

Department 226 - Department of Trust Lands
House Bill No. 1013

Executive Budget Comparison to Base Level

	General Fund	Other Funds	Total
2023-25 Executive Budget	\$0	\$12,744,786	\$12,744,786
2023-25 Base Level	0	8,802,999	8,802,999
Increase (Decrease)	\$0	\$3,941,787	\$3,941,787

Selected Budget Changes Recommended in the Executive Budget

	General Fund	Other Funds	Total
1. Provides funding for state employee salary and benefit increases of which \$531,600 is for salary increases and \$159,446 is for health insurance increases	\$0	\$691,046	\$691,046
2. Adds 1 FTE mineral title specialist position	\$0	\$239,104	\$239,104
3. Adds 1 FTE investment analyst position	\$0	\$343,942	\$343,942
4. Transfers \$538,878 from the operating expenses line item to the salaries and wages line item for salary adjustments	\$0	\$0	\$0
5. Increases funding for shared software and service rate changes	\$0	\$49,000	\$49,000
6. Adds one-time funding to continue the development of an IT project. Total project funding is \$7.7 million, including \$5.2 million provided in prior bienniums.	\$0	\$2,500,000	\$2,500,000
7. Adds one-time funding for a utility vehicle and trailer	\$0	\$49,500	\$49,500

A summary of the executive budget changes to the agency's base level appropriations is attached as an appendix.

A copy of the draft appropriations bill containing the executive budget recommendations is attached as an appendix.

Selected Bill Sections Recommended in the Executive Budget

Fund distributions - Section 3 would provide permanent fund income distributions to state institutions as follows:

	2021-23 Legislative Appropriation	2023-25 Executive Budget	Increase (Decrease)
Common schools	\$421,020,000	\$499,860,000	\$78,840,000
North Dakota State University	6,620,000	7,648,000	1,028,000
University of North Dakota	5,084,000	5,986,000	902,000
Youth Correctional Center	2,228,000	2,662,000	434,000
School for the Deaf	2,014,000	2,198,000	184,000
North Dakota State College of Science	1,941,000	2,259,700	318,700
State Hospital	1,673,000	1,835,700	162,700
Veterans' Home	795,000	893,700	98,700
Valley City State University	1,178,000	1,354,000	176,000
North Dakota Vision Services - School for the Blind	1,375,000	1,679,700	304,700
Mayville State University	742,000	894,000	152,000
Dakota College at Bottineau	285,000	343,700	58,700
Dickinson State University	285,000	343,700	58,700
Minot State University	285,000	343,700	58,700
Total	\$445,525,000	\$528,301,900	\$82,776,900

Continuing Appropriations

Unclaimed property - North Dakota Century Code Section 47-30.1-23 - Payments made to owners of unclaimed property.

Investments and farm loans - Section 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, 15-06-22, 15-07-22, 15-08-04, and 15-68-06 - 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.

Mineral expenses - Section 15-05-19 - Payments for appraisal fees, consulting fees, refunds, and other expenses to manage the value of the minerals and trust assets.

In lieu of taxes - Section 57-02.3-07 - Payments made in lieu of property taxes on certain state lands managed by the department.

Deficiency Appropriations

There are no deficiency appropriations for this agency.

Significant Audit Findings

The financial statement audit for the Department of Trust Lands conducted by Eide Bailly LLP, Certified Public Accountants, during the 2021-22 interim identified no significant findings.

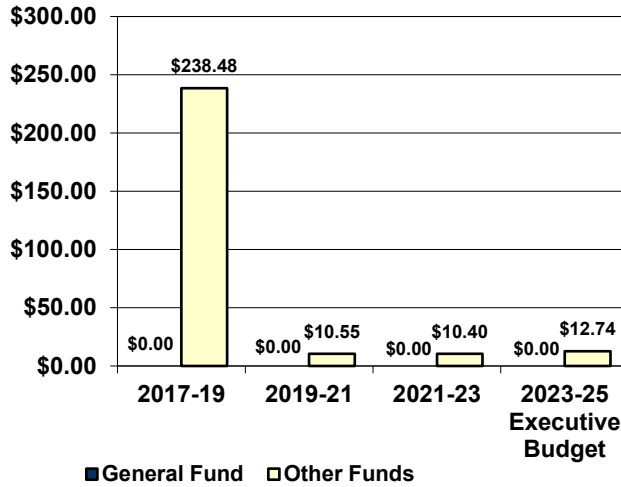
Major Related Legislation

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

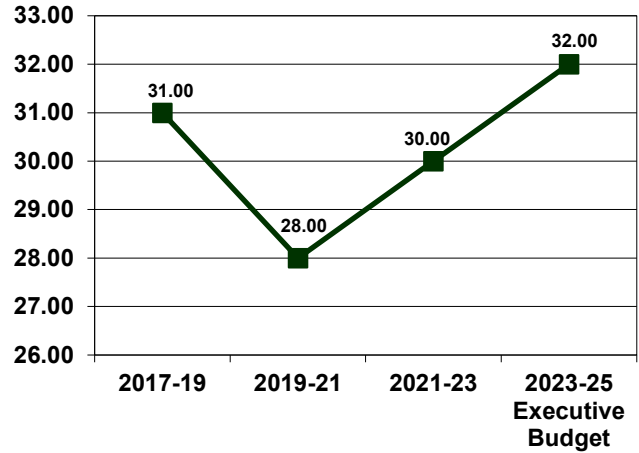
Historical Appropriations Information

Agency Appropriations and FTE Positions

Agency Funding (Millions)



FTE Positions



Ongoing Other Funds Appropriations

	2015-17	2017-19	2019-21	2021-23	2023-25 Executive Budget
Ongoing other funds appropriations	\$108,243,153	\$7,881,273	\$8,108,401	\$8,802,999	\$10,191,686
Increase (decrease) from previous biennium	N/A	(\$100,361,880)	\$227,128	\$694,598	\$1,388,687
Percentage increase (decrease) from previous biennium	N/A	(92.7%)	2.9%	8.6%	15.8%
Cumulative percentage increase (decrease) from 2015-17 biennium	N/A	(92.7%)	(92.5%)	(91.9%)	(90.6%)

Major Increases (Decreases) in Ongoing Other Funds Appropriations

2017-19 Biennium

- Added 1 FTE geographic information system specialist position, including \$177,080 for salaries and wages and \$23,025 for operating expenses \$200,105
- Removed 3 FTE positions, including 1 FTE energy infrastructure and impact office position (\$151,237), 1 FTE natural resources director position (\$259,307), and 1 FTE project manager position (\$206,550) (\$617,094)
- Adjusted funding for operating expenses, including increases for building maintenance and utility costs (\$93,746); increases for professional development (\$45,000); and decreases for professional development, IT services, and travel (\$405,685) (\$266,939)
- Removed funding for Energy Infrastructure and Impact Office administrative expenses (\$389,217)
- Removed funding for grants to political subdivisions from the oil and gas impact grant fund (\$99,300,000)

2019-21 Biennium

- Removed 3 FTE positions, including 2 administrative assistants and an audit technician (\$288,863)
- Added funding for 2 FTE positions, including an administrative assistant (\$123,361) and an attorney (\$248,461), and related operating expenses (\$43,670) \$415,492
- Transferred 2 FTE programmer analyst positions to the Information Technology Department for the IT unification initiative resulting in an increase in operating expenses for the agency \$19,739
- Reduced funding for operating expenses primarily related to travel, equipment, IT costs, professional development, and other services (\$504,949)
- Added funding for legal and audit costs related to the implementation of administrative rules, compliance requirements for internal controls and fraud risks, and financial statement audits \$384,564
- Increased funding for operating expenses associated with new financial software (\$175,000) and Microsoft Office 365 licensing costs (\$23,342) \$198,342

2021-23 Biennium

- 1. Added 2 FTE positions, including a mineral title specialist (\$211,665) and a compliance auditor (\$264,550), and related operating expenses (\$70,900) \$547,115

2023-25 Biennium (Executive Budget Recommendation)

- 1. Adds funding for 1 FTE mineral title specialist position (\$239,104) and 1 FTE investment analyst position (\$343,942) \$583,046
- 2. Transfers \$538,878 from the operating expenses line item to the salaries and wages line item for salary adjustments \$0
- 3. Increases funding for shared software and service rate changes \$49,000

One-Time Other Funds Appropriations

	2015-17	2017-19	2019-21	2021-23	2023-25 Executive Budget
One-time general fund appropriations	\$40,000,000	\$230,600,000	\$2,445,640	\$1,600,000	\$2,553,100

Major One-Time Other Funds Appropriations

2017-19 Biennium

- 1. Added one-time funding for mineral revenue repayments including \$100 million from the strategic investment and improvements fund and \$87 million from a Bank of North Dakota line of credit (Senate Bill No. 2134) \$187,000,000
- 2. Added one-time funding for grants to airports including \$25 million from the oil and gas impact grant fund and \$15 million from the energy impact fund \$40,000,000
- 3. Added one-time funding for an IT system replacement project \$3,600,000

2019-21 Biennium

- 1. Added one-time funding from the oil and gas impact grant fund for grants to oil-impacted political subdivisions \$2,000,000
- 2. Added one-time funding from the state lands maintenance fund for a mineral valuation study to hire a consultant to estimate the value of the state's mineral resources \$350,000
- 3. Provided a supplemental appropriation of \$95,640 of federal coronavirus relief funds for service fees associated with an online surface lease auction platform and costs associated with an analysis of oil and gas royalty cashflows due to an increase in shut-in wells \$95,640

2021-23 Biennium

- 1. Added one-time funding from the state lands maintenance fund to complete an IT project \$1,600,000

2023-25 Biennium (Executive Budget Recommendation)

- 1. Adds one-time funding to continue the development of an IT project \$2,500,000
- 2. Adds one-time funding for a utility vehicle and trailer \$49,500

Department of Trust Lands - Budget No. 226
House Bill No. 1013
Base Level Funding Changes

	Executive Budget Recommendation			
	FTE Positions	General Fund	Other Funds	Total
2023-25 Biennium Base Level	30.00	\$0	\$8,802,999	\$8,802,999
2023-25 Ongoing Funding Changes				
Cost to continue salaries			\$50,995	\$50,995
Salary increase			531,600	531,600
Health insurance increase			159,446	159,446
Adds FTE mineral title specialist position	1.00		253,704	253,704
Adds FTE investment analyst position	1.00		343,942	343,942
Transfers \$538,878 from operating expenses to salaries				0
Increases funding for shared software and service rate changes			49,000	49,000
Total ongoing funding changes	2.00	\$0	\$1,388,687	\$1,388,687
One-time funding items				
Adds one-time funding for IT equipment for new FTE positions			\$3,600	\$3,600
Adds one-time funding to continue the development of an IT project			2,500,000	2,500,000
Adds one-time funding for utility vehicle and trailer			49,500	49,500
Total one-time funding changes	0.00	\$0	\$2,553,100	\$2,553,100
Total Changes to Base Level Funding	2.00	\$0	\$3,941,787	\$3,941,787
2023-25 Total Funding	32.00	\$0	\$12,744,786	\$12,744,786
<i>Federal funds included in other funds</i>			<i>\$0</i>	
<i>Total ongoing changes as a percentage of base level</i>	<i>6.7%</i>		<i>15.8%</i>	<i>15.8%</i>
<i>Total changes as a percentage of base level</i>	<i>6.7%</i>		<i>44.8%</i>	<i>44.8%</i>

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

	Executive Budget Recommendation			
Fund distributions			Section 3 would provide the permanent fund income distributions to state institutions.	

**HOUSE BILL NO. 1013
(Governor's Recommendation)**

Introduced by

Appropriations Committee

(At the request of the Governor)

A bill for an Act to provide an appropriation for defraying the expenses of the commissioner of university and school lands; to provide for distributions from permanent funds; and to provide exemptions.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. APPROPRIATION. The funds provided in this section, or so much of the funds as may be necessary, are appropriated from special funds derived from the state lands maintenance fund, to the commissioner of university and school lands for the purpose of defraying the expenses of the commissioner of university and school lands, for the biennium beginning July 1, 2023, and ending June 30, 2025, as follows:

	<u>Base Level</u>	<u>Adjustments or Enhancements</u>	<u>Appropriation</u>
Salaries and Wages	\$6,473,127	\$ 1,854,865	\$ 8,327,992
Operating Expenses	2,229,872	(462,578)	1,767,294
Contingencies	100,000	0	100,000
Capital Assets	<u>0</u>	<u>2,549,500</u>	<u>2,549,500</u>
Total Special Funds	\$8,802,999	\$3,941,787	\$12,744,786
Full-time Equivalent Positions	30.00	2.00	32.00

SECTION 2. ONE-TIME FUNDING - EFFECT ON BASE BUDGET - REPORT TO SIXTY-NINTH LEGISLATIVE ASSEMBLY. The following amounts reflect the one-time funding items approved by the sixty-seventh legislative assembly for the 2021-23 biennium and the 2023-25 one-time funding items included in the grand total appropriation in section 1 of this Act:

<u>One-Time Funding Description</u>	<u>2021-23</u>	<u>2023-25</u>
Land Management System	\$1,600,000	\$2,500,000
Operating Expenses	0	3,600
Utility Terrain Vehicle	0	43,000
Open Utility Trailer	<u>0</u>	<u>6,500</u>
Total Special Funds	\$1,600,000	\$2,553,100

The 2023-25 biennium one-time funding amounts are not a part of the entity's base budget for the 2025-27 biennium. The commissioner of university and school lands shall report to the appropriations committees of the sixty-ninth legislative assembly on the use of this one-time funding for the biennium beginning July 1, 2023 and ending June 30, 2025.

SECTION 3. DISTRIBUTIONS TO STATE INSTITUTIONS. Pursuant to section 1 of article IX of the Constitution of North Dakota, the board of university and school lands shall distribute during the biennium beginning July 1, 2023, and ending June 30, 2025, the following amounts, from the permanent funds managed for the benefit of the following entities:

Common Schools	\$499,860,000
North Dakota State University	7,648,000
University of North Dakota	5,986,000
Youth Correctional Center	2,662,000
School for the Deaf	2,198,000

State college of Science	2,259,700
State Hospital	1,835,700
Veterans' Home	893,700
Valley City State University	1,354,000
North Dakota Vision Services - School for the Blind	1,679,700
Mayville State University	894,000
Dakota College at Bottineau	343,700
Dickinson State University	343,700
Minot State University	<u>343,700</u>
Total	\$528,301,900