000
Youth Correctional Center	800,814	1,864,000	1,063,186
School for the Deaf	1,598,000	1,898,000	300,000
North Dakota State College of Science	1,535,984	1,736,000	200,016
State Hospital	1,459,984	1,570,000	110,016
Veterans' Home	711,984	732,000	20,016
Valley City State University	808,000	1,034,000	226,000
North Dakota Vision Services - School for the Blind	929,984	1,122,000	192,016
Mayville State University	542,000	668,000	126,000
Dakota College at Bottineau	275,984	242,000	(33,984)
Dickinson State University	275,984	242,000	(33,984)
Minot State University	275,984	242,000	(33,984)
<b>Total</b>	<b>\$305,878,702</b>	<b>\$388,526,000</b>	<b>\$82,647,298</b>

<sup>1</sup>The amounts shown reflect fund distributions as adjusted by the 2017 Legislative Assembly to correct errors identified in a performance audit conducted during the 2015-16 interim.

**Oil and gas impact grant fund** - Section 4 transfers \$4 million from the strategic investment and improvements fund to the oil and gas impact grant fund. Section 9 identifies \$4 million from the oil and gas impact grant fund for grants to political subdivisions. Section 10 provides an exemption to continue unspent prior biennium appropriations from the oil and gas impact grant fund into the 2019-21 biennium.

**Energy impact grant fund** - Section 5 provides a contingent transfer of any remaining funds in the energy impact fund, related to the repeal of the fund. Section 8 repeals the energy impact fund, and Section 12 provides an effective date for the repeal.

**Management of investments** - Sections 6 and 7 provide statutory changes necessary to require the department to invest the permanent trust funds through the State Investment Board. Section 12 provides an effective date for the changes.

**Information technology project exemption** - Section 11 provides an exemption to continue unspent prior biennium appropriations related to an information technology project into the 2019-21 biennium and requires the department to provide a report to the interim Information Technology Committee regarding the status of the project.

### Deficiency Appropriation

There are no deficiency appropriations for this agency.

### Continuing Appropriations

**Unclaimed property** - North Dakota Century Code Section 47-30.1-23 - Payments made to owners of unclaimed property.

**Investments and farm loans** - Sections 15-03-16 - Money manager and custodial fees and loan administration fees to maintain and enhance income earning potential of trusts' financial assets.

**County services** - Section 15-04-23 - Payments made to counties for various services provided that benefit school trust lands.

**Land expenses** - Sections 15-04-24 and 15-07-22 - Payments for appraisal fees, survey costs, surface lease refunds, weed and insect control, cleanup costs, capital improvement rent credits, fire protection, land rent, value survey costs, and other expenses.

**In lieu of taxes** - Section 57-02.3-07 - Payments made in lieu of property taxes on certain state lands managed by the department.

### **Significant Audit Findings**

The financial statement audit for the Department of Trust Lands conducted by Brady, Martz & Associates PC during the 2017-18 interim identified no significant findings; however, the agency is in the process of implementing changes to address some of the findings from the performance audit conducted during the 2015-16 interim.

### **Major Related Legislation**

**House Bill No. 1192** - Changes the guidelines for determining the ordinary high water mark, which may impact the state's royalty interests.

**House Bill No. 1392** - Identifies records audited by the department related to royalty payments as confidential records.

**Senate Bill No. 2036** - Repeals an obsolete provision relating to the repayment of developmentally disabled loans from the strategic investment and improvements fund.

**Senate Bill No. 2081** - Allows the Department of Trust Lands to pay building maintenance costs and payments in lieu of taxes pursuant to a continuing appropriation from the trust funds rather than the department's budget.

**Senate Bill No. 2082** - Repeals obsolete provisions that allowed the department to lease fallow state lands at a lower rate.

**Senate Bill No. 2211** - Authorizes the department to contract with an engineering and surveying firm to determine the mineral revenue repayments pursuant to Senate Bill No. 2134 (2017).

**Senate Bill No. 2212** - Authorizes the Department of Trust Lands to impose a penalty if a royalty owner does not provide requested information to the department in a timely manner.

**Senate Bill No. 2264** - Clarifies the process for the department to approve policies and the activities of the department that are subject to administrative rules.

**House Concurrent Resolution No. 3008** - Amends the constitution, subject to voter approval, to allow a portion of the common schools trust fund investments to be used for low-interest rate loans to school districts for school construction projects.

**House Concurrent Resolution No. 3012** - Adds the Tax Commissioner and removes the Attorney General as members of the Board of University and School Lands.

**House Concurrent Resolution No. 3020** - Amends the constitution, subject to voter approval, to include funds obtained through asset forfeiture as part of the principal of the common schools trust fund used for the benefit of the schools in the state.

**Department of Trust Lands - Budget No. 226**  
**House Bill No. 1013**  
**Base Level Funding Changes**

	Executive Budget Recommendation				House Version			
	FTE Positions	General Fund	Other Funds	Total	FTE Positions	General Fund	Other Funds	Total
<b>2019-21 Biennium Base Level</b>	31.00	\$0	\$7,881,273	\$7,881,273	31.00	\$0	\$7,881,273	\$7,881,273
<b>2019-21 Ongoing Funding Changes</b>								
Base payroll changes			(\$293,941)	(\$293,941)			(\$293,941)	(\$293,941)
Salary increase			226,509	226,509			148,976	148,976
Health insurance increase			105,814	105,814			133,862	133,862
Retirement contribution increase			29,630	29,630				0
Removes 3 FTE positions	(3.00)		(288,863)	(288,863)	(3.00)		(288,863)	(288,863)
Adds 2 FTE positions	2.00		415,492	415,492				0
Adjusts funding and FTE positions for IT unification	(2.00)		23,175	23,175				0
Reduces funding for operating expenses			(504,949)	(504,949)			(504,949)	(504,949)
Adds funding for inflationary increases			57,285	57,285				0
Adds funding for a project manager contract			50,000	50,000				0
Adds funding for operating expenses			40,300	40,300				0
Adds funding for legal and audit costs			384,564	384,564			384,564	384,564
Adds funding for mineral valuation study			350,000	350,000				0
Adds funding for financial software contracts			175,000	175,000			175,000	175,000
Adds funding for Microsoft Office 365 licensing			23,342	23,342			23,342	23,342
Total ongoing funding changes	(3.00)	\$0	\$793,358	\$793,358	(3.00)	\$0	(\$222,009)	(\$222,009)
<b>One-time funding items</b>								
Adds one-time funding for mineral valuation study				\$0			\$350,000	\$350,000
Adds one-time funding for oil impact grants				0			4,000,000	4,000,000
Total one-time funding changes	0.00	\$0	\$0	\$0	0.00	\$0	\$4,350,000	\$4,350,000
<b>Total Changes to Base Level Funding</b>	(3.00)	\$0	\$793,358	\$793,358	(3.00)	\$0	\$4,127,991	\$4,127,991
<b>2019-21 Total Funding</b>	28.00	\$0	\$8,674,631	\$8,674,631	28.00	\$0	\$12,009,264	\$12,009,264

**Other Sections for Department of Trust Lands - Budget No. 226**

	Executive Budget Recommendation	House Version
Line item transfers	Section 3 would allow the Commissioner of University and School Lands, upon approval of the Board of University and School Lands, to transfer funding between the various line items, including the contingencies line item. The Commissioner shall notify the Office of Management and Budget of each transfer made pursuant to this section.	

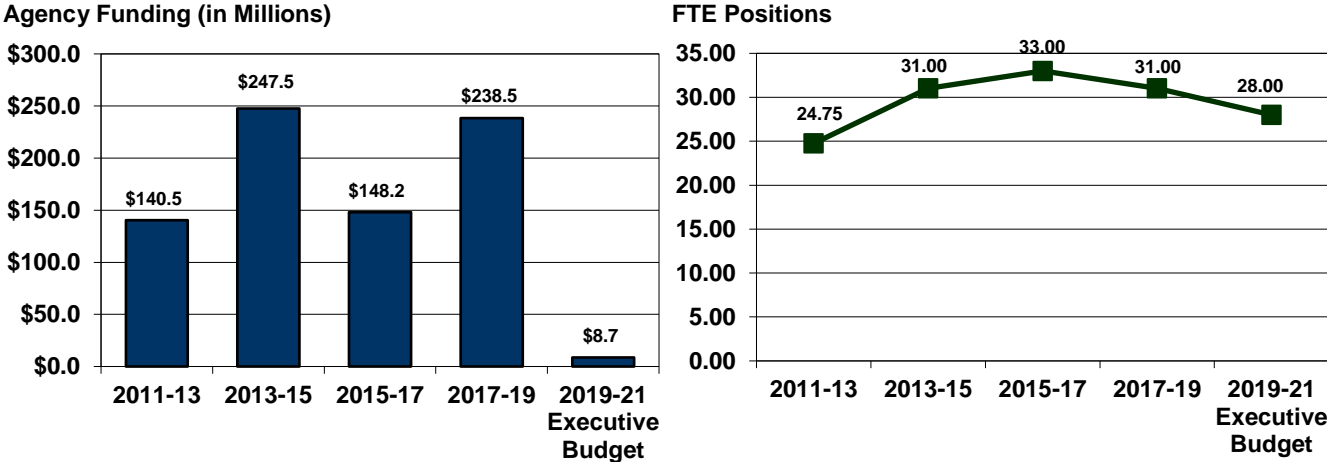
**Other Sections for Department of Trust Lands - Budget No. 226**

	<u>Executive Budget Recommendation</u>	<u>House Version</u>
Fund distributions	Section 4 would provide the permanent fund income distributions to state institutions.	Section 3 provides the permanent fund income distributions to state institutions.
Oil and gas impact grant fund	Section 5 would provide an exemption to continue unspent prior biennium appropriations from the oil and gas impact grant fund into the 2019-21 biennium.	Section 4 transfers \$4 million from the strategic investment and improvements fund to the oil and gas impact grant fund. Section 9 identifies \$4 million from the oil and gas impact grant funds for grants to political subdivisions. Section 10 provides an exemption to continue unspent prior biennium appropriations related to undesignated oil and gas impact grants and administrative costs of the oil and gas impact grant fund into the 2019-21 biennium.
Energy impact grant fund	Section 6 would provide an exemption to continue unspent prior biennium appropriations from the energy impact grant fund into the 2019-21 biennium.	Section 5 provides a contingent transfer of any remaining funds in the energy impact fund, related to the repeal of the fund. Section 8 repeals the energy impact fund, and Section 12 provides an effective date for the repeal.
Management of investments		Sections 6 and 7 provide statutory changes necessary to require the department to invest the permanent trust funds through the State Investment Board. Section 12 provides an effective date for the changes.
Information technology project exemption	Section 7 would provide an exemption to continue unspent prior biennium appropriations related to an information technology project into the 2019-21 biennium.	Section 11 provides an exemption to continue unspent prior biennium appropriations related to an information technology project into the 2019-21 biennium and requires the department to provide a report to the interim Information Technology Committee regarding the status of the project.

Department 226 - Department of Trust Lands

# Historical Appropriations Information

## Total Other Funds Appropriations Since 2011-13



Total Other Funds Appropriations					
	2011-13	2013-15	2015-17	2017-19	2019-21 Executive Budget
Total other funds appropriations	\$140,465,189	\$247,506,969	\$148,243,153	\$238,481,273	\$8,674,631
Increase (decrease) from previous biennium	N/A	\$107,041,780	(\$99,263,816)	\$90,238,120	(\$229,806,642)
Percentage increase (decrease) from previous biennium	N/A	76.2%	(40.1%)	60.9%	(96.4%)
Cumulative percentage increase (decrease) from 2011-13 biennium	N/A	76.2%	5.5%	69.8%	(93.8%)

### Major Increases (Decreases) in Total Other Funds Appropriations

**2013-15 Biennium**

- 1. Added funding for 6.25 FTE positions, including a grant administrator position, an accounting and budget specialist position for the oil and gas impact grants, a land management specialist position, a mineral title specialist position, an audit technician position, and 1.25 administrative assistant positions \$1,056,889
- 2. Added funding from the strategic investment and improvements fund for a private lands study \$50,000
- 3. Added funding for contingencies \$100,000
- 4. Added funding for grants to political subdivisions from the oil and gas impact grant fund \$105,000,000

**2015-17 Biennium**

- 1. Added funding for 2 FTE positions, including a land management position and an unclaimed property and compliance officer position \$385,246
- 2. Added funding for operating expenses related office space rental \$90,000
- 3. Added funding for the administration of oil and gas impact grants \$163,922
- 4. Reduced funding for contingencies (\$100,000)
- 5. Reduced funding for grants to political subdivisions from the oil and gas impact grant fund (\$100,000,000)

**2017-19 Biennium**

- 1. Added 1 FTE geographic information system specialist position, including \$177,080 for salaries and wages and \$23,025 for operating expenses \$200,105
- 2. Removed 3 FTE positions, including 1 FTE energy infrastructure and impact office position (\$151,237), 1 FTE natural resources director position (\$259,307), and 1 FTE natural resources director position (\$617,094)

- |   |                |
|---|----------------|
| 3. 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)    |
| 4. Removed funding for Energy Infrastructure and Impact Office administrative expenses  | (\$389,217)    |
| 5. Removed funding for grants to political subdivisions from the oil and gas impact grant fund  | (\$99,300,000) |
| 6. Added one-time funding for an information technology system replacement project  | \$3,600,000    |
| 7. 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   |
| 8. 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   | \$187,000,000  |

**2019-21 Biennium (Executive Budget Recommendation)**

- |   |             |
|---|-------------|
| 1. Removes 3 FTE positions, including 2 administrative assistants and an audit technician   | (\$288,863) |
| 2. Adds funding for 2 FTE positions, including an administrative assistant and an attorney, and related operating expenses. <b>The House did not add the 2 FTE positions or related funding.</b>  | \$415,492   |
| 3. Transfers 2 FTE programmer analyst positions to the Information Technology Department for the information technology unification initiative resulting in an increase in operating expenses for the agency. <b>The House did not transfer the 2 FTE positions or adjust the operating expenses related to an information technology unification initiative.</b> | \$23,175    |
| 4. Reduces funding for operating expenses primarily related to travel, equipment, information technology costs, professional development, and other services  | (\$504,949) |
| 5. Increases funding for operating expenses, including inflationary increases (\$57,285), information technology project management costs (\$50,000), and other costs (\$40,300). <b>The House did not include funding for the increases in operating expenses.</b>   | \$147,585   |
| 6. Adds funding for legal and audit costs.  | \$384,564   |
| 7. Adds funding for a mineral valuation study. <b>The House added one-time funding of \$350,000 for a mineral valuation study.</b>  | \$350,000   |
| 8. Adds funding for financial software maintenance agreements   | \$175,000   |

**GOVERNOR'S RECOMMENDATION FOR THE  
DEPARTMENT OF TRUST LANDS AS SUBMITTED  
BY THE OFFICE OF MANAGEMENT AND BUDGET**

**SECTION 1. APPROPRIATION.** The funds provided in this section, or so much of the funds as may be necessary, are appropriated from special funds derived from the state lands maintenance fund, to the commissioner of university and school lands for the purpose of defraying the expenses of the commissioner of university and school lands, for the biennium beginning July 1, 2019, and ending June 30, 2021, as follows:

	<u>Base level</u>	<u>Adjustments or Enhancements</u>	<u>Appropriation</u>
Salaries and wages	\$6,005,550	(\$214,962)	\$5,790,588
Operating expenses	1,775,723	1,008,320	2,784,043
Contingencies	<u>100,000</u>	<u>0</u>	<u>100,000</u>
Total special funds	\$7,881,273	\$793,358	\$8,674,631
Full-time equivalent positions	31.00	(3.00)	28.00

**SECTION 2. ONE-TIME FUNDING - EFFECT ON BASE BUDGET - REPORT TO SIXTY-SIXTH LEGISLATIVE ASSEMBLY.** The following amounts reflect the one-time funding items approved by the sixty-fifth legislative assembly for the 2017-19 biennium:

<u>One-Time Funding Description</u>	<u>2015-17</u>	<u>2017-19</u>
IT project	\$3,600,000	\$0
Impact grants – airports	25,000,000	0
Other grants - airports	15,000,000	0
Mineral revenue payments	<u>187,000,000</u>	<u>0</u>
Total special funds	\$230,600,000	\$0

**SECTION 3. APPROPRIATION LINE ITEM TRANSFERS.** Upon approval of the board of university and school lands, the commissioner of university and school lands may transfer between the various line items in section 1 of this Act, including transfers from the contingencies line item to all other line items. The commissioner shall notify the office of management and budget of each transfer made pursuant to this section.

**SECTION 4. DISTRIBUTIONS TO STATE INSTITUTIONS.** Pursuant to section 1 of article IX of the Constitution of North Dakota, the board of university and school lands shall distribute during the biennium beginning July 1, 2019, and ending June 30, 2021, the following amounts, from the permanent funds managed for the benefit of the following entities:

Common schools	\$366,756,000
North Dakota state university	5,916,000
University of North Dakota	4,504,000
Youth correctional center	1,864,000
School for the deaf	1,898,000
State college of science	1,736,000
State hospital	1,570,000
Veterans' home	732,000
Valley City state university	1,034,000
North Dakota vision services - school for the blind	1,122,000
Mayville state university	668,000
Dakota college at Bottineau	242,000
Dickinson state university	242,000
Minot state university	<u>242,000</u>
Total	\$388,526,000

**SECTION 5. EXEMPTION - OIL AND GAS IMPACT GRANT FUNDS.** The amount appropriated from the oil and gas impact grant fund for the energy infrastructure and impact office line item in section 1 of



chapter 13 of the 2015 Session Laws, for oil and gas impact grants in section 5 of chapter 463 of the 2015 Session Laws, and for oil and gas impact grants in section 13 of chapter 38 of the 2017 Session Laws is not subject to section 54-44.1-11. Any money deposited in the fund for taxable events occurring through June 30, 2019, and any unexpended funds from the appropriation are available for grants and administrative costs associated with the fund during the biennium beginning July 1, 2019 and ending June 30, 2021

**SECTION 6. EXEMPTION - ENERGY IMPACT FUND.** The amount appropriated from the energy impact fund for airport grants in section 14 of chapter 38 of the 2017 Session Laws is not subject to section 54-44.1-11. Any unexpended funds from the appropriation are available for grants during the biennium beginning July 1, 2019 and ending June 30, 2021

**SECTION 7. EXEMPTION – INFORMATION TECHNOLOGY PROJECT.** The amount appropriated for an information technology project in the capital assets line item and the total special fund line item in section 1 of chapter 38 of the 2017 Session Laws is not subject to section 54-44.1-11. Any unexpended funds from the appropriation are available for the information technology project during the biennium beginning July 1, 2019 and ending June 30, 2021.