

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

	<b>FTE Positions</b>	<b>General Fund</b>	<b>Other Funds</b>	<b>Total</b>
2021-23 legislative appropriation	30.00	\$0	\$10,402,999 <sup>1</sup>	\$10,402,999
2019-21 legislative appropriation	<u>28.00</u>	<u>0</u>	<u>10,554,041<sup>2</sup></u>	<u>10,554,041</u>
2021-23 appropriation increase (decrease) to 2019-21 appropriation	2.00	\$0	(\$151,042)	(\$151,042)

<sup>1</sup>The 2021-23 legislative appropriation amount includes \$1.6 million of one-time funding from the state lands maintenance fund to complete an information technology (IT) project initially authorized by the 2017 Legislative Assembly.

<sup>2</sup>The 2019-21 legislative appropriation amount includes \$95,640 of one-time funding from federal coronavirus relief funds for service fees related to an online surface lease auction and costs related to an analysis of oil and gas royalty cashflows due to an increase in shut-in wells due to the COVID-19 pandemic.

**Item Description**

**FTE position changes** - The Legislative Assembly approved 30 FTE positions, an increase of 2 FTE positions from the 2019-21 biennium. The Legislative Assembly added 1 FTE mineral title specialist position and 1 FTE compliance auditor position.

**Information technology project** - The Legislative Assembly provided one-time funding of \$3.6 million from the state lands maintenance fund for an IT project in Senate Bill No. 2013 (2017). The project includes three segments, one for unclaimed property, one for fiscal management and accounting, and one for land management. The Legislative Assembly provided \$1.6 million of one-time funding from the state lands maintenance fund to complete the land management portion of the IT project. Section 5 of Senate Bill No. 2013 (2021) also provides an exemption to continue unspent funding for the IT project into the 2021-23 biennium.

**Oil and gas impact grants exemption** - In Section 4 of Senate Bill No. 2013 (2021), the Legislative Assembly provided an exemption to continue unspent prior biennium appropriations into the 2021-23 biennium for undesignated oil and gas impact grants and administrative costs of the oil and gas impact grant fund.

**Mineral revenue repayments** - Senate Bill No. 2134 (2017) defines the ordinary high water mark used to determine sovereign minerals within Missouri River reservoirs and provides for mineral revenue repayments. The sovereign minerals are the minerals located under the navigable waters in

**Status/Result**

The mineral title specialist position was approved by the Budget Section during the 2019-21 biennium, and the Legislative Assembly approved the continuation of the position in the 2021 legislative session. As a result, the position was filled in October 2020. As of April 2022, the department has not filled the compliance auditor position because the department is considering a request to reclassify the position as an accountant due to changes in workloads.

Of the \$3.6 million authorized in Senate Bill No. 2013 (2017), \$1,409,054 was continued into the 2021-23 biennium, and \$1,174,953 has been spent as of March 2022. As of March 2022, the department has not spent any of the \$1.6 million authorized in Senate Bill No. 2013 (2021). The department anticipates the project will be completed in December 2022 with all of the funding spent during the 2021-23 biennium. Pursuant to continuing appropriation authority under North Dakota Century Code Sections 15-04-24 and 15-05-19, the Board of University and School Lands has also approved additional expenditures of \$600,000 to enhance the web portal associated with the land management portion of the project for the 2021-23 biennium.

The department continued \$1,257,307 of funding into the 2021-23 biennium, of which \$867,199 is committed for previously awarded grants and \$390,108 is available for new grants and administrative expenses. For the 2021-23 biennium to date through March 2022, the department has paid \$836,235 for previously awarded grants and has not awarded any new grants. The remaining funds are anticipated to be spent by the end of the 2021-23 biennium.

Pursuant to Senate Bill No. 2211 (2019), the department contracted with KLJ Engineering LLC to analyze the final results of the review of the Army Corps of Engineers' survey of the Missouri River to determine the acreages related to mineral rights. The analysis was completed in June 2020 at a total cost of

the state. All of the revenues associated with the sovereign minerals are deposited in the strategic investment and improvements fund. Discrepancies related to the boundaries of the ordinary high water mark resulted in concerns regarding the ownership interests of the minerals within the Missouri River reservoirs. The Legislative Assembly approved Senate Bill Nos. 2134 (2017) and 2211 (2019) to address the ownership concerns and to provide mineral revenue repayments as needed to private mineral owners.

**State land lease income** - The department manages permanent trust assets consisting of 706,480 surface acres and approximately 2.6 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.

\$1,088,635. Based on the analysis, the department identified 456 leases to review for potential mineral revenue repayments. As of April 2022, 376 of the 456 leases have been reviewed and \$42.8 million has been refunded, including \$22.6 million of mineral bonuses and \$20.2 million of mineral royalties.

The tables below show revenues generated from the lease of state land for fiscal years 2017 through 2021 based on information in the department's financial reports.

Surface Lease Rental Revenue					
Trust Fund	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Capitol building	\$168,642	\$179,250	\$168,241	\$181,155	\$187,671
Permanent trusts					
Common schools	11,846,054	10,896,325	12,214,906	13,254,947	11,769,950
Other permanent	1,013,331	1,024,388	1,080,346	1,059,150	1,069,016
Total	\$13,028,027	\$12,099,963	\$13,463,493	\$14,495,252	\$13,026,637
Percentage increase (decrease)	2.7%	(7.1%)	11.3%	7.7%	(10.1%)

Royalty Revenue					
Trust Fund	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Strategic investment and improvements <sup>1</sup>	\$67,052,863	\$105,209,078	\$126,255,533	\$88,216,919	\$109,747,506
Capitol building	903,177	1,695,670	1,971,657	1,007,561	991,389
Permanent trusts					
Common schools	114,182,591	174,041,820	180,821,535	138,156,616	153,825,247
Other permanent	9,900,817	12,404,023	12,859,485	11,059,918	11,618,169
Total	\$192,039,448	\$293,350,591	\$321,908,210	\$238,441,014	\$276,182,311
Percentage increase (decrease)	7.2%	52.8%	9.7%	(25.9%)	15.8%

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

<b>Lease Bonus Revenue</b>					
<b>Trust Fund</b>	<b>FY 2017</b>	<b>FY 2018</b>	<b>FY 2019</b>	<b>FY 2020</b>	<b>FY 2021</b>
Strategic investment and improvements <sup>1</sup>	\$5,226,025	\$1,014,498	\$2,593,964	\$1,166,894	(\$854,157)
Capitol building	3,040	8,320	8,000	802	2,160
Permanent trusts					
Common schools	3,373,437	1,082,347	1,423,851	8,411,282	1,103,212
Other permanent	120,167	232,198	44,433	21,050	53,095
Total	\$8,722,669	\$2,337,363	\$4,070,248	\$9,600,028	\$304,310
Percentage increase (decrease)	(29.8%)	(73.2%)	74.1%	135.9%	(96.8%)
<sup>1</sup> The strategic investment and improvements fund was formerly known as the lands and minerals trust fund.					