

**Department of Trust Lands  
Budget 226  
House Bill Nos. 1013 and 1176**

	<b>FTE Positions</b>	<b>General Fund</b>	<b>Other Funds</b>	<b>Total</b>
2015-17 legislative appropriation (original)	33.00	\$0	\$148,243,153	\$148,243,153
2013-15 legislative appropriation	<u>31.00</u>	<u>0</u>	<u>247,506,969</u>	<u>247,506,969</u>
2015-17 appropriation increase (decrease) to 2013-15 appropriation	2.00	\$0	(\$99,263,816)	(\$99,263,816)
2015-17 general fund budget allotment (4.05 percent)	<u>0.00</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Adjusted 2015-17 appropriation after budget allotment	33.00	\$0	\$148,243,153	\$148,243,153

**Item Description**

**General fund budget allotment** - In February 2016 the Governor ordered a 4.05 percent general fund budget allotment for state agencies.

**FTE position changes** - The Legislative Assembly approved 33 FTE positions, an increase of 2 FTE positions from the 2013-15 biennium authorized level of 31 FTE positions. The new positions include a land management position and an unclaimed property and compliance officer position.

**Energy infrastructure and impact grant awards** - In Section 3 of 2015 House Bill No. 1176, the Legislative Assembly decreased the maximum amount of oil and gas tax revenues that may be deposited in the oil and gas impact grant fund by \$100 million per biennium, from \$240 million in the 2013-15 biennium to \$140 million in the 2015-17 biennium. After the 2015-17 biennium, under current law the deposits are limited to \$100 million per biennium.

Section 5 of 2015 House Bill No. 1176 provides \$139.3 million (\$140 million less \$700,000 appropriated for administrative costs in 2015 House Bill No. 1013) from the oil and gas impact grant fund to the Board of University and School Lands for oil and gas impact grants for the 2015-17 biennium. Of the \$139.3 million, \$6.8 million is undesignated, and \$132.5 million is designated as follows:

**Status/Result**

The budget allotment did not reduce the appropriation authority for the Department of Trust Lands because the department did not receive an appropriation from the general fund.

The department filled the compliance auditor position in December 2015. The department is in the process of re-advertising for the land management position due to an insufficient number of qualified applicants during the first round of applications. The department anticipates the position will be filled during the summer of 2016.

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. The Board of University and School Lands appoints advisory committees to assist with application reviews and grant recommendations for the various grant rounds.

As of April 2016 the Board of University and School Lands has awarded grant funding for the 2015-17 biennium as follows:

- \$48 million for airports;
- \$30 million for school districts;
- \$10 million for law enforcement agencies, of which \$750,000 is designated for grants to organizations that provide prevention and treatment services related to human trafficking in hub cities (SB 2199) and \$250,000 is designated for sexual assault examiner programs (SB 2284);
- \$10 million for critical access hospitals;
- \$8 million for certain eligible counties;
- \$6 million for emergency medical services providers;
- \$5 million for eligible political subdivisions;
- \$4 million for nursing homes, basic care facilities, and hospice programs;
- \$3 million for fire protection districts;
- \$2 million for providers serving individuals with developmental disabilities;
- \$2 million for domestic violence sexual assault organizations;
- \$2 million local district health units;
- \$1.7 million to an eligible city; and
- \$800,000 to certain eligible cities.

**State land lease income** - The Department of Trust Lands manages permanent trust assets consisting of 706,819 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.

Date	Description	Amount
July 2015	Airports	\$1,306,037
July 2015	Emergency medical services providers	3,696,195
July 2015	K-12 schools	15,000,193
July 2015	Law enforcement	7,842,580
October 2015	Fire protection districts	3,000,000
October 2015	Airports	2,225,460
October 2015	Local district health units	2,000,000
October 2015	General grant round	500,000
December 2015	Critical access hospitals	5,000,000
December 2015	Providers serving individuals with developmental disabilities	1,000,000
January 2016	Sexual assault examiner programs	247,767
January 2016	Organizations that provide prevention and treatment services related to human trafficking	655,424
March 2016	Award reductions or cancellations	(600,384)
April 2016	Organizations that provide prevention and treatment services related to human trafficking	94,576
Total awards		\$41,967,848

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 (\$83,580,000 for either year of the 2015-17 biennium).

Based on the Office of Management and Budget's 2015-17 biennium revised revenue forecast released in February 2016, the allocations to the oil and gas impact grant fund are estimated to be \$28.6 million, a decrease of \$111.4 million compared to the May 2015 legislative forecast. As a result, the department has suspended all grants awards for projects that have not been started. The department will make disbursements on a reimbursement basis for grants that have been awarded as funds become available from oil and gas tax allocations. The remaining grant rounds have been postponed and may be reconsidered if additional funding becomes available.

The tables below show revenues generated from the lease of state land for fiscal years 2011 through 2015 based on information in the department's financial reports.

Surface Lease Rental Revenue					
Trust Fund	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Capitol building	\$105,027	\$239,595	\$86,951	\$148,954	\$169,859
Permanent trusts					
Common schools	7,193,247	8,515,338	10,292,829	11,115,068	14,281,695
Other permanent	754,788	796,671	851,660	824,337	910,915
Total	\$8,053,062	\$9,551,604	\$11,231,440	\$12,088,359	\$15,362,469
Percentage increase (decrease)	7.8%	18.6%	17.6%	7.6%	27.1%

Royalty Revenue					
Trust Fund	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Strategic investment and improvements <sup>1</sup>	\$32,773,187	\$56,508,407	\$81,784,775	\$118,351,345	\$102,646,334
Capitol building	320,868	345,996	610,008	2,011,114	1,838,724
Permanent trusts					
Common schools	84,996,761	135,269,628	178,311,885	231,936,883	196,808,384
Other permanent	7,841,401	11,667,348	15,115,467	19,330,418	15,901,400
Total	\$125,932,217	\$203,791,379	\$275,822,135	\$371,629,760	\$317,194,842
Percentage increase (decrease)	44.1%	61.8%	35.3%	34.7%	(14.6%)

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

Lease Bonus Revenue					
Trust Fund	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Strategic investment and improvements <sup>1</sup>	\$101,634,771	\$57,495,907	\$49,426,254	\$18,720,558	\$3,985,532
Capitol building	91,536	28,539	0	23,202	1,520
Permanent trusts					
Common schools	62,186,270	60,607,273	18,171,033	16,663,932	12,809,340
Other permanent	9,671,855	7,334,826	1,515,217	235,427	875,848
Total	\$173,584,432	\$125,466,545	\$69,112,504	\$35,643,119	\$17,672,240
Percentage increase (decrease)	(41.0%)	(27.7%)	(44.9%)	(48.4%)	(50.4%)

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

**Department of Trust Lands performance audit** - The State Auditor's office conducted a performance audit of the operations of the Department of Trust Lands relating to the Energy Infrastructure and Impact Office, unclaimed property, and trust assets and department resources.

The performance audit relating to the Energy Infrastructure and Impact Office, released in February 2016, contained 13 recommendations related to application screening, policies for project scope changes, and reimbursement procedures.

The performance audit relating to unclaimed property, released in February 2016, contained 19 recommendations related to record accuracy, safeguards for property and confidential information, and policies for receiving and disbursing unclaimed property.

The performance audit relating to trust assets and department resources, released April 2016, contained 29 recommendations related to record accuracy, penalty assessments, lease bidding procedures, ethics policies, hiring procedures, internal controls, and record archiving.