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## PROGRAM NARRATIVE

226 STATE LAND DEPARTMENT

Date: 12/13/2006

Time: 11:44:16

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<b>Program:</b> Land Department	<b>Reporting Level:</b> 00-226-100-00-00-00-00000000
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## PROGRAM PERFORMANCE MEASURES

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

## PROGRAM STATISTICAL DATA

Total trust assets increased from approximately \$711 million on June 30, 2004, to over \$887 million on May 31, 2006, a 25% increase.

## EXPLANATION OF PROGRAM COSTS

Surface administration consisting of lease auction activity, establishing range management plans, conducting land condition inspections, reviewing and negotiating right-of-way and easement conveyance requests, noxious weed mitigation efforts, and managing foreclosed property is under the supervision of the Surface Division Director and 3 FTEs.

The Deputy Commissioner's duties include administration of the Minerals Division including all responsibilities related to Oil and Gas leasing activity, lease compliance, and production development matters related to pooling and field unitization. Additionally, the Deputy Commissioner handles the duties of the Energy Development Impact Office.

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

Accounting and Information Systems technical staff along with support staff provides assistance and support of division responsibilities and overall Department trust asset fiduciary responsibilities.

## PROGRAM GOALS AND OBJECTIVES

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. To that end, we review applications with the following criteria in mind: 1) Is the subdivision requesting funding experiencing a financial hardship from oil activity? 2) Will the project for which funding is requested reduce the impact? 3) Is the applicant in financial need? For this last question, we review tax effort, budgets, energy tax collections, and other financial indicators.

**REQUEST DETAIL BY PROGRAM**

226 STATE LAND DEPARTMENT

Biennium: 2007-2009

Bill#: HB 1013

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Program: Land Department		Reporting Level: 00-226-100-00-00-00-00000000			
Description	Expenditures 2003-2005 Biennium	Present Budget 2005-2007	Budget Request Change	Requested Budget 2007-2009 Biennium	Optional Request 2007-2009
<b>SALARIES AND WAGES</b>					
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
<b>TOTAL</b>	<b>1,827,553</b>	<b>2,229,222</b>	<b>101,550</b>	<b>2,330,772</b>	<b>0</b>
<b>SALARIES AND WAGES</b>					
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
<b>TOTAL</b>	<b>1,827,553</b>	<b>2,229,222</b>	<b>101,550</b>	<b>2,330,772</b>	<b>0</b>
<b>OPERATING EXPENSES</b>					
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

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Description	Expenditures 2003-2005 Biennium	Present Budget 2005-2007	Budget Request Change	Requested Budget 2007-2009 Biennium	Optional Request 2007-2009
PROFESSIONAL DEVELOPMENT	23,319	20,369	1,881	22,250	0
OPERATING FEES AND SERVICES	51,605	163,173	-713	162,460	0
FEES - PROFESSIONAL SERVICES	94,759	71,382	-12,264	59,118	0
EXTRAORDINARY REPAIRS	1,200	0	0	0	0
<b>TOTAL</b>	<b>500,474</b>	<b>648,700</b>	<b>27,000</b>	<b>675,700</b>	<b>0</b>
<b>OPERATING EXPENSES</b>					
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
<b>TOTAL</b>	<b>500,474</b>	<b>648,700</b>	<b>27,000</b>	<b>675,700</b>	<b>0</b>
<b>CAPITAL ASSETS</b>					
EQUIPMENT OVER \$5000	6,350	10,000	0	10,000	0
<b>TOTAL</b>	<b>6,350</b>	<b>10,000</b>	<b>0</b>	<b>10,000</b>	<b>0</b>
<b>CAPITAL ASSETS</b>					
GENERAL FUND	0	0	0	0	0
FEDERAL FUNDS	0	0	0	0	0
SPECIAL FUNDS	6,350	10,000	0	10,000	0
<b>TOTAL</b>	<b>6,350</b>	<b>10,000</b>	<b>0</b>	<b>10,000</b>	<b>0</b>
<b>OTHER GRANTS</b>					
GRANTS, BENEFITS & CLAIMS	1,629,467	4,888,100	1,000,000	5,888,100	0
<b>TOTAL</b>	<b>1,629,467</b>	<b>4,888,100</b>	<b>1,000,000</b>	<b>5,888,100</b>	<b>0</b>
<b>OTHER GRANTS</b>					
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
<b>TOTAL</b>	<b>1,629,467</b>	<b>4,888,100</b>	<b>1,000,000</b>	<b>5,888,100</b>	<b>0</b>
<b>SPECIAL LINES</b>					
CONTINGENCY	0	50,000	0	50,000	0
<b>TOTAL</b>	<b>0</b>	<b>50,000</b>	<b>0</b>	<b>50,000</b>	<b>0</b>

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Description	Expenditures 2003-2005 Biennium	Present Budget 2005-2007	Budget Request Change	Requested Budget 2007-2009 Biennium	Optional Request 2007-2009

**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
<b>TOTAL</b>	<b>0</b>	<b>50,000</b>	<b>0</b>	<b>50,000</b>	<b>0</b>

**PROGRAM 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
<b>PROGRAM FUNDING TOTAL</b>	<b>3,963,844</b>	<b>7,826,022</b>	<b>1,128,550</b>	<b>8,954,572</b>	<b>0</b>

**FTE EMPLOYEES**

<b>17.75</b>	<b>18.75</b>	<b>.00</b>	<b>18.75</b>	<b>.00</b>
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**FUNDING DETAIL****SPECIAL FUNDS**

003 SPECIAL FUND BUDGET	0	0	0	0	0
206 LAND DEPARTMENT MAINT. FUND	2,222,477	2,826,022	128,550	2,954,572	0
238 ENERGY DEVELOPMENT IMPACT FUND 226F	1,741,367	5,000,000	1,000,000	6,000,000	0
<b>TOTAL</b>	<b>3,963,844</b>	<b>7,826,022</b>	<b>1,128,550</b>	<b>8,954,572</b>	<b>0</b>

**CHANGE PACKAGE DETAIL**  
**226 STATE LAND DEPARTMENT**  
**Biennium: 2007-2009**

**Bill#: HB 1013**

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<b>PROGRAM:</b> Land Department	<b>REPORTING LEVEL:</b> 00-226-100-00-00-00-00-00000000				
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
<b>Agency Total</b>	<b>.00</b>	<b>0</b>	<b>0</b>	<b>1,128,550</b>	<b>1,128,550</b>