

**Department of Trust Lands  
Budget 226  
Senate Bill No. 2013; House Bill No. 1358**

|   | <b>FTE Positions</b> | <b>General Fund</b>           | <b>Other Funds</b> | <b>Total</b>       |
|---|----------------------|-------------------------------|--------------------|--------------------|
| 2013-15 legislative appropriation                                     | 31.00                | \$0                           | \$247,506,969      | \$247,506,969      |
| 2011-13 legislative appropriation                                     | <u>24.75</u>         | <u>65,000,000<sup>1</sup></u> | <u>140,465,189</u> | <u>205,465,189</u> |
| 2013-15 appropriation increase<br>(decrease) to 2011-13 appropriation | 6.25                 | (\$65,000,000)                | \$107,041,780      | \$42,041,780       |

<sup>1</sup>This amount includes \$65 million of one-time funding. The agency did not receive an ongoing general fund appropriation.

**Item Description**

**FTE changes** - The 2013-15 biennium appropriation includes funding for 31 FTE positions, an increase of 6.25 FTE positions from the 2011-13 biennium authorized level of 24.75 FTE positions. The Legislative Assembly approved the addition of 1 land manager, 1 mineral titlist, 1 audit technician, and 1.25 administrative assistants for lands and minerals management and 1 grants administrator and 1 account budget specialist to administer the energy impact grant program.

**Accrued leave payments** - In Section 1 of Senate Bill No. 2013, the Legislative Assembly identified \$108,541 from special funds for accrued leave payments.

**Energy infrastructure and impact grant awards** - In Section 2 of House Bill No. 1358, 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 \$140 million per biennium, from \$100 million to \$240 million. The increase is effective for the 2013-15 biennium only.

In Section 3 of House Bill No. 1358, the Legislative Assembly removed the requirement that 35 percent of money in the oil and gas impact grant fund be awarded to incorporated cities with a population of 10,000 or more and 65 percent of funds available be awarded to counties, school districts, and other political subdivisions impacted by oil and gas development.

Section 9 of House Bill No. 1358 provides \$239,299,174 (\$240,000,000 less \$700,829 appropriated for administrative costs in Senate Bill No. 2013) from the oil and gas impact grant fund to the Board of University and School Lands for oil and gas impact grants for the 2013-15 biennium and includes provisions relating to the designation of \$103.5 million of the funds appropriated as follows:

- \$5 million for grants to eligible counties experiencing new oil and gas development activities.
- \$60 million for grants to airports impacted by oil and gas development.

**Status/Result**

The Department of Trust Lands filled a .25 FTE administrative assistant position and 1 FTE audit technician position in July 2013, 1 FTE grant administrator position in August 2013, and 1 FTE programmer analyst position in November 2013. As of March 2014, 3 new FTE positions, including 1 FTE mineral titlist position, 1 FTE administrative assistant position, and 1 account budget specialist position, were not filled. The department anticipates filling the positions by the end of the 2013-15 biennium.

The Department of Trust Lands has expended \$1,993 from the accrued leave payments line item for accrued leave payments as of March 2014. The department anticipates a transfer from the accrued leave payments line item to the salaries and wages line item will not be necessary.

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.

In previous bienniums, the Board of University and School Lands used one advisory committee to make recommendations regarding grant awards. In the 2013-15 biennium, the board appointed five advisory committees to assist with application reviews and grant recommendations for the various grant rounds.

As of April 2014, the Board of University and School Lands has awarded grant funding for the 2013-15 biennium as follows:

| <b>Date</b>    | <b>Description</b>                   | <b>Amount</b> |
|----------------|--------------------------------------|---------------|
| July 2013      | City infrastructure                  | \$39,666,162  |
| July 2013      | Hub city infrastructure              | 14,000,000    |
| July 2013      | Dust control                         | 3,000,000     |
| July 2013      | Airports                             | 27,008,442    |
| August 2013    | Sheriff's departments                | 390,910       |
| August 2013    | K-12 schools                         | 6,852,779     |
| September 2013 | Sheriff's departments                | 4,802,610     |
| November 2013  | Emergency medical services providers | 5,220,343     |
| November 2013  | Fire protection districts            | 6,993,242     |

- \$4 million in grants to public institutions of higher education impacted by oil and gas development.
- \$3 million for grants of \$1 million each to three counties in oil-impacted areas for a dust control pilot project.
- \$7 million for grants to counties for the benefit of county sheriff's departments to offset oil and gas development impact causing a need for increased sheriff's department services, staff, equipment, coverage, and personnel training.
- \$7 million for grants to emergency medical services providers for an extraordinary expenditure that would mitigate negative effects of oil development impact.
- \$3.5 million for grants to fire protection districts for extraordinary expenditures that would mitigate negative effects of oil development impact.
- \$14 million for grants to hub cities. Of the \$14 million, \$2 million is designated to the hub city (Williston) receiving the greatest percentage of allocations to hub cities from oil and gas gross production tax revenue, \$7 million to the hub city (Dickinson) receiving the second greatest percentage of allocations, and \$5 million to the hub city (Minot) receiving the third greatest percentage of allocations.

**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 Land Commissioner for salaries and operating expenses relating to administration of the program.

The Legislative Assembly in 2013 provided an exemption to allow unexpended 2011-13 funds to continue and to be spent during the 2013-15 biennium.

|                           |                       |               |
|---------------------------|-----------------------|---------------|
| December 2013             | K-12 schools          | 5,647,221     |
| December 2013             | Higher education      | 4,000,000     |
| January 2014              | Sheriff's departments | 1,806,536     |
| March 2014                | City infrastructure   | 8,000,000     |
| April 2014                | General grant round   | 6,104,494     |
| Total awards              |                       | \$133,492,739 |
| Pledges for future awards |                       | 35,238,848    |
| Total commitments         |                       | \$168,731,587 |

North Dakota Century Code Section 15-01-02 provides that annual distributions may not exceed 60 percent of the biennial appropriation for energy infrastructure and impact grants (\$143,579,504 for fiscal year 2014). Of the \$239,299,174, \$70,567,587 is uncommitted and available for grant awards for the remainder of the biennium.

The department's tentative schedule for remaining grand distributions is:

- Airports (January to May 2014).
- City infrastructure (April to July 2014).
- K-12 schools (June to July 2014).
- Emergency medical services providers and fire protection districts (September to November 2014).
- General grants (January to April 2015).

The dust control pilot project was completed in December 2013, and the results were reported to the Department of Trust Lands in January 2014. The results included some cases of reductions in dust levels, grading, and gravel replenishment.

The Department of Trust Lands awarded grants by county as follows:

| County   | Number of Projects | Grants Awarded |
|----------|--------------------|----------------|
| Barnes   | 10                 | \$500,000      |
| Benson   | 20                 | 1,000,000      |
| Burleigh | 5                  | 2,685,606      |
| McHenry  | 47                 | 1,027,547      |
| Morton   | 5                  | 1,079,749      |
| Ramsey   | 8                  | 1,000,000      |
| Renville | 8                  | 893,682        |
| Richland | 19                 | 500,048        |
| Ward     | 19                 | 21,208,448     |
| Total    | 141                | \$29,895,080   |

The Department of Trust Lands expended \$104,920 for salaries and operating expenses related to the administration of the program. The grant funding is expended as projects are completed. As of March 2014, approximately \$13.8 million of the grant funding had not been expended.

**State land lease income** - The Department of Trust Lands manages permanent trust assets consisting of 656,700 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.

The tables below show revenues generated from the lease of state land for fiscal years 2009 through 2013.

| <b>Surface Lease Rents Net of In Lieu Property Taxes</b> |                    |                    |                    |                    |                    |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|
| <b>Trust Fund</b>  | <b>FY 2009</b>     | <b>FY 2010</b>     | <b>FY 2011</b>     | <b>FY 2012</b>     | <b>FY 2013</b>     |
| Capitol building   | \$91,161           | \$99,146           | \$99,342           | \$104,275          | \$105,764          |
| Permanent trusts   |                    |                    |                    |                    |                    |
| Common schools   | 4,546,916          | 4,869,891          | 5,036,265          | 5,215,280          | 5,540,337          |
| Other permanent  | 587,858            | 644,363            | 653,046            | 680,650            | 745,038            |
| <b>Total</b>   | <b>\$5,225,935</b> | <b>\$5,613,400</b> | <b>\$5,788,653</b> | <b>\$6,000,205</b> | <b>\$6,391,139</b> |
| Percentage increase (decrease)                           | (0.1%)             | 7.4%               | 3.1%               | 3.7%               | 6.5%               |

| <b>Oil and Gas Royalties</b>                       |                     |                     |                      |                      |                      |
|--|---------------------|---------------------|----------------------|----------------------|----------------------|
| <b>Trust Fund</b>                                  | <b>FY 2009</b>      | <b>FY 2010</b>      | <b>FY 2011</b>       | <b>FY 2012</b>       | <b>FY 2013</b>       |
| Strategic investment and improvements <sup>1</sup> | \$11,639,756        | \$19,698,697        | \$31,813,522         | \$56,161,203         | \$81,418,991         |
| Capitol building                                   | 24,672              | 43,935              | 236,411              | 345,997              | 610,008              |
| Permanent trusts                                   |                     |                     |                      |                      |                      |
| Common schools                                     | 42,560,483          | 58,088,507          | 82,850,400           | 131,415,713          | 174,254,631          |
| Other permanent                                    | 3,319,770           | 6,010,412           | 7,749,299            | 11,661,782           | 14,915,040           |
| <b>Total</b>                                       | <b>\$57,544,681</b> | <b>\$83,841,551</b> | <b>\$122,649,632</b> | <b>\$199,584,695</b> | <b>\$271,198,670</b> |
| Percentage increase (decrease)                     | 1.5%                | 45.7%               | 46.3%                | 62.7%                | 35.9%                |

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

| <b>Oil and Gas Lease Bonuses</b>                   |                     |                      |                      |                      |                     |
|--|---------------------|----------------------|----------------------|----------------------|---------------------|
| <b>Trust Fund</b>                                  | <b>FY 2009</b>      | <b>FY 2010</b>       | <b>FY 2011</b>       | <b>FY 2012</b>       | <b>FY 2013</b>      |
| Strategic investment and improvements <sup>1</sup> | \$7,082,402         | \$95,800,380         | \$101,570,331        | \$57,487,907         | \$49,426,254        |
| Capitol building                                   | 58,678              | 1,344,085            | 91,536               | 28,538               | 0                   |
| Permanent trusts                                   |                     |                      |                      |                      |                     |
| Common schools                                     | 17,645,286          | 187,128,938          | 62,083,368           | 60,553,077           | 18,171,033          |
| Other permanent                                    | 917,307             | 9,773,131            | 9,666,334            | 7,326,827            | 1,515,217           |
| <b>Total</b>                                       | <b>\$25,703,673</b> | <b>\$294,046,534</b> | <b>\$173,411,569</b> | <b>\$125,396,349</b> | <b>\$69,112,504</b> |
| Percentage increase (decrease)                     | 89.6%               | 1,044.0%             | (41.0%)              | (27.7%)              | (44.9%)             |

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

**Land study** - House Bill No. 1338 (2013) provided for a study of land around Lake Sakakawea and Lake Oahe. The Board of University and School Lands is required to report to results to the Legislative Management by October 1, 2014. Section 7 of Senate Bill No. 2013 provides for an additional \$50,000 from the state contingencies appropriation upon Emergency Commission approval, if the initial \$50,000 is insufficient.

The Board of University and School Lands contracted with Eide Bailly LLP in January 2014 at a cost of \$42,400 to conduct a study of the lands around Lake Sakakawea and Lake Oahe. The study is in the process of being completed, and the board anticipates completing the study by October 1, 2014. The board does not anticipate requesting any additional funds from the Emergency Commission.