
AGENCY OVERVIEW

226 STATE LAND DEPARTMENT

Date: 12/14/2006

Time: 08:01:46

STATUTORY AUTHORITY

North Dakota Constitution Article IX, North Dakota Century Code Chapters 15-01 through 15-09, 38.09, 38.11, 47-30.1, Sections 57-62-03 through 57-62-06 and 63-01-1.

AGENCY DESCRIPTION

The primary function of the Board of University and School Lands and the Land Department is to generate income for distribution to local school districts and other institutions in North Dakota. This income is generated through prudent management of trust assets, consisting of over 711,000 surface acres, over 2.5 million mineral acres and over \$887 million in 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 and scoria leasing. Revenues from all sources are deposited in permanent trust funds and are invested in the Farm Loan Pool administered by the Bank of North Dakota, US Treasury notes and bonds, and corporate bonds and stocks. The income from these investments, together with surface and mineral rentals, is distributed to schools (public grades K-12), and educational and other public institutions at specified intervals throughout the biennium. The Land Department is the trustee for the Lands and Minerals Trust Fund. This trust fund consists of 660,000 mineral acres formerly managed by the Bank of North Dakota, and minerals located under navigable streams, rivers, and lakes, which are owned by North Dakota as a sovereign state. 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 income it produces is distributed to public grades K-12.

The Energy Development Impact Office (EDIO) reduces the fiscal impact of oil exploration, development and production for those local subdivisions in whose jurisdiction the activity occurs through the targeted application of grant funds appropriated by the State Legislature. The goal of the program is to pick up costs that are over and above the normal costs that these units of government would incur.

AGENCY MISSION

The State Land Dept., under the direction of the Board of University and School Lands, is to serve as trustee to manage land, minerals and money so that income available for distribution and growth of the trusts are optimized. The Energy Development Impact Office is to ensure that local political subdivisions hosting energy activity are not asked to bear a disproportionate share of the costs associated with that activity.

AGENCY PERFORMANCE MEASURES

Performance within the Land Dept. is measured by the ability of assets to earn current distributable income while their ability to generate future income is preserved or enhanced.

The EDIO is to conduct an annual grant round in a cost effective manner so that deserving subdivisions or governments receive funding to help satisfy their needs while taking into consideration the individual needs of each subdivision and available money.

MAJOR ACCOMPLISHMENTS

- Enhanced outreach and holder education efforts by participating in a national unclaimed property database and utilizing informational mailings to new businesses.
- Worked with the Legislature and education organizations to get House Concurrent Resolution 3037 passed providing for a change in the Constitution to the way distributions are calculated. The measure allows the Land Board to manage the educational trust fund assets in a more efficient and effective way, which will result in higher, more stable and more reliable distributions to trust beneficiaries for generations to come.

- Researched the differences between passive, active and enhanced (risk controlled) equity investing and used the results to restructure both the Land Board's large cap US and international equity portfolios in an effort to enhance trust growth and future distributions.
- Agricultural leasing success continued at a high level producing significantly greater income. Land improvement projects such as biological control of leafy spurge and the range improvement program both contributed to improved condition of school trust lands while income from easements and permits were at near record levels because of increased oil and gas development.
- Worked on developing an electronic filing program for producer royalty reports. Oil and gas leasing activity has increased to record levels due to higher prices and improved exploration technology.
- Distributed EDIO grants, which have been fully utilized as the need by local subdivisions impacted by oil development continues to exceed available amounts.

FUTURE CRITICAL ISSUES

Cost to continue reflect overall higher operating costs due to inflation, document imaging and software cost increases.

REQUEST SUMMARY

Date: 12/14/2006

226 STATE LAND DEPARTMENT

Bill#: HB1013

Time: 08:01:46

Biennium: 2007-2009

Description	Expenditures 2003-2005 Biennium	Present Budget 2005-2007	Budget Request Change	Requested Budget 2007-2009 Biennium	Optional Budget Request
BY MAJOR PROGRAM					
LAND DEPARTMENT	3,963,844	7,826,022	1,128,550	8,954,572	0
TOTAL MAJOR PROGRAMS	3,963,844	7,826,022	1,128,550	8,954,572	0
BY LINE ITEM					
SALARIES AND WAGES	1,827,553	2,229,222	101,550	2,330,772	0
OPERATING EXPENSES	500,474	648,700	27,000	675,700	0
CAPITAL ASSETS	6,350	10,000	0	10,000	0
OTHER GRANTS	1,629,467	4,888,100	1,000,000	5,888,100	0
CONTINGENCY	0	50,000	0	50,000	0
TOTAL LINE ITEMS	3,963,844	7,826,022	1,128,550	8,954,572	0
BY FUNDING SOURCE					
GENERAL FUND	0	0	0	0	0
FEDERAL FUNDS	0	0	0	0	0
SPECIAL FUNDS	3,963,844	7,826,022	1,128,550	8,954,572	0
TOTAL FUNDING SOURCE	3,963,844	7,826,022	1,128,550	8,954,572	0
TOTAL FTE	17.75	18.75	.00	18.75	.00

REQUEST DETAIL

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Time: 08:01:46

Biennium: 2007-2009

Description	Expenditures 2003-2005 Biennium	Present Budget 2005-2007	Budget Request Change	Requested Budget 2007-2009 Biennium	Optional Budget Request
SALARIES AND WAGES					
SALARIES - PERMANENT	1,348,895	1,630,661	106,647	1,737,308	0
SALARIES - OTHER	40,433	60,958	-60,958	0	0
TEMPORARY SALARIES	0	0	40,000	40,000	0
FRINGE BENEFITS	438,225	537,603	15,861	553,464	0
SALARY INCREASE	0	0	0	0	0
BENEFIT INCREASE	0	0	0	0	0
TOTAL	1,827,553	2,229,222	101,550	2,330,772	0
SALARIES AND WAGES					
GENERAL FUND	0	0	0	0	0
FEDERAL FUNDS	0	0	0	0	0
SPECIAL FUNDS	1,827,553	2,229,222	101,550	2,330,772	0
TOTAL	1,827,553	2,229,222	101,550	2,330,772	0
OPERATING EXPENSES					
SALARIES - OTHER	0	0	0	0	0
FRINGE BENEFITS	2,604	0	0	0	0
TRAVEL	103,418	121,312	10,119	131,431	0
SUPPLIES - IT SOFTWARE	6,016	5,000	5,000	10,000	0
SUPPLY/MATERIAL-PROFESSIONAL	7,023	7,279	364	7,643	0
FOOD AND CLOTHING	525	100	-100	0	0
BLDG, GROUND, MAINTENANCE	58,155	0	0	0	0
MISCELLANEOUS SUPPLIES	960	703	-703	0	0
OFFICE SUPPLIES	11,661	12,191	1,059	13,250	0
POSTAGE	23,009	34,904	3,346	38,250	0
PRINTING	7,708	12,567	1,183	13,750	0
IT EQUIP UNDER \$5,000	6,325	16,800	-1,200	15,600	0
OTHER EQUIP UNDER \$5,000	1,317	1,250	0	1,250	0
OFFICE EQUIP & FURN SUPPLIES	3,782	540	-540	0	0
UTILITIES	0	0	0	0	0
INSURANCE	9,791	7,108	640	7,748	0
RENTALS/LEASES-EQUIP & OTHER	6,861	8,000	750	8,750	0
RENTALS/LEASES - BLDG/LAND	27,584	104,140	-4,140	100,000	0
REPAIRS	2,528	1,300	-100	1,200	0
IT - DATA PROCESSING	31,012	31,782	21,218	53,000	0
IT-COMMUNICATIONS	19,312	28,800	1,200	30,000	0
PROFESSIONAL DEVELOPMENT	23,319	20,369	1,881	22,250	0
OPERATING FEES AND SERVICES	51,605	163,173	-713	162,460	0

REQUEST DETAIL

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Biennium: 2007-2009

Description	Expenditures 2003-2005 Biennium	Present Budget 2005-2007	Budget Request Change	Requested Budget 2007-2009 Biennium	Optional Budget Request
FEES - PROFESSIONAL SERVICES	94,759	71,382	-12,264	59,118	0
EXTRAORDINARY REPAIRS	1,200	0	0	0	0
TOTAL	500,474	648,700	27,000	675,700	0
OPERATING EXPENSES					
GENERAL FUND	0	0	0	0	0
FEDERAL FUNDS	0	0	0	0	0
SPECIAL FUNDS	500,474	648,700	27,000	675,700	0
TOTAL	500,474	648,700	27,000	675,700	0
CAPITAL ASSETS					
EQUIPMENT OVER \$5000	6,350	10,000	0	10,000	0
TOTAL	6,350	10,000	0	10,000	0
CAPITAL ASSETS					
GENERAL FUND	0	0	0	0	0
FEDERAL FUNDS	0	0	0	0	0
SPECIAL FUNDS	6,350	10,000	0	10,000	0
TOTAL	6,350	10,000	0	10,000	0
OTHER GRANTS					
GRANTS, BENEFITS & CLAIMS	1,629,467	4,888,100	1,000,000	5,888,100	0
TOTAL	1,629,467	4,888,100	1,000,000	5,888,100	0
OTHER GRANTS					
GENERAL FUND	0	0	0	0	0
FEDERAL FUNDS	0	0	0	0	0
SPECIAL FUNDS	1,629,467	4,888,100	1,000,000	5,888,100	0
TOTAL	1,629,467	4,888,100	1,000,000	5,888,100	0
SPECIAL LINES					
CONTINGENCY	0	50,000	0	50,000	0
TOTAL	0	50,000	0	50,000	0

REQUEST DETAIL

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Biennium: 2007-2009

Description	Expenditures 2003-2005 Biennium	Present Budget 2005-2007	Budget Request Change	Requested Budget 2007-2009 Biennium	Optional Budget Request
SPECIAL LINES					
GENERAL FUND	0	0	0	0	0
FEDERAL FUNDS	0	0	0	0	0
SPECIAL FUNDS	0	50,000	0	50,000	0
TOTAL	0	50,000	0	50,000	0
FUNDING SOURCES					
GENERAL FUND	0	0	0	0	0
FEDERAL FUNDS	0	0	0	0	0
SPECIAL FUNDS	3,963,844	7,826,022	1,128,550	8,954,572	0
TOTAL FUNDING SOURCES	3,963,844	7,826,022	1,128,550	8,954,572	0

CHANGE PACKAGE SUMMARY

226 STATE LAND DEPARTMENT

Biennium: 2007-2009

Bill#: HB1013

Date: 12/14/2006

Time: 08:01:46

Description	FTE	General Fund	Federal Funds	Special Funds	Total Funds
AGENCY BUDGET CHANGES					
Cost To Continue	.00	0	0	104,596	104,596
1 EDIO grant increase	.00	0	0	1,000,000	1,000,000
2 Increase in IT costs	.00	0	0	26,218	26,218
3 IT contractual services removed	.00	0	0	-12,264	-12,264
4 Equipment for surface management	.00	0	0	10,000	10,000
Agency Total	.00	0	0	1,128,550	1,128,550

BUDGET CHANGES NARRATIVE

226 STATE LAND DEPARTMENT

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Change Group: A	Change Type: A	Change No: 1	Priority: 1
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EDIO grant increase -

The limit on transfers to the Energy Impact Grant Fund was increased from \$5,000,000 to \$6,000,000 per biennium as a result of HB 1404 changing NDCC 57-51-15 passed during the 2005 Legislative session.

Change Group: A	Change Type: A	Change No: 2	Priority:
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Increase in IT costs -

IT costs have increased due to inflation, additional imaging costs not reflected in previous budgets and increases in GIS software.

Change Group: A	Change Type: A	Change No: 3	Priority:
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IT contractual services removed -

Professional services is reduced due to the IT consolidation plan completion

Change Group: A	Change Type: A	Change No: 4	Priority:
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Equipment for surface management -

Various equipment to aid in the efficient management of the trusts surface acres may be required.