

# MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION  
SFN 2053 (2/85) 5M



ROLL NUMBER

DESCRIPTION

1013

2007 HOUSE APPROPRIATIONS

HB 1013

## 2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. 1013

House Appropriations Committee  
Government Operations Division

Check here for Conference Committee

Hearing Date: 1/12/07

Recorder Job Number: 1004

Committee Clerk Signature

*Amya Voegle*

Minutes:

Chairman Carlson opened the hearing on House Bill 1013. A bill for an act to provide appropriation for defraying the expenses of the commissioner of university and school lands; and to provide for distribution amounts from permanent funds.

Rick D. Larson, Director of the Energy Development Impact Office, testified in support of the bill. See attached testimony 1013.1.12.07A.

**Chairman Carlson:** How do you get your money?

**Rick D. Larson:** There are two formulas. One percent of the production tax is distributed 33.3% to this program up to \$5million. The other 2/3 goes into the general fund. Then there is four percent of the production tax that is distributed to the counties.

**Representative Thoreson:** Is there a specific area in the state where the numbers of requests are higher?

**Rick D. Larson:** More from the oil and gas producing counties.

**Chairman Carlson:** Are there any other bills floating around that would change any of these numbers?

**Rick D. Larson:** Not that I know of.

**Representative Skarphol:** Isn't the configuration of drilling substantially different now than it was two years ago and don't you think you are going see a real change on how much demand you are going to have for the monies next time around?

**Rick D. Larson:** It is becoming more and more of a problem for these subdivisions of government to meet these caps. Prices are going up. The commodities are getting harder to find. If the demand is up their prices go up.

**Representative Skarphol:** What I was trying to get at is that with the Backen Horizontal Plate, they are drilling all over in places they have never drilled before. We are going to see the demand for this money rise throughout the area as opposed to being concentrated on certain areas in Western ND.

**Vicky Steiner,** representing the ND Association of Oil and Gas Producing Counties, spoke in support of the bill. See attached testimony 1013.1.12.07B and 1013.1.12.07C.

**Vice Chairman Carlisle:** What are the other bills dealing with this issue?

**Vicky Steiner:** Representative Drovdal's bill is 1044, Senator Bowman's bill is 2178.

**Chairman Carlson:** Are there any other bills that affect this?

**Vicky Steiner:** No

Carrol Gjovik, Director of Dunn County Development Authority, spoke in support of the bill. See attached testimony 1013.1.12.07D. Ms. Gjovik discussed the poor road conditions in Dunn County.

Reinhard Hauck, Dunn County Auditor, spoke in support of the bill. See attached testimony 1013.1.12.07E.

**Chairman Carlson:** What amount of money does your county receive from the Highway Distribution Fund?

**Reinhard Hauck:** About \$300,000 per year.

**Chairman Carlson:** What is your solution to the deficit?

**Reinhard Hauck:** It would have be hoping on House Bill 1044 which would raise the production tax money back into the counties. If we get another hit like this, we can stand this one, but if we have to go another year then we would have to go to our taxpayers. I am optimistic that our production will continue to grow.

**Representative Skarphol:** How much money is left in the interim fund?

**Reinhard Hauck:** About \$390,000 at the end of this year.

**Representative Williams:** Countywide mill levy for 2006 where does that compare with the state average?

**Reinhard Hauck:** I believe it is right at state average.

Brad Beckenal, City Finance Commissioner for the city of Williston, spoke in support of the bill. See attached testimony 1013.1.12.07F.

**Representative Glasheim:** Is there any way of knowing how much in property taxes and tax base you have increased because of the oil boom?

**Brad Beckenal:** I don't have those numbers with me but there has been an increase.

**Chairman Carlson:** How about new construction and the availability of housing. We hear throughout the oil country that there is a shortage of housing in many areas. How is that happening in Williston?

**Brad Beckenal:** That is our biggest issue right now. It is an issue we have talked to the Governor's office about. At this point what we have done is that we have a two year property

tax exemption for new home building which we are allowed to do understate law up to the first \$75,000. We have city lots available for sale. We had approximately 100 houses permitted and built in Williston and the six townships surrounding us last year.

John Kautzman, Williston City Auditor, testified in support of the bill.

**Representative Kroeber:** Your special revenue fund, is that your one cent sales tax?

**John Kautzman:** No, it is a number of different things. The Municipal Highway Truss, cemetery, airport.

**Representative Kroeber:** And your Enterprise Fund?

**John Kautzman:** Water sewer and garbage and landfill and refuse collection.

Gary Preszler, State Land Commissioner, spoke in favor of the bill. See attached testimony 1013.1.12.07G.

**Chairman Carlson:** The nominations that you have for the oil and gas lease auctions, is that for natural gas?

**Gary Preszler:** Yes that is for shallow gas.

Mr. Pressler discussed Constitutional Measure No. 1. (See page 4 of 1013.1.12.07G)

**Chairman Carlson:** Give me an example of what would be an anticipated change; take the Common Schools Trust Fund. If you took the new formula based on the change by Constitutional Measure #1, how much would have that distribution changed?

**Gary Preszler:** It would be basically the same. We are within five percent right now. We would parallel the growth.

**Chairman Carlson:** Does that measure allow you to get into the principle at all?

**Gary Preszler:** We can get into it now from the stand point of a stock investment.

**Chairman Carlson:** With that averaging system could you dig into the principle of the funds to complete your formula?

**Gary Preszler:** Only in the event of an economic depression.

**Representative Skarphol:** Do these federal restrictions apply to any permanent trust fund that would be constitutionally established or only to the schools?

**Gary Preszler:** Only to the schools.

**Representative Skarphol:** How long does it take to accumulate that kind of money in the trust funds?

**Gary Preszler:** The day of statehood.

**Representative Skarphol:** The imaging project (page 4 of 1013.1.12.07G) that you are referring to merely allows for better and easier access to the documents. Do you still have to retain the paper documents and store them someplace?

**Gary Preszler:** Not in all cases. A lot of these records will be destroyed once we have the copy file. Some of the documents will be turned over to the archives but some of them have no historical value. There are some records that we will not store electronically like patents for deeds from the 1900s. We don't have a reason to access them.

Chairman Carlson closed the hearing.

## 2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. 1013

House Appropriations Committee  
Government Operations Division

Check here for Conference Committee

Hearing Date: 1/25/07

Recorder Job Number: 1992

Committee Clerk Signature

*Conny Vaegele*

Minutes:

Representative Kempenich discussed the highlights of the Executive Budget.

1. Adds funding for increase in Energy Development Impact Office grants. (\$1,000,000)
2. Provides funding for equipment over \$5,000. (\$10,000)
3. Increases operating expenses primarily due to increased information technology rates.  
(\$27,000)

**Chairman Carlson:** Remind me what this Energy Development Impact Office grants are for.

**Representative Kempenich:** There is a pool of money to help with local impacts such as roads in the counties.

**Representative Skarphol:** The counties and the cities and all political subdivisions apply for grants from them. Typically the grant requests exceed \$20million and they only have \$5million to grant out.

**Chairman Carlson:** What is the total that is in the fund now?

**Representative Kempenich:** It will be \$6million when it is all said and done.

**Representative Skarphol:** They are not asking for that. We passed that legislation last session with a delayed effective date. It is actually just going into code.



**Chairman Carlson:** I don't see any new FTEs. I do see a \$1.3million increase. I am not getting that to total.

**Representative Kroeber:** The direct impact comes out of the five percent on the gross production tax. Right now that is capped at \$5million. This bill will raise it to \$6million.

**Chairman Carlson:** How do we get to the \$1.3million increase?

**Representative Kempenich:** The salaries (\$272,000), grants (\$1million). The rest is from the other items.

**Vice Chairman Carlisle:** There is a breakdown in the bill.

**Chairman Carlson:** No new programs involved?

**Representative Kempenich:** No.

**Chairman Carlson:** What is the formula for the distribution of funds to the schools?

**Representative Skarphol:** I think what it is, there is a certain amount of money invested for each one of those institutions and it is not in the same accounts so the interest rates for each of them vary that is why the numbers seem to vary and fluctuate from biennium to biennium.

**A motion was made by Representative Kempenich it was seconded by Representative Glasheim to recommend a DO PASS to the House Appropriation Full Committee. The committee voted Y=8 N=0 A=0. The bill will be carried by Representative Kempenich.**

# 2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. HB 1013

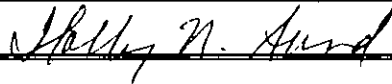
House Appropriations Committee

Check here for Conference Committee

Hearing Date: January 29, 2007

Recorder Job Number: 2099

Committee Clerk Signature



Minutes:

**Chm. Svedjan** opened the hearing on HB 1013. This bill comes to the Full House Appropriations Committee from Government Operation.

**Rep. Kempenich** reviewed the Department 226 – Land Department budget green sheet and described the \$1 million increase. Government Operations gave this a Do Pass.

**Rep. Kempenich motioned a Do Pass to HB 1013. Rep. Thoreson seconded the motion.**

**Rep. Klein:** Would you expand on the Impact Office?

**Rep. Kempenich:** This is for increased oil activity – most goes for roads.

**Chm. Svedjan:** Why is there a delay to this biennium?

**Rep. Kempenich:** Last session, the representative that sponsored it felt that at that time they wanted to wait and see the oil projections.

**Chm. Svedjan:** What is the derivation of the funds?

**Rep. Kempenich:** About 8 different funds. State Land Department is getting \$2.9 million/day from different sources – mostly energy development.

**Rep. Aarsvold:** They also manage the unclaimed property division I understand. Proceeds from that fund go to the Common Schools Trust Fund?

**Rep. Kempenich:** Yes.

**Rep. Aarsvold:** Is there a point that the principal amount of those assets goes to the state or do we hold them forever?

**Rep. Kempenich:** It's my understanding that we hold them forever.

**Rep. Kerzman:** How much is left in the DD loan programs? I thought that was phased out.

**Allen Knudson, Legislative Council:** That relates to loans made years ago to DD facilities.

This is a repayment of those loans.

**Rep. Kerzman:** Didn't we take money out of the BND to repay those loans a couple of bienniums ago?

**Mr. Knudson:** That was DD loan for no. 1.

**The motion passed by a roll call vote of 22 ayes, 0 nays and 2 absent and not voting.**

**Rep. Kempenich was designated to carry the bill.**



Date: January 29, 2007  
 Roll Call Vote #: 141

**2007 HOUSE STANDING COMMITTEE ROLL CALL VOTES  
 BILL/RESOLUTION NO. 1013**

House Appropriations Full Committee

Check here for Conference Committee

Legislative Council Amendment Number \_\_\_\_\_

Action Taken Do Pass

Motion Made By Kempenich Seconded By Thoreson

Representatives	Yes	No	Representatives	Yes	No
Chairman Svedjan	✓				
Vice Chairman Kempenich	✓				
Representative Wald	✓		Representative Aarsvold	✓	
Representative Monson	✓		Representative Gulleson	✓	
Representative Hawken	✓				
Representative Klein	✓				
Representative Martinson	✓				
Representative Carlson	✓		Representative Glassheim	✓	
Representative Carlisle	✓		Representative Kroeber	✓	
Representative Skarphol	✓		Representative Williams	✓	
Representative Thoreson	✓				
Representative Pollert	✓		Representative Ekstrom	✓	
Representative Bellew	✓		Representative Kerzman	✓	
Representative Kreidt	✓		Representative Metcalf	✓	
Representative Nelson	✓				
Representative Wieland	✓				

Total (Yes) 27 No 0

Absent 0

Floor Assignment Kempenich

If the vote is on an amendment, briefly indicate intent:

**REPORT OF STANDING COMMITTEE (410)**  
January 31, 2007 2:57 p.m.

**Module No: HR-19-1699**  
**Carrier: Kempenich**  
**Insert LC: . Title: .**

**REPORT OF STANDING COMMITTEE**

**HB 1013: Appropriations Committee (Rep. Svedjan, Chairman) recommends DO PASS**  
(22 YEAS, 0 NAYS, 2 ABSENT AND NOT VOTING). HB 1013 was placed on the  
Eleventh order on the calendar.

2007 SENATE APPROPRIATIONS

HB 1013

# 2007 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. 1013

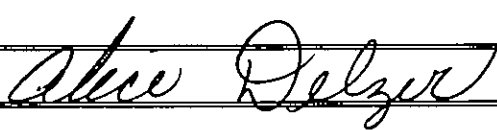
Senate Appropriations Committee

Check here for Conference Committee

Hearing Date: 02-23-07

Recorder Job Number: 3761

Committee Clerk Signature



Minutes:

**Vice Chairman Bowman** opened the hearing on HB 1013 on February 23, 2007 regarding the expenses of the commissioner of university and school lands and provide permanent funds.

**Gary D. Preszler, State Land Commissioner of North Dakota state Land Department**

presented written testimony (1) and gave oral testimony in support of HB 1013. He shared about the EDIO grant and investments, the fact some trusts are going up and some down, some of the federal laws and the language in those laws, FTE's and the estimated spending for 2007-2009.

**Senator Seymour** asked who he has to report to. He was told there is a Board he reports to.

**Senator Bowman** asked if there were changes from what the House did.

**Rick D. Larson, Director of the Energy Development Impact Office (EDIO)** presented written testimony (2) and oral testimony in support of HB 1013. He stated the mission of the EDIO is to provide financial assistance to local units of government affected by energy activity. Each year we report the results of the grant round. Charts are included in this handout regarding this issue.

**Vicki Steiner, Representative North Dakota Association of Oil and Gas Producing Counties** presented written testimony (3) and oral testimony in support of HB 1013.

**Vice Chairman Bowman** closed the hearing on HB 1013.



## 2007 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. 1013

Senate Appropriations Committee

Check here for Conference Committee

Hearing Date: 03-09-07

Recorder Job Number: 4751

Committee Clerk Signature



Minutes:

Chairman Holmberg opened the hearing on HB 1013.

Senator Mathern moved a DO PASS, Senator Seymour seconded. There was discussion. A roll call vote was taken resulting in 14 yes, 0 no, 0 absent. The motion passed and Senator

Mathern will carry the bill.

Chairman Holmberg closed the hearing on HB 1013.

Date: 3/2/07  
Roll Call Vote #: 1

2007 SENATE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO. 1013

Senate Appropriations Committee

Check here for Conference Committee

Legislative Council Amendment Number \_\_\_\_\_

Action Taken DP

Motion Made By Mather Seconded By Seymour

Senators	Yes	No	Senators	Yes	No
Chairman Ray Holmberg	✓		Senator Aaron Krauter	✓	
Vice Chairman Bill Bowman	✓		Senator Elroy N. Lindaas	✓	
Vice Chairman Tony Grindberg	✓		Senator Tim Mathern	✓	
Senator Randel Christmann	✓		Senator Larry J. Robinson	✓	
Senator Tom Fischer	✓		Senator Tom Seymour	✓	
Senator Ralph L. Kilzer	✓		Senator Harvey Tallackson	✓	
Senator Karen K. Krebsbach	✓				
Senator Rich Wardner	✓				

Total (Yes) 14 No \_\_\_\_\_

Absent \_\_\_\_\_

Floor Assignment Mather

If the vote is on an amendment, briefly indicate intent:

**REPORT OF STANDING COMMITTEE (410)**  
March 9, 2007 11:19 a.m.

**Module No: SR-45-4859**  
**Carrier: Mathern**  
**Insert LC: . Title: .**

**REPORT OF STANDING COMMITTEE**

**HB 1013: Appropriations Committee (Sen. Holmberg, Chairman) recommends DO PASS**  
(14 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). HB 1013 was placed on the  
Fourteenth order on the calendar.

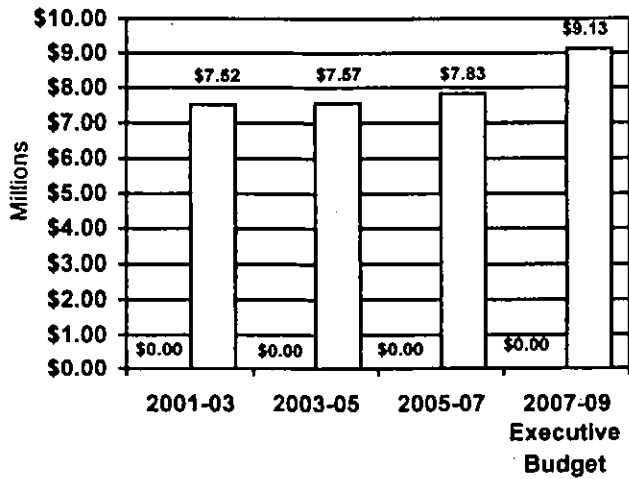
2007 TESTIMONY

HB 1013

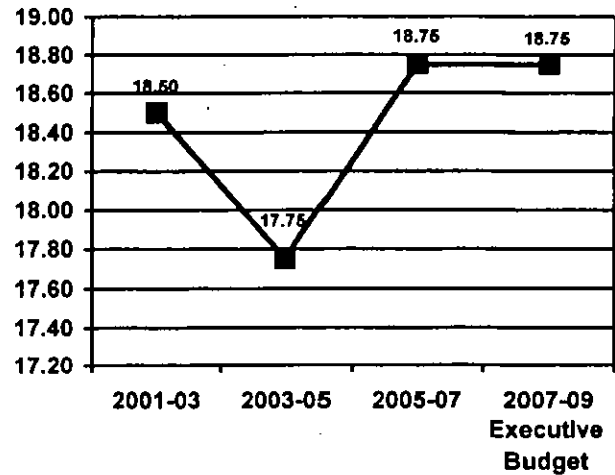
**Department 226 - Land Department  
 House Bill No. 1013**

	FTE Positions	General Fund	Other Funds	Total
2007-09 Executive Budget	18.75	\$0	\$9,126,688	\$9,126,688
2005-07 Legislative Appropriations	18.75	0	7,826,022	7,826,022
Increase (Decrease)	0.00	\$0	\$1,300,666	\$1,300,666

**Agency Funding**



**FTE Positions**



■ General Fund □ Other Funds

**Executive Budget Highlights**

	General Fund	Other Funds	Total
1. Adds funding for increase in Energy Development Impact Office grants		\$1,000,000	\$1,000,000
2. Provides funding for equipment over \$5,000		\$10,000	\$10,000
3. Increases operating expenses primarily due to increased information technology rates		\$27,000	\$27,000

**Continuing Appropriations**

**Unclaimed property** - NDCC Section 47-30.1-23 - Payments made to owners of unclaimed property.

**Investments and farm loans** - NDCC Sections 15-03-13 and 15-03-04.1 - Money manager and custodial fees and loan administration fees to maintain and enhance income earning potential of trusts financial assets.

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

**Land expenses** - NDCC 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** - NDCC Section 57-02.3-07 - Payments made in lieu of property taxes.

**DD loan programs** - NDCC Section 15-08.1-09 - Repayment of DD loan programs Nos. 2 and 3 from the lands and minerals trust fund to the common schools trust fund.

**Major Related Legislation**

At this time, no major legislation has been introduced affecting this agency.

**TESTIMONY OF GARY D. PRESZLER  
STATE LAND COMMISSIONER  
North Dakota State Land Department**

**IN SUPPORT OF HOUSE BILL NO. 1013**

**HOUSE APPROPRIATIONS COMMITTEE  
GOVERNMENT OPERATIONS DIVISION  
January 13, 2007**

Chairman Carlson, members of the Government Operations Division Committee, I am Gary D. Preszler, Secretary for the Board of University and School Lands and Commissioner for the State Land Department.

I am here to testify in support of the Land Department's requested total special funds appropriation. Within the total appropriation request is \$6,000,000 (\$5,000,000 plus the additional \$1,000,000 added by the 2005 Legislative Assembly less \$111,900 in administrative expenses) to fund the oil and gas development impact grants under the Energy Development Impact Office (EDIO). Rick Larson, the Director of EDIO will cover the grant fund appropriation request. The remaining request of \$3,238,588 covers the administrative expenses to operate the Land Department.

The budget request essentially provides for the Department to continue with the current level of services and programs.

**DEPARTMENT PURPOSE**

The Land Grant to the State from the federal government and the State Constitution provides that the Board of University and School Lands shall manage the land, minerals and proceeds from the land for the exclusive benefit of the institutions for which they were granted. The income earned is to be distributed for the exclusive benefit of those trust beneficiaries.

Income is generated through prudent management of trust assets, consisting of over 714,000 surface acres, over 2.5 million mineral acres, approximately \$877 million in trust fund financial assets, and nearly \$30 million in unclaimed property. The surface acres are leased to ranchers and farmers across the state. The 2.5 million mineral acres are offered for oil, gas, coal, gravel and scoria leasing. Revenues from all sources are deposited in trust funds and are invested in the Farm Loan Pool administered by the Bank of North Dakota, U.S. Treasury and foreign notes and bonds, and corporate bonds and stocks. The income from these investments, together with surface and mineral rentals, is distributable to North Dakota schools (public grades K-12), educational and other public institutions at specified intervals throughout the biennium.

The following is a list of beneficiaries of the various trust funds administered by the Land Department pursuant to Article IX of the North Dakota Constitution:

- |                                  |                                |
|----------------------------------|--------------------------------|
| 1) Common Schools                | 2) Capitol Building            |
| 3) North Dakota State University | 4) Mayville State University   |
| 5) School for the Blind          | 6) Industrial School           |
| 7) School of the Deaf            | 8) State College of Science    |
| 9) State Hospital                | 10) School of Mines            |
| 11) Ellendale State College *    | 12) Veteran's Home             |
| 13) Valley City State University | 14) University of North Dakota |

\* The Ellendale State College Trust is split equally between 7 beneficiaries: Dickinson State University, Minot State University, MSU-Bottineau, Veteran's Home, School of the Blind, State Hospital, and State College of Science.

## REVENUE ACTIVITY

### Minerals Division - Oil And Gas Robust Activity Continues

Since early 2004, activity in the oil patch has increased considerably due to the current Bakken and other plays spurred on by technology advances and the higher price of oil. We are still enjoying sizable acreage nominations for our quarterly oil and gas lease auctions. Good competition exists, resulting in large total bonus collections. With the higher price of oil, and new wells being drilled, we are receiving royalties of over \$2.6 million per month. Currently, about one-half of the money added to trust corpus is coming from oil-related activity.

### Investments

Total permanent trust financial assets as of December 31, 2006 were approximately \$877 million, up \$177 million (25.3%) since December 31, 2004. The financial asset numbers do not include values for surface acres or mineral holdings. The growth in trust assets has been driven by both strong equity markets and increased revenues from oil-related activities.

Higher interest rates and improved market returns in the past two years have helped the trusts to grow significantly and recover from the period of low interest rates and poor equity returns received in 2000-02. Additionally, changes made to several asset classes, such as diversifying into Real Estate Investment Trusts (REITs) have further added value.

### Distributions (See Section 7)

At its April 2006 Land Board meeting, the Board approved distributions for all permanent trusts for the 2007-2009 biennium. The distributions were determined based on the principles outlined in NDCC 15-03-05.2, which states that:

*"The board shall distribute only that portion of a fund's income that is consistent with the long-term goals of preserving the purchasing power of the fund while maintaining income stability to the fund beneficiaries."*

The table below outlines both budgeted permanent trust distributions for the 2005-07 biennium and projected distributions for the 2007-09 biennium. Actual distributions will equal budgeted amounts

for all trusts during the current biennium. The table shows total proposed distributions for 2007-09 are approximately \$4.4 million (6.6%) greater than actual distributions for the current biennium.

Trust Fund	Budgeted 2005-2007 Bi. Distributions	Proposed 2007-2009 Bi. Distributions	Proposed Inc./Dec. in Distributions	Percentage Inc./Dec. in Distributions
COMMON	\$ 62,200,000	\$ 66,800,000	\$ 4,600,000	7.4%
NDSU	1,146,000	1,070,000	(76,000)	-6.6%
BLIND	208,000	176,000	(32,000)	-15.4%
DEAF	322,000	310,000	(12,000)	-3.7%
ST HOSP	310,000	390,000	80,000	25.8%
ELLEDALE	235,200	168,000	(67,200)	-28.6%
VALLEY	268,000	226,000	(42,000)	-15.7%
MAYVILLE	176,000	156,000	(20,000)	-11.4%
INDUSTRIAL	404,000	378,000	(26,000)	-6.4%
SCIENCE	306,000	338,000	32,000	10.5%
MINES	322,000	370,000	48,000	14.9%
VETERANS	236,000	214,000	(22,000)	-9.3%
UND	664,000	604,000	(60,000)	-9.0%
<b>Total</b>	<b>\$ 66,797,200</b>	<b>\$ 71,200,000</b>	<b>\$ 4,402,800</b>	<b>6.6%</b>

To determine the distributions for the 2007-09 biennium, staff evaluated many factors including each trusts' asset balances, projected income and cash flows and expected future capital markets returns. They applied asset allocation and distribution principles used by many endowments and foundations. These principles include spending a portion (but not all) of capital gains earned and are designed to ensure both stable, growing distributions and increasing asset balances over the long term. When applied consistently, these principles should allow the Board to meet the dual responsibilities outlined in NDCC 15-03-05.2 (maintaining income stability and preserving the purchasing power of the trusts). However, if these principles are not followed, or are followed inconsistently, meeting the dual responsibilities outlined in NDCC 15-03-05.2 is very difficult, if not impossible.

Distributions for 2007-2009 from the Common Schools Trust fund are projected to be \$4.6 million more (7.4%) than distributions for the current biennium. Although total assets have recovered from the down markets of 2000 to 2002, the current low interest rate environment continues to have a direct impact on the amount of income those assets can generate.

Total distributions from the 12 other permanent trusts for 2007-2009 are projected to be \$197,200 lower (4.3%) than distributions for the current biennium. Distributions from 9 of the trusts will be less than the current biennium while distributions from 3 other trusts will be higher. The reason several of the trusts are unable to increase distributions for the 2007-09 biennium is that distributions from these trusts were set at levels too high to sustain during recent years, and they did not have the additional sources of growth as did the Common Schools Trust Fund.

The distribution levels set by the Board for all 13 permanent trusts for the 2007-09 biennium should allow the Board to meet its dual responsibilities under NDCC 15-03-05.2. They will also allow for a smooth transition when the Board implements Constitutional Measure No. 1 effective the 2009-11 biennium.



## **CONSTITUTIONAL MEASURE NO. 1**

On November 7, 2006, North Dakota voters overwhelmingly approved Constitutional Measure No. 1. The final vote was 67.23% for Measure No. 1 versus 32.77% against the Measure. Although North Dakota voters approved Measure No. 1, implementing it still requires federal legislation. Therefore, the next step in the process of implementing Constitutional Measure No. 1 is to go to the United States Congress and ask that they amend the 1889 Enabling Act and the 1862 Morrill Act to remove language that limits distributions from the permanent educational trust funds to "interest and income" and to allow for a distribution method that is based on the 5-year average value of the trust funds.

At the December 2006 Land Board meeting the Board decided to proceed with the Congressional request so that implementation of Constitutional Measure No. 1 will begin in the 2009-2011 biennium. Doing so will remove the uncertainty about distributions for the 2007-09 biennium.

## **DOCUMENT IMAGING PROJECT**

This past October, the Department commenced a project to scan and electronically store paper records that are frequently accessed. Existing electronic records will also be linked into the FileNet® system. The goal is to eliminate some physical storage costs and provide for greater efficiency in searching and retrieving file information.

The Enterprise FileNet® system maintained by ITD will provide the platform. Department staff provided much of the time for developing the index framework, and will perform the task of purging and scanning records. Implementation costs were estimated at \$23,000 with biennial maintenance estimated to cost about \$20,000. Both the implementation and maintenance costs are being paid for and included in the budget operating line.

## **FTEs**

The 2005 Legislative Assembly authorized one additional FTE. At the time of our budget request, the plans were to fill the position within our Audit Division. However, even before the start of the biennium we had shifted some positions and responsibilities to address audit needs. Consequently, we did not have a need to fill the authorized FTE in the audit area and instead have just recently filled a part-time position to address a void which occurred when we transferred an individual from an Administrative Assistant position to an Audit Technician position. The part-time position is currently being utilized to work mainly on our document imaging project.

Eventually as the scanning workload for document imaging project nears completion, other responsibilities will be reassigned and we will be able to determine at that time whether we can continue to use the position as part-time or increase the amount of hours to full-time. We want to retain the position as a full-time position in our budget request so we have the flexibility to match our workload needs.

### ESTIMATED 2005-07 SPENDING

The following table list is based on actual expenditures through November 30, 2006, and estimated expenses to the end of the biennium:

	2005-07 Appropriation	Biennial Projection	Remaining Appropriation
Salaries and Wages	2,229,222	2,109,789	119,433
Operating Expenses	648,700	548,173	100,527
Capital Assets	10,000	0	10,000
Contingencies	50,000	0	50,000
Other Grants	4,888,100	4,888,100	0
Total	7,826,022	7,546,062	279,960

### CONTINUING APPROPRIATION EXPENDITURES

Continuing appropriation authority is utilized for the payment of unclaimed property claims, investment related fees, the county service fee and in-lieu property taxes, and various expenses associated with land management. A schedule of the fees paid was prepared for the Office of Management and Budget with our budget submission.

### CONCLUSION

The Board's responsibility to preserve the purchasing power of the trusts and maintain income stability for the trust beneficiaries continues to be met as the funds have grown considerably in the past two years. All permanent and other trust funds remain in sound financial condition. Surface land is effectively managed providing for a fair market return of grazing lease income. Mineral leasing and development activity is continues to be very active with large bonuses being collected, and exploration potential is viewed as looking very promising for enhancing royalties received. Unclaimed property collections continue to accumulate assets held for owners and unclaimed property administration is efficient in the processing of a record number of claim applications.

