

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

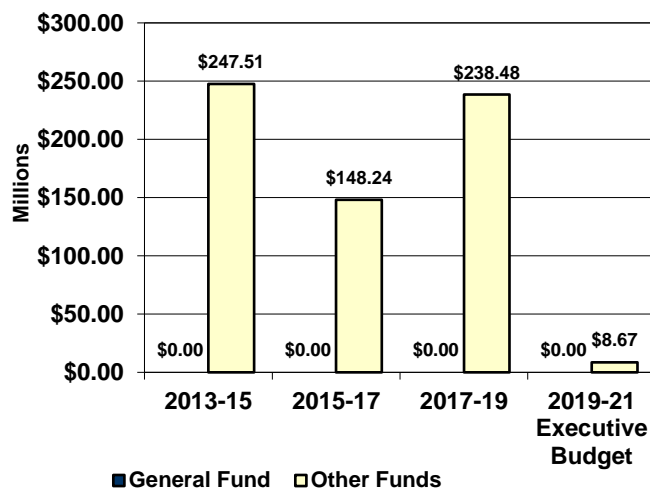
Executive Budget Comparison to Prior Biennium Appropriations

	FTE Positions	General Fund	Other Funds	Total
2019-21 Executive Budget	28.00	\$0	\$8,674,631	\$8,674,631
2017-19 Legislative Appropriations	31.00	0	238,481,273	238,481,273
Increase (Decrease)	(3.00)	\$0	(\$229,806,642)	(\$229,806,642)

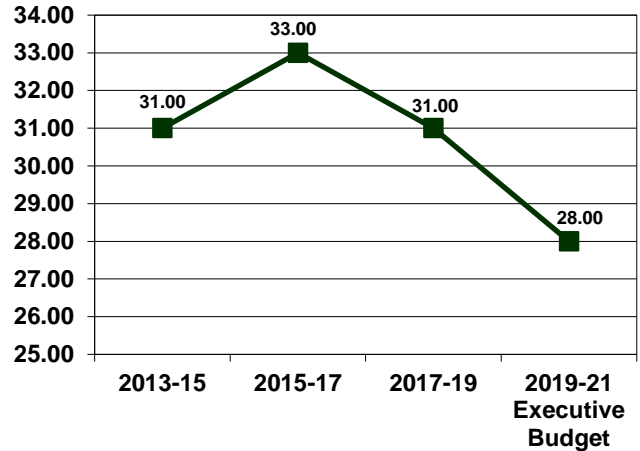
Ongoing and One-Time Other Funds Appropriations

	Ongoing Other Funds Appropriation	One-Time Other Funds Appropriation	Total Other Funds Appropriation
2019-21 Executive Budget	\$8,674,631	\$0	\$8,674,631
2017-19 Legislative Appropriations	7,881,273	230,600,000	238,481,273
Increase (Decrease)	\$793,358	(\$230,600,000)	(\$229,806,642)

Agency Funding



FTE Positions



Executive Budget Comparison to Base Level

	General Fund	Other Funds	Total
2019-21 Executive Budget	\$0	\$8,674,631	\$8,674,631
2019-21 Base Level	0	7,881,273	7,881,273
Increase (Decrease)	\$0	\$793,358	\$793,358

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 \$226,509 is for salary increases, \$105,814 is for health insurance increases, and \$29,630 is for retirement increases	\$0	\$361,953	\$361,953
2. Removes 3 FTE positions, including 2 administrative assistants and an audit technician	\$0	(\$288,863)	(\$288,863)
3. Adds funding for 2 FTE positions, including an administrative assistant and an attorney, and related operating expenses	\$0	\$415,492	\$415,492
4. Transfers 2 FTE programmer analyst positions to the Information Technology Department for the information technology unification initiative resulting in an increase in operating expenses for the agency	\$0	\$23,175	\$23,175
5. Reduces funding for operating expenses primarily related to travel, equipment, information technology costs, professional development, and other services	\$0	(\$504,949)	(\$504,949)

6. Increases funding for operating expenses, including inflationary increases (\$57,285), information technology project management costs (\$50,000), and other costs (\$40,300)	\$0	\$147,585	\$147,585
7. Adds funding for legal and audit costs	\$0	\$384,564	\$384,564
8. Adds funding for a mineral valuation study	\$0	\$350,000	\$350,000
9. Adds funding for financial software maintenance agreements	\$0	\$175,000	\$175,000
10. Adds funding for Microsoft Office 365 licensing	\$0	\$23,342	\$23,342

**Other Sections Recommended to be Added in the Executive Budget
(As Detailed in the Attached Appendix)**

Line item transfer - Section 3 would allow the Commissioner of University and School Lands, upon approval of the Board of University and School Lands, to transfer funding between line items and requires the Commissioner to notify the Office of Management and Budget of each transfer.

Fund distributions - Section 4 would provide permanent fund income distributions to state institutions as follows:

	2017-19 Legislative Appropriation ¹	2019-21 Executive Budget	Increase (Decrease)
Common schools	\$288,264,000	\$366,756,000	\$78,492,000
North Dakota State University	4,738,000	5,916,000	1,178,000
University of North Dakota	3,662,000	4,504,000	842,000
Youth Correctional Center	800,814	1,864,000	1,063,186
School for the Deaf	1,598,000	1,898,000	300,000
North Dakota State College of Science	1,535,984	1,736,000	200,016
State Hospital	1,459,984	1,570,000	110,016
Veterans' Home	711,984	732,000	20,016
Valley City State University	808,000	1,034,000	226,000
North Dakota Vision Services - School for the Blind	929,984	1,122,000	192,016
Mayville State University	542,000	668,000	126,000
Dakota College at Bottineau	275,984	242,000	(33,984)
Dickinson State University	275,984	242,000	(33,984)
Minot State University	275,984	242,000	(33,984)
Total	\$305,878,702	\$388,526,000	\$82,647,298

¹The amounts shown reflect fund distributions as adjusted by the 2017 Legislative Assembly to correct errors identified in a performance audit conducted during the 2015-16 interim.

Oil and gas impact grant fund exemption - Section 5 would provide an exemption to continue unspent prior biennium appropriations from the oil and gas impact grant fund into the 2019-21 biennium.

Energy impact grant fund exemption - Section 6 would provide an exemption to continue unspent prior biennium appropriations from the energy impact grant fund into the 2019-21 biennium.

Information technology project exemption - Section 7 would provide an exemption to continue unspent prior biennium appropriations related to an information technology project into the 2019-21 biennium.

Deficiency Appropriation

There are no deficiency appropriations for this agency.

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 on certain state lands managed by the department.

Significant Audit Findings

The financial statement audit for the Department of Trust Lands conducted by Brady, Martz & Associates PC during the 2017-18 interim identified no significant findings; however, the agency is in the process of implementing changes to address some of the findings from the performance audit conducted during the 2015-16 interim.

Major Related Legislation

Senate Bill No. 2036 - Repeals an obsolete provision relating to the repayment of developmentally disabled loans from the strategic investment and improvements fund.

Senate Bill No. 2081 - Allows the Department of Trust Lands to pay building maintenance costs and payments in lieu of taxes pursuant to a continuing appropriation from the trust funds rather than the department's budget.

Senate Bill No. 2082 - Repeals obsolete provisions that allowed the department to lease fallow state lands at a lower rate.

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

	Executive Budget Recommendation			
	FTE Position	General Fund	Other Funds	Total
2019-21 Biennium Base Level	31.00	\$0	\$7,881,273	\$7,881,273
2019-21 Ongoing Funding Changes				
Base payroll changes			(\$293,941)	(\$293,941)
Salary increase			226,509	226,509
Health insurance increase			105,814	105,814
Retirement contribution increase			29,630	29,630
Removes 3 FTE positions	(3.00)		(288,863)	(288,863)
Adds 2 FTE positions	2.00		415,492	415,492
Adjusts funding and FTE positions for IT unification	(2.00)		23,175	23,175
Reduces funding for operating expenses			(504,949)	(504,949)
Adds funding for inflationary increases			57,285	57,285
Adds funding for a project manager contract			50,000	50,000
Adds funding for operating expenses			40,300	40,300
Adds funding for legal and audit costs			384,564	384,564
Adds funding for mineral valuation study			350,000	350,000
Adds funding for financial software contracts			175,000	175,000
Adds funding for Microsoft Office 365 licensing			23,342	23,342
Total ongoing funding changes	(3.00)	\$0	\$793,358	\$793,358
One-time funding items				
No one-time funding items				\$0
Total one-time funding changes	0.00	\$0	\$0	\$0
Total Changes to Base Level Funding	(3.00)	\$0	\$793,358	\$793,358
2019-21 Total Funding	28.00	\$0	\$8,674,631	\$8,674,631

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

	Executive Budget Recommendation
Line item transfers	Section 3 would allow 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.
Fund distributions	Section 4 would provide the permanent fund income distributions to state institutions.
Oil and gas impact grant fund exemption	Section 5 would provide an exemption to continue unspent prior biennium appropriations from the oil and gas impact grant fund into the 2019-21 biennium.

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

Executive Budget Recommendation

Energy impact grant fund exemption

Section 6 would provide an exemption to continue unspent prior biennium appropriations from the energy impact grant fund into the 2019-21 biennium.

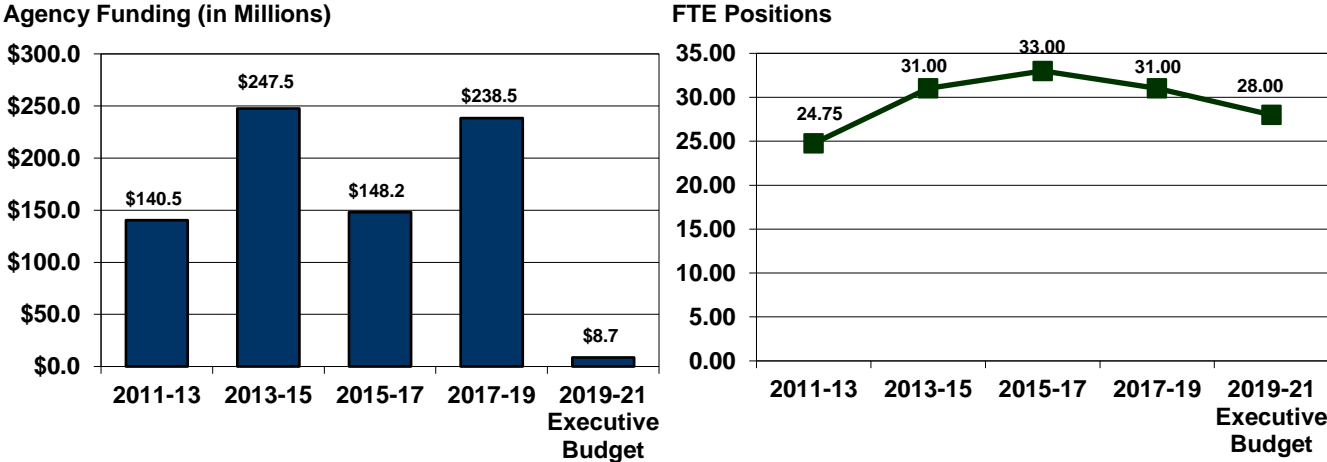
Information technology project exemption

Section 7 would provide an exemption to continue unspent prior biennium appropriations related to an information technology project into the 2019-21 biennium.

Department 226 - Department of Trust Lands

Historical Appropriations Information

Total Other Funds Appropriations Since 2011-13



Total Other Funds Appropriations					
	2011-13	2013-15	2015-17	2017-19	2019-21 Executive Budget
Total other funds appropriations	\$140,465,189	\$247,506,969	\$148,243,153	\$238,481,273	\$8,674,631
Increase (decrease) from previous biennium	N/A	\$107,041,780	(\$99,263,816)	\$90,238,120	(\$229,806,642)
Percentage increase (decrease) from previous biennium	N/A	76.2%	(40.1%)	60.9%	(96.4%)
Cumulative percentage increase (decrease) from 2011-13 biennium	N/A	76.2%	5.5%	69.8%	(93.8%)

Major Increases (Decreases) in Total Other Funds Appropriations

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

- 1. Added 1 FTE geographic information system specialist position, including \$177,080 for salaries and wages and \$23,025 for operating expenses \$200,105
- 2. 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 natural resources director position (\$617,094)

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|---|----------------|
| 3. 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, information technology services, and travel (\$405,685) | (\$266,939) |
| 4. Removed funding for Energy Infrastructure and Impact Office administrative expenses | (\$389,217) |
| 5. Removed funding for grants to political subdivisions from the oil and gas impact grant fund | (\$99,300,000) |
| 6. Added one-time funding for an information technology system replacement project | \$3,600,000 |
| 7. Added one-time funding for grants to airports, including \$25 million from the oil and gas impact grant fund and \$15 million from the newly created energy impact fund | \$40,000,000 |
| 8. 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 | \$187,000,000 |

2019-21 Biennium (Executive Budget Recommendation)

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|--|-------------|
| 1. Provides funding for state employee salary and benefit increases of which \$226,509 is for salary increases, \$105,814 is for health insurance increases, and \$29,630 is for retirement increases | \$361,953 |
| 2. Removes 3 FTE positions, including 2 administrative assistants and an audit technician | (\$288,863) |
| 3. Adds funding for 2 FTE positions, including an administrative assistant and an attorney, and related operating expenses | \$415,492 |
| 4. Transfers 2 FTE programmer analyst positions to the Information Technology Department for the information technology unification initiative resulting in an increase in operating expenses for the agency | \$23,175 |
| 5. Reduces funding for operating expenses primarily related to travel, equipment, information technology costs, professional development, and other services | (\$504,949) |
| 6. Increases funding for operating expenses, including inflationary increases (\$57,285), information technology project management costs (\$50,000), and other costs (\$40,300) | \$147,585 |
| 7. Adds funding for legal and audit costs | \$384,564 |
| 8. Adds funding for a mineral valuation study | \$350,000 |
| 9. Adds funding for financial software maintenance agreements | \$175,000 |

**GOVERNOR'S RECOMMENDATION FOR THE
DEPARTMENT OF TRUST LANDS AS SUBMITTED
BY THE OFFICE OF MANAGEMENT AND BUDGET**

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, 2019, and ending June 30, 2021, as follows:

	<u>Base level</u>	<u>Adjustments or Enhancements</u>	<u>Appropriation</u>
Salaries and wages	\$6,005,550	(\$214,962)	\$5,790,588
Operating expenses	1,775,723	1,008,320	2,784,043
Contingencies	<u>100,000</u>	<u>0</u>	<u>100,000</u>
Total special funds	\$7,881,273	\$793,358	\$8,674,631
Full-time equivalent positions	31.00	(3.00)	28.00

SECTION 2. ONE-TIME FUNDING - EFFECT ON BASE BUDGET - REPORT TO SIXTY-SIXTH LEGISLATIVE ASSEMBLY. The following amounts reflect the one-time funding items approved by the sixty-fifth legislative assembly for the 2017-19 biennium:

<u>One-Time Funding Description</u>	<u>2015-17</u>	<u>2017-19</u>
IT project	\$3,600,000	\$0
Impact grants – airports	25,000,000	0
Other grants - airports	15,000,000	0
Mineral revenue payments	<u>187,000,000</u>	<u>0</u>
Total special funds	\$230,600,000	\$0

SECTION 3. APPROPRIATION LINE ITEM TRANSFERS. Upon approval of the board of university and school lands, the commissioner of university and school lands may transfer between the various line items in section 1 of this Act, including transfers from the contingencies line item to all other line items. The commissioner shall notify the office of management and budget of each transfer made pursuant to this section.

SECTION 4. 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, 2019, and ending June 30, 2021, the following amounts, from the permanent funds managed for the benefit of the following entities:

Common schools	\$366,756,000
North Dakota state university	5,916,000
University of North Dakota	4,504,000
Youth correctional center	1,864,000
School for the deaf	1,898,000
State college of science	1,736,000
State hospital	1,570,000
Veterans' home	732,000
Valley City state university	1,034,000
North Dakota vision services - school for the blind	1,122,000
Mayville state university	668,000
Dakota college at Bottineau	242,000
Dickinson state university	242,000
Minot state university	<u>242,000</u>
Total	\$388,526,000

SECTION 5. EXEMPTION - OIL AND GAS IMPACT GRANT FUNDS. The amount appropriated from the oil and gas impact grant fund for the energy infrastructure and impact office line item in section 1 of

chapter 13 of the 2015 Session Laws, for oil and gas impact grants in section 5 of chapter 463 of the 2015 Session Laws, and for oil and gas impact grants in section 13 of chapter 38 of the 2017 Session Laws is not subject to section 54-44.1-11. Any money deposited in the fund for taxable events occurring through June 30, 2019, and any unexpended funds from the appropriation are available for grants and administrative costs associated with the fund during the biennium beginning July 1, 2019 and ending June 30, 2021

SECTION 6. EXEMPTION - ENERGY IMPACT FUND. The amount appropriated from the energy impact fund for airport grants in section 14 of chapter 38 of the 2017 Session Laws is not subject to section 54-44.1-11. Any unexpended funds from the appropriation are available for grants during the biennium beginning July 1, 2019 and ending June 30, 2021

SECTION 7. EXEMPTION – INFORMATION TECHNOLOGY PROJECT. The amount appropriated for an information technology project in the capital assets line item and the total special fund line item in section 1 of chapter 38 of the 2017 Session Laws is not subject to section 54-44.1-11. Any unexpended funds from the appropriation are available for the information technology project during the biennium beginning July 1, 2019 and ending June 30, 2021.