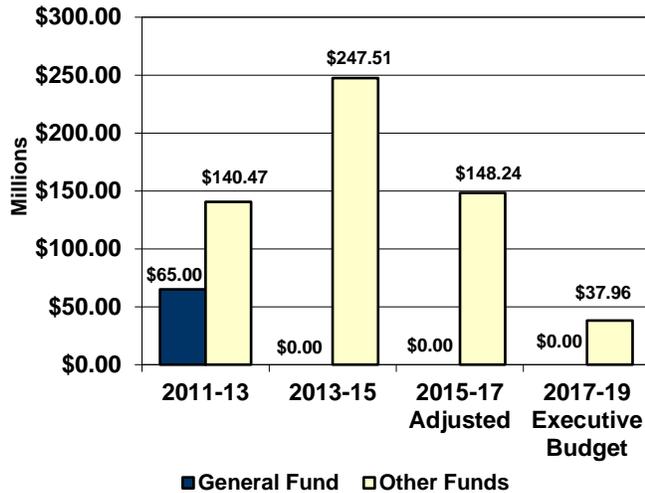


**Department 226 - Department of Trust Lands  
Senate Bill Nos. 2013 and 2073**

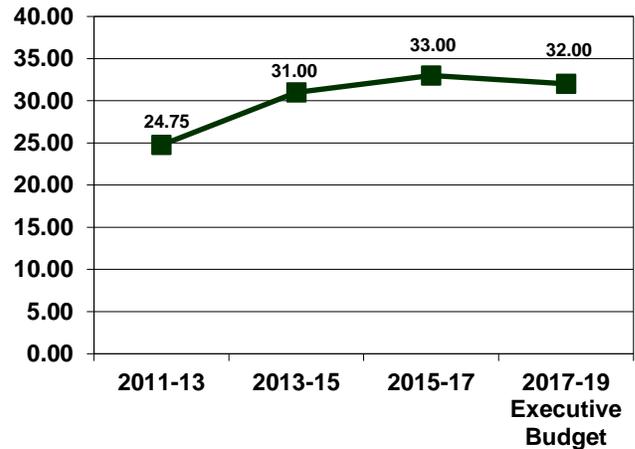
**Executive Budget Comparison to Prior Biennium Appropriations**

	FTE Positions	General Fund	Other Funds	Total
2017-19 Executive Budget	32.00	\$0	\$37,963,150	\$37,963,150
2015-17 Adjusted Legislative Appropriations	33.00	0	148,243,153	148,243,153
Increase (Decrease)	(1.00)	\$0	(\$110,280,003)	(\$110,280,003)

**Agency Funding**



**FTE Positions**



**Executive Budget Comparison to Base Level**

	General Fund	Other Funds	Total
2017-19 Executive Budget	\$0	\$37,963,150	\$37,963,150
2017-19 Base Level	0	108,243,153	108,243,153
Increase (Decrease)	\$0	(\$70,280,003)	(\$70,280,003)

Attached as an appendix is a detailed comparison of the executive budget to the agency's base level appropriations.

**Executive Budget Highlights**

	General Fund	Other Funds	Total
1. Provides funding for state employee salary and benefit increases, of which \$27,974 is for salary increases and \$91,584 is for health insurance increases	\$0	\$119,558	\$119,558
2. Removes 2 FTE positions, including 1 energy infrastructure and impact office FTE position (\$151,237) and 1 natural resources director FTE position (\$259,307)	\$0	(\$410,544)	(\$410,544)
3. Adds 1 geographic information system specialist FTE position, including \$177,080 for salaries and wages and \$23,025 for operating expenses	\$0	\$200,105	\$200,105
4. Adds funding for building maintenance costs and utility cost increases	\$0	\$93,746	\$93,746
5. Adds funding for professional development	\$0	\$45,000	\$45,000
6. Reduces funding for operating costs related to professional services, information technology services and equipment, and travel	\$0	(\$405,685)	(\$405,685)
7. Reduces funding for energy infrastructure and impact office operating expenses	\$0	(\$168,500)	(\$168,500)
8. Removes funding for grants to political subdivisions from the oil and gas impact grant fund	\$0	(\$99,300,000)	(\$99,300,000)
9. Adds one-time funding from the strategic investment and improvements fund for grants to airports		\$24,100,000	\$24,100,000

10. Adds <b>one-time</b> funding for an information technology system replacement project	\$0	\$5,520,000	\$5,520,000
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**Other Sections in Bill Recommended to be Added in Executive Budget  
(As Detailed in Senate Bill No. 2073)**

**Line item transfers** - Section 3 allows 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.

**Oil and gas impact grant fund** - Section 4 identifies \$221,735 from the oil and gas impact grant fund for administrative costs related to the oil and gas impact grant program.

**Fund distributions** - Sections 5 and 6 provide permanent fund income distributions to state institutions as follows:

	<b>2015-17 Legislative Appropriation</b>	<b>2017-19 Executive Budget<sup>1</sup></b>	<b>Increase (Decrease)</b>
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
<b>Total</b>	<b>\$219,094,000</b>	<b>\$305,878,702</b>	<b>\$86,784,702</b>

<sup>1</sup>The amounts shown reflect the adjusted fund distributions. A performance audit conducted during the 2015-16 interim identified errors in the assignment of tracts of land to the proper trusts resulting in errors in past distributions from the trusts.

**Strategic investment and improvements fund** - Section 7 identifies \$24.1 million from the strategic investment and improvements fund for grants to airports.

**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.

**Significant Audit Findings**

The financial statement audit for the Department of Trust Lands conducted by Brady, Martz & Associates PC during the 2015-16 interim identified no significant audit findings.

The performance audit of the Department of Trust Lands conducted by the State Auditor during the 2015-16 interim identified significant audit findings and included the following recommendations:

**Energy Infrastructure and Impact Office**

- Ensure the application screen process for energy impact grants is transparent and provides fair treatment of all applications.
- Ensure grant recommendations comply with eligibility requirements.
- Include contingencies in the grant recommendations when the grant application project costs for larger projects are based on estimates rather than actual bids.
- Ensure grant payments are limited to the reimbursement of expenditures for projects outlined in the grant application and that local matching requirements are met.

- Obtain status updates for grants with outstanding balances in a more cost-effective manner by requiring status reports or telephone discussions, conduct site visits for grant awards based on risk, and ensure site visits clearly document the status of the grant project being monitored.

#### **Unclaimed property**

- Increase efforts to locate owners of unclaimed property.
- Ensure unclaimed property is complete, accurate, and consistently entered.
- Adequately safeguard unclaimed property and personal information submitted to the department.
- Eliminate the fee that certain owners pay to receive their unclaimed property, which has not been sold or liquidated by the department.
- Conduct periodic sales of unclaimed property and dispose of property with insubstantial commercial value.

#### **Trust assets and department resources**

- Ensure tracts of land and oil and gas royalty payments are associated with the proper trust and obtain guidance from legal counsel on correcting net assets and past distributions for incorrect tract assignments and royalty allocations.
- Ensure information submitted with oil and gas royalty payments is consistently obtained in an electronic format and conduct audits of oil and gas operators submitting royalty payments to the department.
- Ensure direct and indirect costs are properly applied to trusts, programs, and activities.
- Conduct a formal fraud risk assessment as required by the Office of Management and Budget policy.
- Ensure appropriate information technology systems exist, user manuals are established, and systems are used to the fullest extent possible.
- In conjunction with representatives of the State Historical Society, review and identify permanently retained records and records with archival value for transfer to the State Archives.

### **Major 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.

**Department of Trust Lands - Budget No. 226**  
**Senate Bill Nos. 2013 and 2073**  
**Base Level Funding Changes**

	<b>Executive Budget Recommendation</b>			
	<b>FTE Positions</b>	<b>General Fund</b>	<b>Other Funds</b>	<b>Total</b>
<b>2017-19 Biennium Base Level</b>	33.00	\$0	\$108,243,153	\$108,243,153
<b>2017-19 Ongoing Funding Changes</b>				
Base payroll changes			(\$73,683)	(\$73,683)
Salary increase - Performance			27,974	27,974
Health insurance increase			91,584	91,584
Removes FTE positions	(2.00)		(410,544)	(410,544)
Adds geographic information system FTE position	1.00		200,105	200,105
Adds funding for building and utility increases			93,746	93,746
Adds funding for professional development			45,000	45,000
Reduces operating expenses			(405,685)	(405,685)
Reduces energy impact operating expenses			(168,500)	(168,500)
Removes funding for energy impact grants			(99,300,000)	(99,300,000)
Total ongoing funding changes	(1.00)	\$0	(\$99,900,003)	(\$99,900,003)
<b>One-time funding items</b>				
Adds funding for information technology project			\$5,520,000	\$5,520,000
Adds funding for grants to airports			24,100,000	24,100,000
Total one-time funding changes	0.00	\$0	\$29,620,000	\$29,620,000
<b>Total Changes to Base Level Funding</b>	(1.00)	\$0	(\$70,280,003)	(\$70,280,003)
<b>2017-19 Total Funding</b>	32.00	\$0	\$37,963,150	\$37,963,150

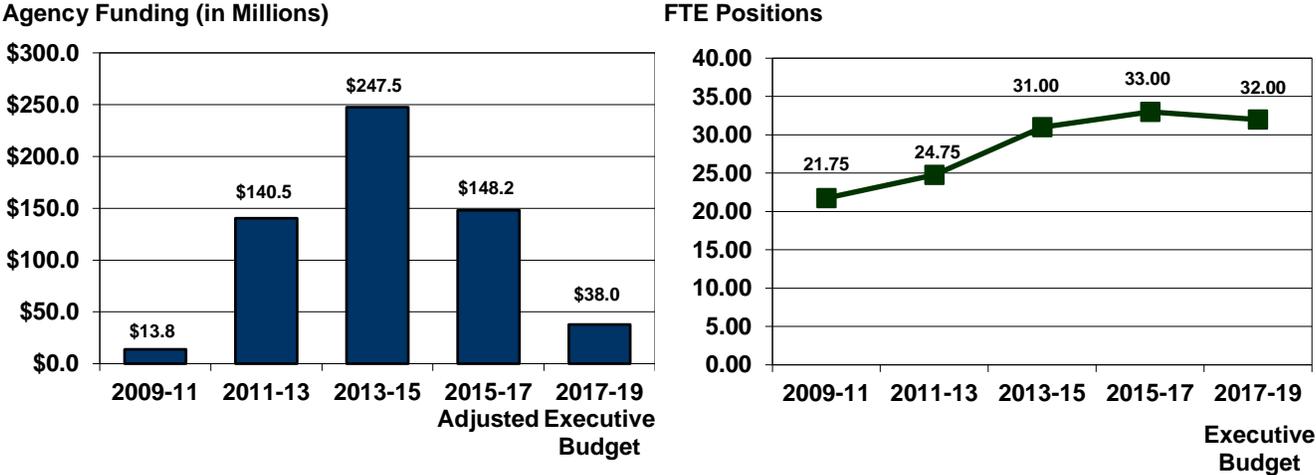
**Other Sections in Department of Trust Lands - Budget No. 226**

	<b>Executive Budget Recommendation</b>
Line item transfers	Section 3 allows 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.
Oil and gas impact grant fund	Section 4 identifies \$221,735 from the oil and gas impact grant fund for administrative costs related to the oil and gas impact grant program.
Fund distributions	Sections 5 and 6 provide permanent fund income distributions to state institutions.
Strategic investment and improvements fund	Section 7 identifies \$24.1 million from the strategic investment and improvements fund for grants to airports.

Department 226 - Department of Trust Lands

# Historical Appropriations Information

## Total Other Funds Appropriations Since 2009-11



Total Other Funds Appropriations					
	2009-11	2011-13	2013-15	2015-17 Adjusted	2017-19 Executive Budget
Total other funds appropriations	\$13,792,561	\$140,465,189	\$247,506,969	\$148,243,153	\$37,963,150
Increase (decrease) from previous biennium	N/A	\$126,672,628	\$107,041,780	(\$99,263,816)	(\$110,280,003)
Percentage increase (decrease) from previous biennium	N/A	918.4%	76.2%	(40.1%)	(74.4%)
Cumulative percentage increase (decrease) from 2009-11 biennium	N/A	918.4%	1,694.5%	974.8%	175.2%

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

#### 2011-13 Biennium

- 1. Added funding for 3 FTE positions, including a mineral auditor position, an accounting and budget specialist position, and an office assistant position \$388,326
- 2. Added funding for temporary staff and salary reclassifications \$184,908
- 3. Added funding for operating expenses, including building repairs and maintenance \$510,440
- 4. Added funding for contingencies \$50,000
- 5. Added funding for grants to political subdivisions from the oil and gas impact grant fund \$125,000,000

#### 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 (Executive Budget Recommendation)**

1. Provides funding for state employee salary and benefit increases, of which \$27,974 is for salary increases and \$91,584 is for health insurance increases	\$119,558
2. Removes 2 FTE positions, including 1 energy infrastructure and impact office FTE position (\$151,237) and 1 natural resources director FTE position (\$259,307)	(\$410,544)
3. Adds 1 geographic information system specialist FTE position, including \$177,080 for salaries and wages and \$23,025 for operating expenses	\$200,105
4. Adds funding for building maintenance costs and utility cost increases	\$93,746
5. Adds funding for professional development	\$45,000
6. Reduces funding for operating costs related to professional services, information technology services and equipment, and travel	(\$405,685)
7. Reduces funding for Energy Infrastructure and Impact Office operating expenses	(\$168,500)
8. Removes funding for grants to political subdivisions from the oil and gas impact grant fund	(\$139,300,000)
9. Adds one-time funding from the strategic investment and improvements fund for grants to airports	\$24,100,000
10. Adds one-time funding for an information technology system replacement project	\$5,520,000