

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

	FTE Positions	General Fund	Other Funds	Total
2019-21 legislative appropriation	28.00	\$0	\$10,458,401	\$10,458,401
2017-19 legislative appropriation	31.00	0	238,481,273	238,481,273
2019-21 appropriation increase (decrease) to 2017-19 appropriation	(3.00)	\$0	(\$228,022,872)	(\$228,022,872)

Item Description

FTE position changes - The Legislative Assembly approved 28 FTE positions, a decrease of 3 FTE positions from the 2017-19 biennium. The Legislative Assembly removed 2 administrative assistant positions and 1 audit technician position, added 1 administrative assistant position and 1 attorney position, and transferred 2 programmer analyst positions to ITD.

Energy impact grants - The 2017 Legislative Assembly created an energy impact fund for grants as appropriated by the Legislative Assembly. Senate Bill No. 2013 (2017) provided an appropriation of \$15 million to the department for a grant to the Williston airport. In House Bill No. 1013, the 2019 Legislative Assembly repealed the fund and provided for a transfer of any remaining funds to the oil and gas impact grant fund at the end of the 2019-21 biennium.

Oil and gas impact grants - In Section 4 of House Bill No. 1013, the 2019 Legislative Assembly transferred \$2 million from the strategic investment and improvements fund to the oil and gas impact grant fund. Section 8 of the bill identifies \$2 million from the oil and gas impact grant fund for grants to political subdivisions.

Oil and gas impact grants exemption - In Section 9 of House Bill No. 1013, the 2019 Legislative Assembly provided an exemption to continue unspent prior biennium appropriations into the 2019-21 biennium for undesignated oil and gas impact grants and administrative costs of the oil and gas impact grant fund.

Mineral valuation study - House Bill No. 1013 provides one-time funding of \$350,000 from the state lands maintenance fund for a mineral valuation study.

Status/Result

The Department of Trust Lands removed 2 administrative assistant positions and 1 audit technician position, all three of which were vacant at the time of removal. The newly added administrative assistant position was filled in August 2019. The department filled the newly added attorney position in September 2019, but the position was vacant as of January 2020. The department refilled the position in March 2020. The 2 programmer analyst positions were transferred to ITD.

The entire \$15 million was awarded to the Williston airport in the 2017-19 biennium. Of the \$15 million, \$10 million was paid in the 2017-19 biennium, and \$1.2 million has been paid in the 2019-21 biennium through March 2020. The remaining \$3.8 million is anticipated to be paid prior to the end of the 2019-21 biennium. The department does not anticipate any funds will be available to transfer to the oil and gas impact grant fund.

Through March 2020, the department awarded \$1.2 million of grants for emergency services equipment and buildings, including fire trucks, ambulances, and a fire department building. The department anticipates the remaining \$800,000 will be awarded by the end of the 2019-21 biennium.

The department continued \$24,189,843 of funding into the 2019-21 biennium, of which \$23,780,768 is committed for previously awarded grants and \$409,075 is available for new grants and administrative expenses. For the 2019-21 biennium to date through March 2020, the department has paid \$16,392,555 for previously awarded grants. The remaining funds are anticipated to be paid by the end of the 2019-21 biennium.

In January 2020, the department contracted with MineralTracker, LLC to conduct the mineral valuation study. The study is anticipated to be completed in August 2020 with a total cost of \$320,443.

Information technology project - The Legislative Assembly provided one-time funding of \$3.6 million from the state lands maintenance fund for an IT project in Senate Bill No. 2013 (2017). The project includes three segments, including one for unclaimed property, one for fiscal management and accounting, and one for land management.

Mineral revenue repayments - Senate Bill No. 2134 (2017) defines the ordinary high water mark used to determine sovereign minerals within Missouri River reservoirs and provides for mineral revenue repayments. The sovereign minerals are the minerals located under the navigable waters in the state. All of the revenues associated with the sovereign minerals are deposited in the strategic investment and improvements fund. Discrepancies related to the boundaries of the ordinary high water mark resulted in concerns regarding the ownership interests of the minerals within the Missouri River reservoirs. The Legislative Assembly approved Senate Bill No. 2134 to address the ownership concerns and to provide mineral revenue repayments as needed to private mineral owners. The bill required a review of the original Army Corps of Engineers' survey of the Missouri River.

Administrative rules - House Bill No. 1300 (2017) requires the department to follow the administrative rules process by removing the department from the list of exempt agencies. Section 23 of Senate Bill No. 2013 (2017) provided an effective date of January 1, 2018. The Legislative Assembly approved Senate Bill No. 2264 (2019) to exempt the department from the adjudicative proceeding requirements associated with administrative rules.

State land lease income - The department manages permanent trust assets consisting of 706,609 surface acres and 2.6 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.

Of the \$3.6 million, the department spent \$210,271 in the 2017-19 biennium. The department anticipates a total of \$1,936,451 will be spent in the 2019-21 biennium and \$1,453,278 will be unspent. The unclaimed property segment was completed in August 2019, and the fiscal management and accounting segment is anticipated to be completed in July 2020. The completion date for the land management system is unknown.

The department contracted with KLJ Engineering LLC to analyze the final results of the survey review to determine the acreages related to mineral rights. The analysis is anticipated to be completed in June 2020 with a total cost of \$1,088,635. Mineral revenue repayments are anticipated to start after the analysis is complete.

The department completed the development of amended rules in September 2019 and submitted the rules to the Attorney General for review. The Administrative Rules Committee approved the rules in December 2019, and the rules became effective in January 2020.

The tables below show revenues generated from the lease of state land for fiscal years 2015 through 2019 based on information in the department's financial reports.

Surface Lease Rental Revenue					
Trust Fund	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Capitol building	\$169,859	\$189,602	\$168,642	\$179,250	\$168,241
Permanent trusts					
Common schools	14,281,695	11,541,808	11,846,054	10,896,325	12,214,906
Other permanent	910,915	958,115	1,013,331	1,024,388	1,080,346
Total	\$15,362,469	\$12,689,525	\$13,028,027	\$12,099,963	\$13,463,493
Percentage increase (decrease)	27.1%	(17.4%)	2.7%	(7.1%)	11.3%

Royalty Revenue					
Trust Fund	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Strategic investment and improvements ¹	\$102,646,334	\$64,846,599	\$67,052,863	\$105,209,078	\$126,255,533
Capitol building	1,838,724	1,085,710	903,177	1,695,670	1,971,657
Permanent trusts					
Common schools	196,808,384	105,104,830	114,182,591	174,041,820	180,821,535
Other permanent	15,901,400	8,049,394	9,900,817	12,404,023	12,859,485
Total	\$317,194,842	\$179,086,533	\$192,039,448	\$293,350,591	\$321,908,210
Percentage increase (decrease)	(14.6%)	(43.5%)	7.2%	52.8%	9.7%

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

Lease Bonus Revenue					
Trust Fund	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Strategic investment and improvements ¹	\$3,985,532	\$6,483,202	\$5,226,025	\$1,014,498	\$2,593,964
Capitol building	1,520	396	3,040	8,320	8,000
Permanent trusts					
Common schools	12,809,340	3,222,983	3,373,437	1,082,347	1,423,851
Other permanent	875,848	2,710,809	120,167	232,198	44,433
Total	\$17,672,240	\$12,417,390	\$8,722,669	\$2,337,363	\$4,070,248
Percentage increase (decrease)	(50.4%)	(29.7%)	(29.8%)	(73.2%)	74.1%

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