

PROGRAM NARRATIVE

226 State Land Department

Date: 01/13/2011**Time:** 11:17:52**Program:** Land Department**Reporting level:** 00-226-100-00-00-00-00000000**Program Performance Measures**

Performance within the Land Department is measured by its continued ability to manage the assets of 13 permanent trust funds under its control, to preserve their purchasing power and to maintain stable distributions to trust beneficiaries.

Program Statistical Data

Total trust assets increased from approximately \$1.00 billion on June 30, 2009 to over \$1.52 billion on June 30, 2010, a 34% increase.

The Land Department collected \$295 million of lease bonus money during the 2010 fiscal year, approximately the same amount collected during the previous 39 years combined.

The Land Department oversees 1,200 producing oil wells, up from approximately 500 just four years ago.

The Land Department processes 3,000 royalty records each month, double the amount from 2006.

Oil and gas road and pipeline rights-of-way issued each year have nearly doubled since 2007.

Explanation of Program Costs

The Mineral Division is responsible for conducting lease auctions, processing royalty payments, resolving various title issues, and ensuring adherence to lease terms. This division is under the supervision of a division director with 4 FTEs.

The Surface Division is responsible for conducting surface lease auctions, establishing range management plans, conducting land inspections, reviewing and negotiating right-of-way and easement conveyance requests, noxious weed mitigation efforts, and managing foreclosed property. The division is under the supervision of a division director with 3 FTEs.

The Revenue Compliance Division Director is responsible for managing minerals and surface collections, reporting and auditing to ensure timely and accurate payments; and unclaimed property audits.

The Investment Division Director is responsible for the implementation of the Board's investment policy, recommending investment strategies, and monitoring and preparing investment performance reports. The Investment Director also serves as the Deputy Commissioner and has been appointed by the Board as the Director of the Energy Development Impact Office.

The Unclaimed Property Act Administrator is responsible for the administration of the Act involving holder compliance and the processing of owner claims.

Program Goals and Objectives

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The primary function of the Board of University and School Lands and the Land Department is to manage the 13 permanent trust funds under its control, to preserve the purchasing power of the trusts and to maintain stable distributions to trust beneficiaries. Those beneficiaries include local school districts, various colleges and universities, and other institutions in North Dakota. Revenues are generated for the trusts through the prudent management of trust assets, consisting of over 707,000 surface acres, over 2.5 million mineral acres and over \$1.5 billion of investment assets (loans, marketable securities, and cash equivalents). 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, scoria, and more recently, potash leasing. Revenues from all sources are deposited in permanent trust funds and are invested in a prudent manner in various assets, including U.S government and agency securities, corporate bonds, publicly traded stocks, North Dakota farm real estate loans and cash equivalents. Distributions to permanent trust beneficiaries are made at specified intervals throughout the biennium and are determined based on the value of the financial assets of the trusts and the growth of those assets over time.

The Land Department also manages four additional trust funds. The Lands and Minerals Trust Fund consists of 704,750 mineral acres formerly managed by the Bank of North Dakota, as well as the minerals located under the state's navigable streams, rivers, and lakes, which are owned by North Dakota as sovereign lands. The Coal Development Trust Fund is managed to provide loans to coal development-impacted counties, cities and school districts as provided for in Chapter 57-62 and to provide school construction loans as provided for in Chapter 15.1-36. The Capitol Building Trust is managed for the construction and maintenance of public buildings at the capital and the Indian Cultural Education Trust is managed to benefit Native American cultural purposes.

The Land Department also administers the Unclaimed Property Act. In this capacity the Department collects "unclaimed property" (uncashed checks, unused bank accounts, etc.), and processes claims from owners. This property is held in trust for the owner forever, and the revenue benefits it produces for the Common Schools Trust Fund.

The purpose of the Energy Development Impact Office (EDIO) is to provide financial assistance to political subdivisions that are affected by energy development in the state. Assistance is provided through both the oil and gas impact grant program and the coal impact loan program.

REQUEST DETAIL BY PROGRAM226 State Land Department
Biennium: 2011-2013

Bill#: HB1013

Date: 01/13/2011

Time: 11:17:52

Program: Land Department Reporting Level: 00-226-100-00-00-00-00000000

| Description | Expenditures 2007-2009 Biennium | Present Budget 2009-2011 | Budget Request Change | Requested Budget 2011-2013 Biennium | Optional Request 2011-2013 |
|---------------------------|---------------------------------------|--------------------------------|-----------------------------|---|----------------------------------|
| Salaries and Wages | | | | | |
| Salaries - Permanent | 1,752,335 | 2,261,677 | 204,107 | 2,465,784 | 418,200 |
| Temporary Salaries | 67,713 | 113,616 | 49,184 | 162,800 | 78,448 |
| Overtime | 311 | 384 | (384) | 0 | 0 |
| Fringe Benefits | 593,232 | 839,173 | 39,755 | 878,928 | 179,791 |
| Total | 2,413,591 | 3,214,850 | 292,662 | 3,507,512 | 676,439 |

Salaries and Wages

| | | | | | |
|---------------|------------------|------------------|----------------|------------------|----------------|
| General Fund | 0 | 0 | 0 | 0 | 0 |
| Federal Funds | 0 | 0 | 0 | 0 | 0 |
| Special Funds | 2,413,591 | 3,214,850 | 292,662 | 3,507,512 | 676,439 |
| Total | 2,413,591 | 3,214,850 | 292,662 | 3,507,512 | 676,439 |

Operating Expenses

| | | | | | |
|------------------------------|----------------|----------------|----------------|------------------|----------------|
| Travel | 132,860 | 143,250 | 31,460 | 174,710 | 148,788 |
| Supplies - IT Software | 2,396 | 20,251 | 25,000 | 45,251 | 3,045 |
| Supply/Material-Professional | 0 | 8,001 | 5,000 | 13,001 | 0 |
| Food and Clothing | 847 | 0 | 0 | 0 | 0 |
| Bldg, Ground, Maintenance | 63,683 | 0 | 0 | 0 | 0 |
| Miscellaneous Supplies | 9,903 | 0 | 0 | 0 | 950 |
| Office Supplies | 14,379 | 13,249 | 5,000 | 18,249 | 6,000 |
| Postage | 25,765 | 29,300 | 2,300 | 31,600 | 0 |
| Printing | 10,040 | 13,500 | 5,700 | 19,200 | 0 |
| IT Equip Under \$5,000 | 1,215 | 15,600 | 8,400 | 24,000 | 8,850 |
| Other Equip Under \$5,000 | 7,089 | 0 | 0 | 0 | 0 |
| Office Equip & Furn Supplies | 12,406 | 4,600 | 16,000 | 20,600 | 13,000 |
| Insurance | 1,992 | 8,100 | 1,200 | 9,300 | 0 |
| Rentals/Leases-Equip & Other | 1,922 | 9,000 | 2,820 | 11,820 | 0 |
| Rentals/Leases - Bldg/Land | 13,801 | 95,000 | 0 | 95,000 | 0 |
| Repairs | 4,571 | 1,200 | 20,000 | 21,200 | 0 |
| IT - Data Processing | 82,977 | 105,300 | 59,560 | 164,860 | 9,625 |
| IT - Communications | 26,410 | 31,411 | 2,500 | 33,911 | 4,920 |
| Professional Development | 24,293 | 23,240 | 38,200 | 61,440 | 12,735 |
| Operating Fees and Services | 62,083 | 115,100 | 160,000 | 275,100 | 46,375 |
| Fees - Professional Services | 97,037 | 103,850 | 127,300 | 231,150 | 0 |
| Total | 595,669 | 739,952 | 510,440 | 1,250,392 | 254,288 |

Operating Expenses

| | | | | | |
|--------------|---|---|---|---|---|
| General Fund | 0 | 0 | 0 | 0 | 0 |
|--------------|---|---|---|---|---|

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Biennium: 2011-2013

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Date: 01/13/2011

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| Program: Land Department | | Reporting Level: 00-226-100-00-00-00-00000000 | | | |
|-----------------------------|---------------------------------------|---|-----------------------------|---|----------------------------------|
| Description | Expenditures 2007-2009 Biennium | Present Budget 2009-2011 | Budget Request Change | Requested Budget 2011-2013 Biennium | Optional Request 2011-2013 |
| Federal Funds | 0 | 0 | 0 | 0 | 0 |
| Special Funds | 595,669 | 739,952 | 510,440 | 1,250,392 | 254,288 |
| Total | 595,669 | 739,952 | 510,440 | 1,250,392 | 254,288 |
| Capital Assets | | | | | |
| Equipment Over \$5000 | 8,808 | 10,000 | 0 | 10,000 | 0 |
| Total | 8,808 | 10,000 | 0 | 10,000 | 0 |
| Capital Assets | | | | | |
| General Fund | 0 | 0 | 0 | 0 | 0 |
| Federal Funds | 0 | 0 | 0 | 0 | 0 |
| Special Funds | 8,808 | 10,000 | 0 | 10,000 | 0 |
| Total | 8,808 | 10,000 | 0 | 10,000 | 0 |
| Other Grants | | | | | |
| Grants, Benefits & Claims | 1,734,233 | 9,777,759 | (1,889,659) | 7,888,100 | 0 |
| Total | 1,734,233 | 9,777,759 | (1,889,659) | 7,888,100 | 0 |
| Other Grants | | | | | |
| General Fund | 0 | 0 | 0 | 0 | 0 |
| Federal Funds | 0 | 0 | 0 | 0 | 0 |
| Special Funds | 1,734,233 | 9,777,759 | (1,889,659) | 7,888,100 | 0 |
| Total | 1,734,233 | 9,777,759 | (1,889,659) | 7,888,100 | 0 |
| Contingencies | | | | | |
| Operating Fees and Services | 0 | 0 | 50,000 | 50,000 | 0 |
| Miscellaneous Expenses | 0 | 50,000 | 0 | 50,000 | 0 |
| Total | 0 | 50,000 | 50,000 | 100,000 | 0 |
| Contingencies | | | | | |
| General Fund | 0 | 0 | 0 | 0 | 0 |
| Federal Funds | 0 | 0 | 0 | 0 | 0 |
| Special Funds | 0 | 50,000 | 50,000 | 100,000 | 0 |
| Total | 0 | 50,000 | 50,000 | 100,000 | 0 |
| Total Expenditures | 4,752,301 | 13,792,561 | (1,036,557) | 12,756,004 | 930,727 |

Funding Sources

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| Description | Expenditures 2007-2009 Biennium | Present Budget 2009-2011 | Budget Request Change | Requested Budget 2011-2013 Biennium | Optional Request 2011-2013 |
|------------------------------------|---------------------------------------|--------------------------------|-----------------------------|---|----------------------------------|
| Special Funds | | | | | |
| 206 Land Department Maint. Fund | 2,906,381 | 3,902,902 | 853,102 | 4,756,004 | 930,727 |
| 238 Energy Development Impact Fund | 1,845,920 | 9,889,659 | (1,889,659) | 8,000,000 | 0 |
| Total | 4,752,301 | 13,792,561 | (1,036,557) | 12,756,004 | 930,727 |
| Total Funding Sources | 4,752,301 | 13,792,561 | (1,036,557) | 12,756,004 | 930,727 |
| FTE Employees | 18.75 | 21.75 | 0.00 | 21.75 | 5.00 |

CHANGE PACKAGE DETAIL226 State Land Department
Biennium: 2011-2013

Bill#: HB1013

Date: 01/13/2011

Time: 11:17:52

| Program: Land Department | | | Reporting Level: 00-226-100-00-00-00-00000000 | | | |
|--------------------------|----------|-----|---|---------------|---------------|-------------|
| Description | Priority | FTE | General Fund | Federal Funds | Special Funds | Total Funds |

Base Budget Changes**One Time Budget Changes**

| | | | | | | |
|--------------------------------------|--|-------------|----------|----------|--------------------|--------------------|
| A-E 9100 Reduce EDIO appropriation | | 0.00 | 0 | 0 | (1,889,659) | (1,889,659) |
| Total One Time Budget Changes | | 0.00 | 0 | 0 | (1,889,659) | (1,889,659) |

Ongoing Budget Changes

| | | | | | | |
|--|--|-------------|----------|----------|--------------------|--------------------|
| A-A 1100 Changes in the base budget reflect inflationa | | 0.00 | 0 | 0 | 259,580 | 259,580 |
| A-A 2100 Changes in the base budget reflect costs for | | 0.00 | 0 | 0 | 20,000 | 20,000 |
| A-A 3100 Changes in the base budget reflect increased | | 0.00 | 0 | 0 | 37,360 | 37,360 |
| A-A 4100 Changes in the budget reflect increased costs | | 0.00 | 0 | 0 | 193,500 | 193,500 |
| A-A 5100 Capital Asset | | 0.00 | 0 | 0 | 10,000 | 10,000 |
| A-A 6100 Reclassification of staff | | 0.00 | 0 | 0 | 52,800 | 52,800 |
| A-A 7100 Increase contingency fund line item | | 0.00 | 0 | 0 | 50,000 | 50,000 |
| A-F 5200 Remove capital asset | | 0.00 | 0 | 0 | (10,000) | (10,000) |
| Base Payroll Change | | 0.00 | 0 | 0 | 239,862 | 239,862 |
| Total Ongoing Budget Changes | | 0.00 | 0 | 0 | 853,102 | 853,102 |
| Total Base Budget Changes | | 0.00 | 0 | 0 | (1,036,557) | (1,036,557) |

Optional Budget Changes**Ongoing Optional Changes**

| | | | | | | |
|---|---|-------------|----------|----------|----------------|----------------|
| A-C 8100 New FTE - Minerals Royalty Auditor | 1 | 1.00 | 0 | 0 | 241,324 | 241,324 |
| A-C 8400 New FTE - Acct/Budget - Acctg Div. | 2 | 1.00 | 0 | 0 | 132,247 | 132,247 |
| A-C 8300 New FTE - Acct/Budget - Invest Div. | 3 | 1.00 | 0 | 0 | 132,247 | 132,247 |
| A-C 8600 New - Additional temporary/seasonal staffing | 4 | 0.00 | 0 | 0 | 72,400 | 72,400 |
| A-C 8200 New FTE - Unclaimed Property Auditor | 5 | 1.00 | 0 | 0 | 187,960 | 187,960 |
| A-C 8700 New Temporary Staff | 6 | 0.00 | 0 | 0 | 59,708 | 59,708 |
| A-C 8500 New FTE - Administrative Assistant | 7 | 1.00 | 0 | 0 | 104,841 | 104,841 |
| Total Ongoing Optional Changes | | 5.00 | 0 | 0 | 930,727 | 930,727 |

CHANGE PACKAGE DETAIL

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|-------------------------------|----------|------|---|---------------|---------------|-------------|
| Description | Priority | FTE | General Fund | Federal Funds | Special Funds | Total Funds |
| Total Optional Budget Changes | | 5.00 | 0 | 0 | 930,727 | 930,727 |