

THIRTY-NINTH BIENNIAL REPORT
of the
Commissioner of University
and School Lands
TRUST FUNDS
State of North Dakota



*For the Period Beginning July 1, 1968
and Ending June 30, 1970*

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The Governing Body created by Section 156 of Article IX of the Constitution of the State of North Dakota, consists of the following officers:

HON. WILLIAM L. GUY, President.....	Governor
BEN MEIER, Vice President.....	Secretary of State
CURTIS OLSON.....	State Auditor
HELGI JOHANNESON.....	Attorney General
M. F. PETERSON.....	Superintendent of Public Instruction
ALBERT SCHMALENBERGER.....	Secretary-Commissioner of University and School Lands

"Buy North Dakota Products"



BISMARCK TRIBUNE 29247

LETTER OF TRANSMITTAL

Bismarck, North Dakota
July 1, 1970

To His Excellency, William L. Guy
Governor of North Dakota
Bismarck, North Dakota

Sir:

In accordance with Chapter 15-02 North Dakota Century Code, I have the honor to submit herewith the Biennial Report of the State Land Department for the period beginning July 1, 1968 and ending June 30, 1970.

ALBERT SCHMALENBERGER
Land Commissioner

OFFICE FORCE

Albert Schmalenberger.....Land Commissioner
LaVina Wegner.....Secretary

Accounting Department

Joyce Malmstad.....Accountant
Spara Christenson.....Cashier
Pearl Herron.....Assistant Cashier

Collection Department

Marvin Thompson.....Manager
Catherine Hruby.....Assistant Manager

Land Sales Department

Margaret Pederson.....Sales Manager

Title Department

Emma Peightal.....Title Manager

Bond and Mortgage Department

Theresia Fischer.....Manager
Anna Jaeger.....Assistant Manager

Leasing Department

Otto Bervik.....Manager and Assistant to Commissioner
Alvina Glatt.....Assistant Manager
DelJoan Lachenmeier.....Bookkeeper
James Melchior.....Clerk-Typist

Fieldmen

David H. Schuh.....Underwood, N. Dak.
Paul Neidhardt.....New Salem, N. Dak.
E. A. Tough.....Strasburg, N. Dak.

Legal Department

Thomas O. Smith.....Assistant Attorney General

STATEMENT OF LAND GRANT FUNDS

June 30, 1970

Bonds —

Federal	\$17,159,375.00	
U. S. Treas. Notes	490,625.00	
U. S. Treas. Bills	481,570.39	
Municipal and School	12,669,656.25	\$30,801,226.64
Certificate of Deposit	1,703,000.00	
Certificate of Deposit Reserve Fund	405,000.00	2,108,000.00
F.H.A. Loans	897,000.18	
Farm Loans	23,468,300.87	24,365,301.05
Land Sold on Contract Acquired Land	112,605.56	
Land Sold on Contract Grant Land	5,918,800.18	6,031,405.74
Cash Balance — Permanent Fund	469,086.31	
Cash Balance — Reserve Fund	171,973.77	641,060.08

ACRES

Acquired Land	45,531.66	*Value \$10.00 Per Acre	455,316.60
Unsold Grant Land....	753,033.09	*Value \$10.00 Per Acre	7,530,330.90
TOTAL — ACRES....	798,564.75		\$71,932,641.01

*Estimated Value

**STATEMENT OF LAND GRANT FUNDS IN
VARIOUS SUB-DIVISIONS TO JUNE 30, 1970**

Common Schools

On admission to the Union, Congress granted to the State of North Dakota, for the support of Common Schools, sections 16 and 36 in every township in the State, and where these sections or parts thereof were omitted on account of being embraced in lakes, rivers or having been homesteaded prior to survey, the State, was allowed to select land elsewhere from any public land in the State, an equal area to supply the loss, and such lieu lands are designated as "Indemnity Lands," which are common school lands other than Section 16 and 36, the proceeds from indemnity lands also to go to the Common School Fund. Of this grant 2,523,383.78 acres have been selected.

Investments

Bonds —

Federal	\$16,824,375.00	
U. S. Treas. Note	57,893.75	
U. S. Treas. Bill	481,570.39	
Municipal and School	6,055,411.25	\$23,419,250.39
Certificate of Deposit	1,500,000.00	
Certificate of Deposit Reserve Fund	97,000.00	1,597,000.00
F.H.A. Loans	897,000.18	
Farm Loans	21,039,684.33	21,936,684.51
Land Sold on Contract Acquired Land	78,266.80	
Land Sold on Contract Grant Land	4,919,959.81	4,998,226.61
Cash Balance — Permanent Fund	286,380.34	
Cash Balance — Reserve Fund	108,560.33	394,940.67
ACRES		
Acquired Land	29,205.32	*Value \$10.00 Per Acre 292,053.20
Unsold Grant Land....	683,984.38	*Value \$10.00 Per Acre 6,839,843.80
TOTAL — ACRES....	713,189.70	\$59,477,999.18

*Estimated Value

NORTH DAKOTA STATE UNIVERSITY**Fargo**

Under Section 16 of the Enabling Act admitting this State, there was granted 90,000 acres, and under Section 17 an additional 40,000 acres, for the support of the North Dakota State University, making a total of 130,000 acres granted by Congress for this institution at Fargo.

Of this grant, 129,999.98 acres have been selected.

Bonds —		Investments	
Federal		\$ 50,000.00	
U. S. Treas. Note		91,256.25	
Municipal and School		1,493,660.00	\$1,634,916.25
Certificate of Deposit			
Reserve Fund		63,000.00	63,000.00
Farm Loans		696,251.85	696,251.85
Land Sold on Contract			
Acquired Land		11,153.90	
Land Sold on Contract			
Grant Land		232,826.98	243,980.88
Cash Balance — Permanent Fund		48,125.47	
Cash Balance — Reserve Fund		20,452.60	68,578.07
ACRES			
Acquired Land	4,237.84	*Value \$10.00 Per Acre	42,378.40
Unsold Grant Land	12,523.27	*Value \$10.00 Per Acre	125,232.70
TOTAL — ACRES.....	16,761.11		\$2,874,338.15

*Estimated Value

SCHOOL FOR THE BLIND**Grand Forks**

Under Section 17 of the Enabling Act, there was granted 170,000 acres for educational and charitable purposes to be determined by the State Legislature: 30,025.76 acres of this grant has been apportioned to and selected by the State for the benefit of the School for the Blind at Grand Forks.

Bonds —		Investments	
Federal		\$ 33,000.00	
Municipal and School		420,100.00	\$453,100.00
Certificate of Deposit			
Reserve Fund		20,000.00	20,000.00
Farm Loans		54,040.55	54,040.55
Land Sold on Contract			
Acquired Land		1,316.80	
Land Sold on Contract			
Grant Land		56,402.46	57,719.26
Cash Balance — Permanent Fund		18,931.40	
Cash Balance — Reserve Fund		3,684.41	22,615.81
ACRES			
Acquired Land	1,138.88	*Value \$10.00 Per Acre	11,388.80
Unsold Grant Land	2,703.09	*Value \$10.00 Per Acre	27,030.90
TOTAL — ACRES.....	3,841.97		\$645,895.32

*Estimated Value

CAPITOL BUILDING**Bismarck**

Under Section 12 of the Enabling Act admitting the State, there was granted fifty sections, or 32,000 acres, and under Section 17 of the same Act 50,000 acres for public buildings at the Capitol of the State, making 82,000 acres for the Capitol Building. However, there was an over-selection of 326.14 acres for this State Institution, making a total selection of 82,326.14 acres.

Bonds —		Investments	
Municipal and School		\$129,000.00	\$129,000.00
Certificate of Deposit		203,000.00	
Certificate of Deposit			
Reserve Fund		7,000.00	210,000.00
Land Sold on Contract			
Acquired Land		None	
Land Sold on Contract			
Grant Land		133,417.10	133,417.10
Cash Balance — Permanent Fund		3,849.51	
Cash Balance — Reserve Fund		2,520.63	6,370.14
	ACRES		
Acquired Land	160	*Value \$10.00 Per Acre	1,600.00
Unsold Grant Land	13,261.09	*Value \$10.00 Per Acre	132,610.90
TOTAL — ACRES	13,421.09		\$612,998.14

*Estimated Value

SCHOOL FOR THE DEAF**Devils Lake**

Under Section 17 of the Enabling Act admitting the State, there was granted 40,000 acres for the Deaf School. Of this grant 39,966.53 acres have been selected by the State for this Institution at Devils Lake.

Bonds —		Investments	
Federal		\$ 26,000.00	
U. S. Treas. Note		72,612.50	
Municipal and School		306,880.00	\$405,492.50
Certificate of Deposit			
Reserve Fund		21,000.00	21,000.00
Farm Loans		199,861.32	199,861.32
Land Sold on Contract			
Acquired Land		2,140.35	
Land Sold on Contract			
Grant Land		81,371.91	83,512.26
Cash Balance — Permanent Fund		22,602.96	
Cash Balance — Reserve Fund		2,641.05	25,244.01
	ACRES		
Acquired Land	1,192.70	*Value \$10.00 Per Acre	11,927.00
Unsold Grant Land	4,357.21	*Value \$10.00 Per Acre	43,572.10
TOTAL — ACRES	5,549.91		\$790,609.19

*Estimated Value

STATE HOSPITAL**Jamestown**

Under Section 17 of the Enabling Act admitting the State, there was granted for educational and charitable institutions 170,000 acres to be apportioned as the Legislature should determine. Of this grant 20,000.98 acres has been selected for the State Hospital at Jamestown.

Bonds —		Investments	
Federal		\$ 3,000.00	
U. S. Treas. Note		22,568.75	
Municipal and School		248,300.00	\$273,868.75
Certificate of Deposit			
Reserve Fund		5,000.00	5,000.00
Farm Loans		106,211.54	106,211.54
Land Sold on Contract			
Acquired Land		69.15	
Land Sold on Contract			
Grant Land		17,185.76	17,254.91
Cash Balance — Permanent Fund		8,221.28	
Cash Balance — Reserve Fund		1,808.21	10,029.49
Acquired Land	ACRES		
311.16		*Value \$10.00 Per Acre	3,111.60
Unsold Grant Land	2,322.35	*Value \$10.00 Per Acre	23,223.50
TOTAL — ACRES	2,633.51		\$438,699.79

*Estimated Value

ELLENDALE STATE TEACHERS COLLEGE**Ellendale**

Under Section 17 of the Enabling Act admitting the State, there was granted for educational purposes 170,000 acres of which 40,000 acres have been apportioned and 39,997.24 acres have been selected by the State for the benefit of the State Teachers College at Ellendale.

Bonds —		Investments	
Federal		\$ 11,500.00	
U. S. Treas. Note		41,212.50	
Municipal and School		373,000.00	\$425,712.50
Certificate of Deposit		21,000.00	21,000.00
Farm Loans		214,562.17	214,562.17
Land Sold on Contract			
Acquired Land		3,659.79	
Land Sold on Contract			
Grant Land		44,737.88	48,397.67
Cash Balance — Permanent Fund		14,750.98	
Cash Balance — Reserve Fund		2,159.96	16,910.94
Acquired Land	ACRES		
1,462.71		*Value \$10.00 Per Acre	14,627.10
Unsold Grant Land	3,856.64	*Value \$10.00 Per Acre	38,566.40
TOTAL — ACRES	5,319.35		\$779,776.78

*Estimated Value

NORMAL SCHOOLS Valley City — Mayville

Under Section 17 of the Enabling Act admitting the State, there was granted for the State Normal Schools 80,000 acres. The Legislature of the State has apportioned 30,000 acres of this grant to the Mayville Normal and 50,000 acres of this grant to the Valley City Normal. In the selection of these lands, however, no division was made but the full 80,000 acres taken for Normal Schools, and, in the division of receipts for such lands five-eighths is given to the Valley City institution and three-eighths to Mayville, being the proportion to which each is entitled according to the area of the grants to each. There was, however, an over-selection of 5.90 acres, making the total acres selected for the above Normal Schools 80,005.90.

Bonds —		Investments — Mayville Normal	
Federal		\$ 18,000.00	
U. S. Treas. Note		24,531.25	
Municipal and School		381,005.00	\$423,536.25
Certificate of Deposit			
Reserve Fund		18,000.00	18,000.00
Farm Loans		39,373.35	39,373.35
Land Sold on Contract			
Acquired Land		None	
Land Sold on Contract			
Grant Land		30,493.37	30,493.37
Cash Balance — Permanent Fund		5,805.01	
Cash Balance — Reserve Fund		424.48	6,229.49
Acquired Land	ACRES		
640.00		*Value \$10.00 Per Acre	6,400.00
Unsold Grant Land	3,096.61	*Value \$10.00 Per Acre	30,966.10
TOTAL — ACRES	3,736.61		\$554,998.56

*Estimated Value

Bonds —		Investments — Valley City Normal	
Federal		\$ 50,000.00	
U. S. Treas. Note		72,612.50	
Municipal and School		521,400.00	\$644,012.50
Certificate of Deposit			
Reserve Fund		11,000.00	11,000.00
Farm Loans		109,047.43	109,047.43
Land Sold on Contract			
Acquired Land		None	
Land Sold on Contract			
Grant Land		50,822.29	50,822.29
Cash Balance — Permanent Fund		7,997.67	
Cash Balance — Reserve Fund		3,127.24	11,124.91
Acquired Land	ACRES		
640.00		*Value \$10.00 Per Acre	6,400.00
Unsold Grant Land	5,161.02	*Value \$10.00 Per Acre	51,610.20
TOTAL — ACRES	5,801.02		\$884,017.33

*Estimated Value

NORTH DAKOTA INDUSTRIAL SCHOOL**Mandan**

Under Section 17 of the Enabling Act admitting the State, there was granted by Congress to the State Industrial School 40,000 acres. An over selection of 24.94 acres was made, making the total acres selected for this institution at Mandan 40,024.94 acres.

Bonds —		Investments	
Federal		\$ 10,500.00	
U. S. Treas. Note		28,456.25	
Municipal and School		676,700.00	\$715,656.25
Certificate of Deposit			
Reserve Fund		31,000.00	31,000.00
Farm Loans		59,458.85	59,458.85
Land Sold on Contract			
Acquired Land		2,628.85	
Land Sold on Contract			
Grant Land		66,462.18	69,091.03
Cash Balance — Permanent Fund		6,372.18	
Cash Balance — Reserve Fund		4,275.01	10,647.19
Acquired Land	ACRES		
1,096.36		*Value \$10.00 Per Acre	10,963.60
Unsold Grant Land	3,503.09	*Value \$10.00 Per Acre	35,030.90
TOTAL — ACRES	4,599.45		\$931,847.82

*Estimated Value

SCHOOL OF SCIENCE**Wahpeton**

Of the 170,000 acres granted to the State under Section 17 of the Enabling Act for educational and charitable purposes, 40,000 acres have been given by the State Legislature to the School of Science at Wahpeton, and of which 39,997.16 acres have been selected.

Bonds —		Investments	
Federal		\$ 29,000.00	
U. S. Treas. Note		19,625.00	
Municipal and School		465,500.00	\$514,125.00
Certificate of Deposit			
Reserve Fund		29,000.00	29,000.00
Farm Loans		81,453.25	81,453.25
Land Sold on Contract			
Acquired Land		2,796.09	
Land Sold on Contract			
Grant Land		43,094.80	45,890.89
Cash Balance — Permanent Fund		13,250.12	
Cash Balance — Reserve Fund		3,675.81	16,925.93
Acquired Land	ACRES		
1,609.01		*Value \$10.00 Per Acre	16,090.10
Unsold Grant Land	2,900.02	*Value \$10.00 Per Acre	29,000.20
TOTAL — ACRES	4,509.03		\$732,485.37

*Estimated Value

SCHOOL OF MINES**Grand Forks**

Under Section 17 of the Enabling Act admitting the State, there was granted for the School of Mines 40,000 acres. There was an over-selection of 3.51 acres by the State, making a total of 40,003.51 acres for this institution, which is located at Grand Forks in connection with the University.

Bonds —		Investments	
Federal		\$ 39,000.00	
U. S. Treas. Note		22,568.75	
Municipal and School		539,300.00	\$600,868.75
Certificate of Deposit			
Reserve Fund		31,000.00	31,000.00
Farm Loans		49,485.25	49,485.25
Land Sold on Contract			
Acquired Land		3,766.88	
Land Sold on Contract			
Grant Land		37,711.85	41,478.73
Cash Balance — Permanent Fund		11,091.14	
Cash Balance — Reserve Fund		9,478.36	20,569.50
Acquired Land	ACRES		
1,347.54		*Value \$10.00 Per Acre	13,475.40
Unsold Grant Land	3,324.39	*Value \$10.00 Per Acre	33,243.90
TOTAL — ACRES	4,671.93		\$790,121.53

*Estimated Value

SOLDIERS' HOME**Lisbon**

Of the 170,000 acres granted by Section 17 of the Enabling Act for educational and charitable purposes, the State Legislature apportioned 40,000 acres to the Soldiers' Home at Lisbon, and 39,972.36 acres of this grant has been selected.

Bonds —		Investments	
Federal		\$ 40,000.00	
U. S. Treas. Note		27,475.00	
Municipal and School		323,200.00	\$390,675.00
Certificate of Deposit			
Reserve Fund		10,000.00	10,000.00
Farm Loans		235,093.48	235,093.48
Land Sold on Contract			
Acquired Land		3,337.05	
Land Sold on Contract			
Grant Land		60,410.91	63,747.96
Cash Balance — Permanent Fund		3,529.59	
Cash Balance — Reserve Fund		1,897.29	5,426.88
Acquired Land	ACRES		
480.00		*Value \$10.00 Per Acre	4,800.00
Unsold Grant Land	2,797.37	*Value \$10.00 Per Acre	27,973.70
TOTAL — ACRES	3,277.37		\$737,717.02

*Estimated Value

UNIVERSITY**Grand Forks**

Under Section 14 of the Enabling Act admitting the State, there was granted seventy-two sections, or 46,080 acres, and under Section 17 of said Act 40,000 acres, making a total of 86,080 acres for the University. Of this grant, 86,066 acres have been selected by the State for this institution at Grand Forks.

Investments**Bonds —**

Federal	\$ 25,000.00	
U. S. Treas. Note	9,812.50	
Municipal and School	736,200.00	\$771,012.50
Certificate of Deposit		
Reserve Fund	41,000.00	41,000.00
Farm Loans	583,777.50	583,777.50
Land Sold on Contract		
Acquired Land	3,469.90	
Land Sold on Contract		
Grant Land	143,902.88	147,372.78
Cash Balance — Permanent Fund	18,178.66	
Cash Balance — Reserve Fund	7,268.39	25,447.05

ACRES

Acquired Land	2,010.14	*Value \$10.00 Per Acre	20,101.40
Unsold Grant Land	9,242.56	*Value \$10.00 Per Acre	92,425.60
TOTAL — ACRES ..	11,252.70		\$1,681,136.83

*Estimated Value

LAND SELECTIONS AND DISTRIBUTION

Original Grant Lands

	Acres Selected	Acres Sold	Portion Unsold June 30, 1970
Common Schools	2,523,383.78	1,837,234.40	686,149.38
North Dakota State University	129,999.98	117,279.03	12,720.95
School for Blind	30,025.76	27,322.67	2,703.09
Capitol Building	82,326.14	69,002.02	13,324.12
School for Deaf	39,966.53	35,609.32	4,357.21
State Hospital	20,000.98	17,678.63	2,322.35
Ellendale State Teachers College	39,997.24	36,140.60	3,856.64
Normal Schools —			
Mayville $\frac{3}{8}$ }			
Valley City $\frac{5}{8}$ }	80,005.90	71,708.27	8,297.63
North Dakota Industrial School	40,024.94	36,521.85	3,503.09
School of Science	39,997.16	37,058.00	2,939.16
School of Mines	40,003.51	36,679.12	3,324.39
Soldiers' Home	39,972.36	37,134.99	2,837.37
University	86,066.00	76,983.44	9,082.56
TOTAL ACRES	3,191,770.28	2,436,352.34	755,417.94

GRANT LAND SOLD ON CONTRACT
Land Contracts Held by the State June 30, 1970

	Acres	No. of Contracts	Principal
Common Schools	175,649.34	1,155	\$4,919,959.81
North Dakota State University	6,744.92	48	232,826.98
School for Blind	1,746.49	16	56,402.46
Capitol Building	3,314.57	23	133,417.10
School for Deaf	2,452.52	19	81,371.91
State Hospital	1,075.32	10	17,185.76
Ellendale State Teachers College	1,274.98	10	44,737.88
Normal Schools —			
Mayville $\frac{3}{8}$ }			
Valley City $\frac{5}{8}$ }	2,976.49	23	81,315.66
North Dakota Industrial School	2,765.44	23	66,462.18
School of Science	2,275.43	21	43,094.80
School of Mines	1,541.87	15	37,711.85
Soldiers' Home	2,765.39	22	60,410.91
University	4,622.46	36	143,902.88
TOTAL	209,205.22	1,421	\$5,918,800.18

Land sold on contract from November 1, 1969 to June 30, 1970 in the amount of \$799,235.00. Interest on this amount has not been paid and will not be due until November 1st, 1970. However, this is drawing interest at the rate of 8% per annum.

FARM LOAN INVESTMENTS
June 30, 1970

	No. of Loans	Acres	Amount
Common Schools	1,417	1,099,585.80	\$21,039,684.33
North Dakota State University	26	23,647.00	696,251.85
School for Blind	1	2,160.00	54,040.55
School for Deaf	9	6,356.00	199,861.32
State Hospital	5	3,751.00	106,211.54
Ellendale State Teachers College	8	8,886.00	214,562.17
Valley City Normal	4	3,720.00	109,047.43
Mayville Normal	2	1,360.00	39,373.35
North Dakota Industrial School	3	1,946.00	59,458.85
School of Science	3	2,486.00	81,453.25
School of Mines	2	1,626.00	49,485.25
Soldiers' Home	12	10,935.00	235,093.48
University	23	26,572.11	583,777.50
TOTAL	1,515	1,193,030.91	\$23,468,300.87

\$2,062,766.00 was invested in Farm Loans from December 1, 1969 to June 30, 1970. Interest on this amount has not been paid and will not be due until December 1, 1970. Loans granted from December 1, 1969 to April 30, 1970 in the amount of \$25,000.00 or less are drawing 8% interest and loans larger than \$25,000.00, 8½%. Loans granted after April 30, 1970 are drawing interest at the rate of 7¾%.

FARMERS HOME ADMINISTRATION INVESTMENTS
June 30, 1970

No. of Loans	Amount
47	\$897,000.18

ACQUIRED LAND SOLD ON CONTRACT**June 30, 1970**

	No. of Contracts	Acres	Amount
Common Schools	44	8,951.12	\$ 78,266.80
North Dakota State University	6	1,391.77	11,153.90
School for Blind	1	320.00	1,316.80
Capitol Building	None		
School for Deaf	1	320.00	2,140.35
State Hospital	1	160.00	69.15
Ellendale State Teachers College	2	400.00	3,659.79
Valley City Normal	None		
Mayville Normal	None		
North Dakota Industrial School	3	640.00	2,628.85
School of Science	2	320.00	2,796.09
School of Mines	3	480.00	3,766.88
Soldiers' Home	2	480.00	3,337.05
University	4	960.00	3,469.90
TOTAL	69	14,422.89	\$112,605.56

INVESTMENTS

June 30, 1970

	U. S. Treas. Bills	U. S. Treas. Bonds	U. S. Treas. Notes	Municipal and School Bonds	Certificate of Deposit	Certificate of Deposit (Reserve Fund)	Total
Common Schools	\$481,570.39	\$16,824,375.00	\$ 57,893.75	\$ 6,055,411.25	\$1,500,000.00	\$ 97,000.00	\$25,016,250.39
North Dakota State University		50,000.00	91,256.25	1,493,660.00		63,000.00	1,697,916.25
School for Blind		33,000.00		420,100.00		20,000.00	473,100.00
Capitol Building				129,000.00	203,000.00	7,000.00	339,000.00
School for Deaf		26,000.00	72,612.50	306,880.00		21,000.00	426,492.50
State Hospital		3,000.00	22,568.75	248,300.00		5,000.00	278,868.75
Ellendale State College		11,500.00	41,212.50	373,000.00		21,000.00	446,712.50
Valley City State College		50,000.00	72,612.50	521,400.00		11,000.00	655,012.50
Mayville State College		18,000.00	24,531.25	381,005.00		18,000.00	441,536.25
North Dakota Industrial School		10,500.00	28,456.25	676,700.00		31,000.00	746,656.25
School of Science		29,000.00	19,625.00	465,500.00		29,000.00	543,125.00
School of Mines		39,000.00	22,568.75	539,300.00		31,000.00	631,868.75
Soldiers' Home		40,000.00	27,475.00	323,200.00		10,000.00	400,675.00
University		25,000.00	9,812.50	736,200.00		41,000.00	812,012.50
TOTALS	\$481,570.39	\$17,159,375.00	\$490,625.00	\$12,669,656.25	\$1,703,000.00	\$405,000.00	\$32,909,226.64

PERMANENT FUND COLLECTIONS

July 1, 1968 to June 30, 1970

	Land So'd on Contract	Land So'd Cash Sales	Easements	Bonds	Farm Loans	Royalty Coal and Gravel
Common Schools	1,580,712.51	35,824.21	4,984.05	5,726,754.72	4,519,919.89	21,642.56
North Dakota State University	38,183.91	8,258.97	602.15	253,020.00	26,523.62	-----
School for Blind	9,942.78	4,094.84	122.62	48,100.00	959.45	-----
Capitol Building	44,921.16	-----	-----	50,000.00	13,826.96	1,250.00
School for Deaf	16,689.50	5,304.79	-----	87,940.00	18,782.68	-----
State Hospital	12,126.64	-----	-----	30,900.00	2,288.46	326.02
Ellendale State Teachers College	8,684.97	5,600.00	-----	131,362.50	4,737.83	-----
Valley City State College	13,362.43	-----	-----	200,612.50	4,652.57	-----
Mayville State College	8,018.26	-----	-----	57,050.00	626.65	-----
North Dakota Industrial School — Mandan	19,683.53	-----	15.87	42,700.00	1,441.15	-----
Science School	13,050.16	-----	29.62	84,900.00	46.75	-----
School of Mines	9,949.62	9,703.90	-----	45,400.00	514.75	-----
Soldiers' Home	21,957.27	-----	-----	102,800.00	2,206.52	-----
University	38,117.25	1,600.00	16.85	208,800.00	65,569.90	220.00
TOTALS	1,835,399.99	70,386.71	5,771.16	7,070,339.72	4,662,097.18	23,438.58

The above collected monies are placed in the Permanent Trust Fund for each of the above listed schools and institutions. These permanent trust funds can never be spent but must be invested. However, the earnings from the investments are spent by the schools and institutions.

PERMANENT FUND COLLECTIONS — (Continued)
July 1, 1968 to June 30, 1970

	Miscellaneous	X Contracts	F.H.A. Loans	Royalty Oil and Gas	Redeemed Certificate of Deposit	TOTALS
Common Schools	601.20	21,222.07	199,158.28	642,964.45	.....	12,753,783.94
North Dakota State University	3,397.70	.....	21,709.72	.....	351,696.07
School for Blind	1,902.69	.....	65,122.38
Capitol Building	2,457.20	.....	112,455.32
School for Deaf	451.20	.....	.....	.....	129,168.17
State Hospital	10,315.61	70,000.00	125,956.73
Ellendale State Teachers College	1,911.96	.....	.....	130,000.00	282,297.26
Valley City State College	60,000.00	278,627.50
Mayville State College	65,694.91
North Dakota Industrial School — Mandan	4,781.25	.....	68,621.80
Science School	74.45	.....	.....	.....	98,100.98
School of Mines	346.40	.....	.....	.....	65,914.67
Soldiers' Home	368.85	.....	.....	130,000.00	257,332.64
University	567.23	.....	1,126.23	.....	316,017.46
TOTALS	601.20	28,339.86	199,158.28	685,257.15	390,000.00	14,970,789.83

The above collected monies are placed in the Permanent Trust Fund for each of the above listed schools and institutions. These permanent trust funds can never be spent but must be invested. However, the earnings from the investments are spent by the schools and institutions.

COLLECTIONS
Interest and Income
July 1, 1968 to June 30, 1970

EARNINGS

	Interest on Contracts	Land Rentals	Bond Interest	Interest on Loans	Miscellaneous	Oil and Gas Leases	Interest X Contracts	Interest F.H.A. Loans	TOTALS
Common Schools ..	\$430,798.46	\$1,231,819.43	\$1,525,258.40	\$2,010,748.60	\$2,661.07	\$ 846,916.85	\$11,058.37	\$61,709.22	\$6,120,970.40
North Dakota State University	20,773.97	37,659.05	146,645.23	54,744.62	-----	30,651.64	1,542.84	-----	292,017.35
Blind School	5,798.45	7,206.73	39,203.46	2,878.34	-----	8,706.43	159.45	-----	63,952.86
Capitol Building ..	14,495.84	24,736.00	24,634.91	-----	-----	15,526.61	47.00	-----	79,440.36
School for Deaf	5,629.28	11,400.64	33,855.42	19,997.34	-----	7,054.30	148.80	-----	78,085.78
State Hospital	1,086.24	4,454.54	24,021.38	6,900.00	-----	6,028.43	21.74	-----	42,512.33
Ellendale State College	3,310.53	9,452.82	38,024.40	13,193.00	-----	7,210.54	533.34	-----	71,724.63
Valley City State College	4,911.76	11,790.08	56,919.78	2,473.88	-----	15,195.91	-----	-----	91,291.41
Mayville State College	2,947.90	7,112.37	38,524.65	1,960.02	-----	9,064.50	-----	-----	59,609.44
North Dakota Industrial School — Mandan	6,822.55	12,334.48	67,603.48	2,319.63	-----	10,541.75	696.99	-----	100,318.88
School of Science ..	4,392.41	9,012.18	49,770.31	566.91	-----	9,707.21	399.86	-----	73,848.88
School of Mines	4,067.41	12,050.65	51,162.22	1,236.37	-----	13,914.65	1,025.69	-----	83,456.99
Soldiers' Home	5,274.49	9,739.51	37,342.23	6,904.59	-----	5,901.02	298.43	-----	65,460.27
University	14,453.46	24,015.44	73,537.12	44,213.72	-----	16,392.63	497.69	-----	173,110.06
TOTALS	\$524,762.75	\$1,412,783.92	\$2,206,502.99	\$2,168,137.02	\$2,661.07	\$1,002,812.47	\$16,430.20	\$61,709.22	\$7,395,799.64

The above collected monies go to the various schools and institutions listed above and may be spent by them. In the case of Common Schools, the monies are apportioned out quarterly to the School Districts on a per pupil basis.

COLLECTIONS DISTRIBUTED TO INSTITUTIONAL FUNDS

From July 1, 1968 to June 30, 1970

Land Contracts (Grant Land)	\$1,835,399.99
Land Sold — (Cash)	70,386.71
Easements and Miscellaneous	6,372.36
Bond Collections	7,070,339.72
Farm Loans	4,662,097.18
Royalty — Coal and Gravel	23,438.58
X-Contracts (Acquired Land)	28,339.86
F.H.A. Loans	199,158.28
Royalty — Oil and Gas	685,257.15
Redeemed Certificates of Deposits	390,000.00
Credited to Permanent Fund, Common Schools and Institutions	
	\$14,970,789.83
Interest on Contracts (Grant Land)	\$ 524,762.75
Land Rentals	1,412,783.92
Interest on Bonds	2,206,502.99
Interest on Farm Loans	2,168,137.02
Miscellaneous (Coal and Gravel)	2,661.07
Oil and Gas Leases	1,002,812.47
Interest on X-Contracts (Acquired Land)	16,430.20
Interest — F.H.A. Loans	61,709.22
Credited to Interest and Income Fund, Common Schools and Institutions	
	\$ 7,395,799.64
Reserve Fund	73,759.27
Fees — Land Sales Cost, Advertising, Appraising, Etc., Oil Leasing Farm Loan Application Fees, Patent and Deed Fees credited to General Fund	26,833.04
TOTAL	\$22,467,181.78

TOTAL COST OF OPERATION OF THE DEPARTMENT**July 1, 1968 to June 30, 1970**

	Expenditures
Salaries, Social Security, OASIS, Blue Cross	\$226,674.37
Fees and Service, Postage, Miscellaneous, Travel, Leasing, Publishing Notice Land Sales	36,786.07
Supplies and Materials	6,916.27
Equipment	5,011.88
TOTAL	\$275,388.59

GRANT LAND SOLD ON CONTRACT**From July 1, 1968 to June 30, 1970**

Number of Tracts	Number of Acres	Purchase Price
149	22,578.88	\$1,629,057.00

DEEDS AND PATENTS ISSUED**From July 1, 1968 to June 30, 1970**

397 Patents covering 59,276.21 acres
88 Quit Claim Deeds covering 16,450.03 acres
24 Deeds covering 2,186.11 acres were issued for purposes over which the right of eminent domain was exercised. Several easements for temporary use by the Highway Department and other Agencies were granted.
509 Total
93 Contracts were assigned during this period.

SCHOOL BONDS PURCHASED**From July 1, 1968 to June 30, 1970**

No. of Bonds Issued	Amount
11	\$1,556,000.00

FARM LOAN INVESTMENTS COMPLETED**From July 1, 1968 to June 30, 1970**

No. of Loans	Amount
418	\$9,867,000.00

LEASING DEPARTMENT

Leases for hay, grazing and other agricultural purposes were issued in 1969 on 8,912.38 cultivated acres and on 84,747.135 uncultivated acres. These tracts brought in \$90,142.27.

Leases were issued in 1970 on 3,001.00 cultivated acres and on 299,710.59 uncultivated acres, for first year rentals of \$377,402.59.

The leases issued in 1970 were subject to a new leasing rate established in June 1969. The new minimum rate is \$2.00 per animal unit month where the carrying capacity has been established by the Soil Conservation Service or the Forest Service Technicians and supplied to this department. Where the carrying capacity has not been supplied for uncultivated land, the minimum rent is 3% of the department's valuation of the land but no minimum rent set higher than \$200.00 per quarter section under this method. The minimum rent of cultivated land is \$5.00 per acre.

OIL AND GAS: Six oil and gas leasing auctions were held in the period July 1, 1968 to June 30, 1970. Leases were sold on 319,307.1482 mineral acres bringing \$721,487.04 in bonuses and \$79,691.00 in first year rentals.

EMPLOYEES STATE LAND DEPARTMENT**July 1, 1968 to June 30, 1970**

Albert Schmalenberger, State Land Commissioner	\$19,200.00	24 Months
Otto N. Bervik, Leasing Manager and Assistant to Commissioner	17,090.00	24 Months
LaVina Wegner, Secretary	11,085.00	24 Months
Theresia Fischer, Bond and Mtg. Manager	11,745.00	24 Months
Anna C. Jaeger, Asst. Bond and Mtg. Manager	3,035.38	8 Months
Joyce Malmstad, Accountant	14,600.00	24 Months
Spara Christenson, Cashier	11,015.00	24 Months
Pearl Herron, Asst. Cashier	5,185.48	14 Months
Marvin M. Thompson, Collection Manager	13,755.00	24 Months
Catherine L. Hrubby, Asst. Collection Mgr.	10,555.00	24 Months
**Ernest W. Pederson	11,710.50	17 Months
Alvina Glatt, Asst. Leasing Manager	10,984.75	24 Months
Del Joan Lachenmeier, Bookkeeper	8,115.80	24 Months
*James F. Melchior, Clerk-Typist	5,066.75	22 Months
Emma L. Peightal, Title Manager	11,045.00	24 Months
Margaret D. Pederson, Sales Manager	11,045.00	24 Months
David H. Schuh, Fieldman, Underwood, N. Dak.	11,590.00	24 Months
*Paul A. Neidhardt, Fieldman, New Salem, N. Dak.	4,099.00	24 Months
*E. A. Tough, Fieldman, Strasburg, N. Dak.	6,239.00	24 Months
**John H. Bowers	8,170.00	12 Months
**M. T. Lillehaugen	50.00	2 Days
**Ellyn Hagen	397.68	1 ½ Months
**Karl Kleppe	375.00	5 Months
**Marilyn M. Vollmer	1,343.75	5 Months

°Part Time Employees

°°Resigned or Retired

FORTIETH BIENNIAL REPORT

of the

Commissioner of the University
and School Lands
TRUST FUNDS

State of North Dakota



For the Period Beginning July 1, 1970
and ending June 30, 1972

FORTIETH BIENNIAL REPORT

of the

Commissioner of the University and School Lands

TRUST FUNDS

State of North Dakota



For the Period Beginning July 1, 1970
and ending June 30, 1972

The Governing Body created by Section 156 of Article IX of the Constitution of the State of North Dakota, consists of the following officers:

HON. WILLIAM L. GUY, President	Governor
BEN MEIER, Vice President	Secretary of State
CURTIS OLSON	State Auditor
HELGI JOHANNESON	Attorney General
M. F. PETERSON	Superintendent of Public Instruction
ALBERT SCHMALENBERGER	Secretary-Commissioner of University and School Lands

"Buy North Dakota Products"



LETTER OF TRANSMITTAL

Bismarck, North Dakota
July 1, 1972

To His Excellency, William L. Guy
Governor of North Dakota
Bismarck, North Dakota

Sir:

In accordance with Chapter 15-02 North Dakota Century Code, I have the honor to submit herewith the Biennial Report of the State Land Department for the period beginning July 1, 1970 and ending June 30, 1972.

ALBERT SCHMALENBERGER
Land Commissioner

OFFICE FORCE

Albert Schmalenberger Land Commissioner

Lavina Wegner Secretary

Accounting Department

Joyce Malmstad Accountant & Office Mgr.

Spara Christenson Cashier

Pearl Herron Assistant Cashier

Collection Department

Marvin Thompson Manager

Catherine Hruby Assistant Manager

Land Sales Department

Margaret Pederson Sales Manager

Title Department

Emma Peightal Title Manager

Bond & Mortgage Department

Theresia Fischer Manager

Anna Jaeger Assistant Manager

Leasing Department

Otto Bervik Manager & Assistant to Commissioner

Alvina Glatt Assistant Manager

Jeannie Loeb Clerk-Typist

James Melchior Bookkeeper

Fieldmen

David H. Schuh Underwood, N. Dak.

Paul Neidhardt New Salem, N. Dak.

E. A. Tough Strasburg, N. Dak.

Legal Department

Thomas O. Smith Attorney

STATEMENT OF LAND GRANT FUNDS

JUNE 30, 1972

Investments—

Gov't. National Mtg. Assn.	\$ 1,148,473.62	
F.H.A. Notes	2,004,020.64	
Municipal & School Bonds	10,265,472.57	
U. S. Treas. Bonds	9,707,866.66	
Export-Import Bank Debenture	1,943,614.68	
Federal Land Bank Bonds	478,530.66	
Certificate of Deposit		
Reserve Fund	405,000.00	
Capitol Building	203,000.00	\$26,155,978.83
F.H.A. Loans	789,700.71	
Farm Loans	32,225,586.39	33,015,287.10
Land Sold on Contract		
Acquired Land	74,000.80	
Land Sold on Contract		
Grant Land	5,918,760.51	5,992,761.31
Cash Balance — Permanent Fund	996,422.06	
Cash Balance — Reserve Fund	190,563.71	1,186,985.77
Acres		
Acquired Land 45,523.45 *Value \$10.00 Per Acre		455,234.50
Unsold		
Grant Land 691,630.56 *Value \$10.00 Per Acre		6,916,305.60
Cancelled Contracts 38,782.17 *Value \$10.00 Per Acre		387,821.70
TOTAL ACRES 775,936.18		\$74,110,374.81

*Estimated Value

**STATEMENT OF LAND GRANT FUNDS IN
VARIOUS SUB-DIVISIONS TO JUNE 30, 1972**

Common Schools

On admission to the Union, Congress granted to the State of North Dakota, for the support of common schools, sections 16 and 36 in every township in the State, and where these sections or parts thereof were omitted on account of being embraced in lakes, rivers or having been homesteaded prior to survey, the State was allowed to select land elsewhere from any public land in the State, an equal area to supply the loss, and such lieu lands are designated as "Indemnity Lands", which are common school lands other than Section 16 and 36, the proceeds from indemnity lands also to go to the Common School Fund. Of this grant 2,523,383.78 acres have been selected.

Investments

Gov't. National Mtg. Assn.	\$ 1,148,473.62	
F.H.A. Notes	2,004,020.64	
Municipal & School Bonds	5,003,402.57	
U.S. Treas. Bonds	9,372,866.66	
Export-Import Bank Debenture	1,943,614.68	
Federal Land Bank Bonds	478,530.66	
Certificate of Deposit Reserve Fund	97,000.00	\$20,047,908.83
F.H.A. Loans	789,700.71	
Farm Loans	27,824,163.30	28,613,864.01
Land Sold on Contract Acquired Land	52,315.35	
Land Sold on Contract Grant Land	4,948,214.46	5,000,529.81
Cash Balance — Permanent Fund	675,941.51	
Cash Balance — Reserve Fund	118,109.81	794,051.32
Acquired Land	Acres 29,201.56	*Value \$10.00 Per Acre 292,015.60
Unsold Grant Land	640,333.50	*Value \$10.00 Per Acre 6,403,335.00
Cancelled Contracts	24,940.35	*Value \$10.00 Per Acre 249,403.50
TOTAL—Acres	694,475.41	\$61,401,108.07

*Estimated Value

NORTH DAKOTA STATE UNIVERSITY**Fargo**

Under Section 16 of the Enabling Act admitting this State, there was granted 90,000 acres, and under Section 17 an additional 40,000 acres, for the support of the North Dakota State University, making a total of 130,000 acres granted by Congress for this institution at Fargo.

Of this grant, 129,999.98 acres have been selected

Investments

Bonds —			
Municipal & School	\$ 1,199,080.00		
U.S. Treas. Bonds	50,000.00		
Certificate of Deposit			
Reserve Fund	63,000.00	\$ 1,312,083.00	
Farm Loans	1,167,513.70	1,167,513.70	
Land Sold on Contract			
Acquired Land	8,187.05		
Land Sold on Contract			
Grant Land	201,220.10	209,407.15	
Cash Balance — Permanent Fund	51,354.75		
Cash Balance — Reserve Fund	21,889.24	73,243.99	
Acres			
Acquired Land	4,237.84	*Value \$10.00 Per Acre	42,378.40
Unsold			
Grant Land	8,831.92	*Value \$10.00 Per Acre	88,319.20
Cancelled Contracts	3,211.35	*Value \$10.00 Per Acre	32,113.50
TOTAL—Acres	16,281.11		\$2,925,055.94
*Estimated Value			

SCHOOL FOR THE BLIND**Grand Forks**

Under Section 17 of the Enabling Act, there was granted 170,000 acres for educational and charitable purposes to be determined by the State Legislature: 30,025.76 acres of this grant has been apportioned to and selected by the State for the benefit of the School for the Blind at Grand Forks.

Investments

Bonds —			
Municipal & School	\$330,700.00		
U.S. Treas. Bonds	33,000.00		
Certificate of Deposit			
Reserve Fund	20,000.00	\$383,700.00	
Farm Loans	158,654.90	158,654.90	
Land Sold on Contract			
Acquired Land	637.75		
Land Sold on Contract			
Grant Land	44,430.95	45,068.70	
Cash Balance — Permanent Fund	19,305.21		
Cash Balance — Reserve Fund	4,363.46	23,668.67	
Acres			
Acquired Land	1,139.47	*Value \$10.00 Per Acre	11,394.70
Unsold			
Grant Land	2,345.09	*Value \$10.00 Per Acre	23,450.90
Cancelled Contracts	318.00	*Value \$10.00 Per Acre	3,180.00
TOTAL—Acres	3,802.56		\$649,117.87
*Estimated Value			

CAPITOL BUILDING**Bismarck**

Under Section 12 of the Enabling Act admitting the State, there was granted fifty sections, or 32,000 acres, and under Section 17 of the same Act 50,000 acres for public buildings at the Capitol of the State, making 82,000 acres for the Capitol Building. However, there was an over-selection of 326.14 acres for this State Institution, making a total selection of 82,326.14 acres.

Investments

Bonds —			
U.S. Treas. Bonds	\$ 96,000.00		
Certificate of Deposit	203,000.00		
Certificate of Deposit			
Reserve Fund	7,000.00	\$306,000.00	
Land Sold on Contract			
Acquired Land	None		
Land Sold on Contract			
Grant Land	177,566.45	177,566.45	
Cash Balance — Permanent Fund	38,865.16		
Cash Balance — Reserve Fund	2,520.63	41,385.79	

	Acres			
Acquired Land	160.00	*Value \$10.00 Per Acre		1,600.00
Unsold				
Grant Land	11,168.25	*Value \$10.00 Per Acre		111,682.50
Cancelled Contracts	957.00	*Value \$10.00 Per Acre		9,570.00
TOTAL—Acres	12,285.25			647,804.74
*Estimated Value				

SCHOOL FOR THE DEAF**Devils Lake**

Under Section 17 of the Enabling Act admitting the State, there was granted 40,000 acres for the Deaf School. Of this grant 39,966.53 acres have been selected by the State for this Institution at Devils Lake.

Investments

Bonds —			
U.S. Treas. Bonds	\$ 26,000.00		
Municipal & School	182,940.00		
Certificate of Deposit			
Reserve Fund	21,000.00	\$229,940.00	
Farm Loans	391,248.42	391,248.42	
Land Sold on Contract			
Acquired Land	1,661.70		
Land Sold on Contract			
Grant Land	74,863.70	76,525.40	
Cash Balance — Permanent Fund	48,722.02		
Cash Balance — Reserve Fund	2,641.05	51,363.07	

	Acres			
Acquired Land	1,192.70	*Value \$10.00 Per Acre		11,927.00
Unsold				
Grant Land	3,139.30	*Value \$10.00 Per Acre		31,393.00
Cancelled Contracts	981.01	*Value \$10.00 Per Acre		9,810.10
TOTAL—Acres	5,313.01			\$802,206.99

*Estimated Value

STATE HOSPITAL

Jamestown

Under Section 17 of the Enabling Act admitting the State, there was granted for educational and charitable institutions 170,000 acres to be apportioned as the Legislature should determine. Of this grant 20,000.98 acres has been selected for the State Hospital at Jamestown.

Investments

Bonds —			
Municipal & School		\$220,400.00	
U.S. Treas. Bonds		3,000.00	
Certificate of Deposit			
Reserve Fund		5,000.00	\$228,400.00
Farm Loans		178,306.40	178,306.40
Land Sold on Contract			
Acquired Land		None	
Land Sold on Contract			
Grant Land		21,522.65	21,522.65
Cash Balance — Permanent Fund		13,366.59	
Cash Balance — Reserve Fund		1,877.36	15,243.95
Acres'			
Acquired Land	311.16	*Value \$10.00 Per Acre	3,111.60
Unsold			
Grant Land	1,680.51	*Value \$10.00 Per Acre	16,805.10
Cancelled Contracts	348.24	*Value \$10.00 Per Acre	3,482.40
TOTAL—Acres	2,339.91		\$466,872.10
*Estimated Value			

ELLENDALE STATE TEACHERS COLLEGE

Ellendale

Under Section 17 of the Enabling Act admitting the State, there was granted for educational purposes 170,000 acres of which 40,000 acres have been apportioned and 39,997.24 acres have been selected by the State for the benefit of the State Teachers College at Ellendale.

Investments

Bonds —			
Municipal & School		\$365,700.00	
U.S. Treas. Bonds		11,500.00	
Certificate of Deposit			
Reserve Fund		21,000.00	\$398,200.00
Farm Loans		283,460.15	283,460.15
Land Sold on Contract			
Acquired Land		2,380.00	
Land Sold on Contract			
Grant Land		29,163.05	31,543.05
Cash Balance — Permanent Fund		10,439.82	
Cash Balance — Reserve Fund		2,940.26	13,380.08
Acres			
Acquired Land	1,462.71	*Value \$10.00 Per Acre	14,627.10
Unsold			
Grant Land	3,175.03	*Value \$10.00 Per Acre	31,750.30
Cancelled Contracts	681.61	*Value \$10.00 Per Acre	6,816.10
TOTAL—Acres	5,319.35		\$779,776.78

*Estimated Value

NORMAL SCHOOLS

Valley City — Mayville

Under Section 17 of the Enabling Act admitting the State, there was granted for the State Normal Schools 80,000 acres. The Legislature of the State has apportioned 30,000 acres of this grant to the Mayville Normal and 50,000 acres of this grant to the Valley City Normal. In the selection of these lands, however, no division was made but the full 80,000 acres taken for Normal Schools, and, in the division of receipts for such lands five-eighths is given to the Valley City institution and three-eighths to Mayville, being the proportion to which each is entitled according to the area of the grants to each. There was, however, an over-selection of 5.90 acres, making the total acres selected for the above Normal Schools 80,005.90.

Investments — Mayville Normal

Bonds —			
Municipal & School		\$339,850.00	
U.S. Treas. Bonds		18,000.00	
Certificate of Deposit			
Reserve Fund		18,000.00	\$375,850.00
Farm Loans		116,790.50	116,790.50
Land Sold on Contract			
Acquired Land		None	
Land Sold on Contract			
Grant Land		28,282.39	28,282.39
Cash Balance — Permanent Fund		7,943.79	
Cash Balance — Reserve Fund		424.48	8,368.27
Acres			
Acquired Land	640.00	*Value \$10.00 Per Acre	6,400.00
Unsold			
Grant Land	2,278.88	*Value \$10.00 Per Acre	22,788.80
Cancelled Contracts	682.15	*Value \$10.00 Per Acre	6,821.50
TOTAL—Acres	3,601.03		\$565,301.46

Investments — Valley City Normal

Bonds —			
Municipal & School		\$344,800.00	
U.S. Treas. Bonds		50,000.00	
Certificate of Deposit			
Reserve Fund		11,000.00	\$405,800.00
Farm Loans		348,984.35	348,984.35
Land Sold on Contract			
Acquired Land		None	
Land Sold on Contract			
Grant Land		47,137.31	47,137.31
Cash Balance — Permanent Fund		40,388.53	
Cash Balance — Reserve Fund		3,127.24	43,515.77
Acres			
Acquired Land	640.00	*Value \$10.00 Per Acre	6,400.00
Unsold			
Grant Lands	3,798.12	*Value \$10.00 Per Acre	37,981.20
Cancelled Contracts	1,136.92	*Value \$10.00 Per Acre	11,369.20
TOTAL—Acres	5,575.04		\$901,187.83

*Estimated Value

NORTH DAKOTA INDUSTRIAL SCHOOL**Mandan**

Under Section 17 of the Enabling Act admitting the State, there was granted by Congress to the State Industrial School 40,000 acres. An over-selection of 24.94 acres was made, making the total acres selected for this institution at Mandan 40,024.94 acres.

Investments

Bonds —			
Municipal & School		\$571,300.00	
U.S. Treas. Bonds		10,500.00	
Certificate of Deposit			
Reserve Fund		31,000.00	\$612,800.00
Farm Loans		213,843.65	213,843.65
Land Sold on Contract			
Acquired Land		391.15	—
Land Sold on Contract			
Grant Land		62,599.50	62,990.65
Cash Balance — Permanent Fund		8,565.27	
Cash Balance — Reserve Fund		6,512.71	15,077.98
Acres			
Acquired Land	1,096.36	*Value \$10.00 Per Acre	10,963.60
Unsold			
Grant Land	2,361.85	*Value \$10.00 Per Acre	23,618.50
Cancelled Contracts	957.34	*Value \$10.00 Per Acre	9,573.40
TOTAL—Acres	4,415.55		\$948,867.78

*Estimated Value

SCHOOL OF SCIENCE**Wahpeton**

Of the 170,000 acres granted to the State under Section 17 of the Enabling Act for educational and charitable purposes, 40,000 acres have been given by the State Legislature to the School of Science at Wahpeton, and of which 39,997.16 acres have been selected.

Investments

Bonds —			
Municipal & School		\$387,600.00	
U.S. Treas. Bonds		29,000.00	
Certificate of Deposit			
Reserve Fund		29,000.00	\$445,600.00
Farm Loans		192,687.40	192,687.40
Land Sold on Contract			
Acquired Land		2,093.80	—
Land Sold on Contract			
Grant Land		44,953.55	47,047.35
Cash Balance — Permanent Fund		14,029.72	
Cash Balance — Reserve Fund		4,378.10	18,407.82
Acres			
Acquired Land	1,609.01	*Value \$10.00 Per Acre	16,090.10
Unsold			
Grant Land	2,186.38	*Value \$10.00 Per Acre	21,863.80
Cancelled Contracts	480.19	*Value \$0.00 Per Acre	4,801.90
TOTAL—Acres	4,275.58		\$746,498.37

*Estimated Value

SCHOOL OF MINES**Grand Forks**

Under Section 17 of the Enabling Act admitting the State, there was granted for the School of Mines 40,000 acres. There was an over-selection of 3.51 acres by the State, making a total of 40,003.51 acres for this institution, which is located at Grand Forks in connection with the University.

Investments

Bonds —			
Municipal & School		\$451,900.00	
U.S. Treas. Bonds		39,000.00	
Certificate of Deposit			
Reserve Fund		31,000.00	\$521,900.00
Farm Loans		184,636.55	184,636.55
Land Sold on Contract			
Acquired Land		2,356.60	—
Land Sold on Contract			
Grant Land		52,835.15	55,191.75
Cash Balance — Permanent Fund		11,936.54	
Cash Balance — Reserve Fund		10,511.09	22,447.63
Acres			
Acquired Land	1,347.54	*Value \$10.00 Per Acre	13,475.40
Unsold			
Grant Land	2,145.72	*Value \$10.00 Per Acre	21,457.20
Cancelled Contracts	668.82	*Value \$10.00 Per Acre	6,688.20
TOTAL—Acres	4,162.08		\$825,796.73
*Estimated Value			

SOLDIERS HOME**Lisbon**

Of the 170,000 acres granted by Section 17 of the Enabling Act for educational and charitable purposes, the State Legislature apportioned 40,000 acres to the Soldiers Home at Lisbon, and 39,972.36 acres of this grant has been selected.

Investments

Bonds —			
Municipal & School		\$246,400.00	
U.S. Treas. Bonds		40,000.00	
Certificate of Deposit			
Reserve Fund		10,000.00	\$296,400.00
Farm Loans		340,017.52	340,017.52
Land Sold on Contract			
Acquired Land		2,324.55	
Land Sold on Contract			
Grant Land		51,348.60	53,673.15
Cash Balance — Permanent Fund		12,341.81	
Cash Balance — Reserve Fund		2,510.84	14,852.65
Acres			
Acquired Land	480.00	*Value \$10.00 Per Acre	4,800.00
Unsold			
Grant Land	2,356.99	*Value \$10.00 Per Acre	23,569.90
Cancelled Contracts	440.38	*Value \$10.00 Per Acre	4,403.80
TOTAL—Acres	3,277.37		\$737,717.02
*Estimated Value			

UNIVERSITY**Grand Forks**

Under Section 14 of the Enabling Act admitting the State, there was granted seventy-two sections, or 46,080 acres, and under Section 17 of said Act 40,000 acres, making a total of 86,080 acres for the University. Of this grant, 86,066 acres have been selected by the State for this institution at Grand Forks.

Investments**Bonds —**

Municipal & School	\$525,400.00	
U.S. Treas. Bonds	25,000.00	

Certificate of Deposit		
Reserve Fund	41,000.00	\$591,400.00
Farm Loans	825,279.55	825,279.55
Land Sold on Contract		
Acquired Land	1,652.85	
Land Sold on Contract		
Grant Land	134,622.65	136,275.50
Cash Balance — Permanent Fund	43,221.34	
Cash Balance — Reserve Fund	8,757.44	51,978.78

	Acres		
Acquired Land	2,005.10	*Value \$10.00 Per Acre	20,051.00
Unsold			
Grant Land	5,829.02	*Value \$10.00 Per Acre	58,290.20
Cancelled Contracts	2,978.81	*Value \$10.00 Per Acre	29,788.10
TOTAL—Acres	10,812.93		\$1,713,063.13

*Estimated Value

LAND SELECTIONS AND ACRE DISTRIBUTION

Original Grant Lands
Cancelled Contract Lands
Acquired Lands

	Acres Selected	Acres Sold On Contract	Cancelled Contract Acres	Acquired Lands	Unsold Grant Land	Total Acres Held June 30, 1972
Common Schools	2,523,383.78	1,883,050.28	24,940.35	29,201.56	640,333.50	694,475.41
N. D. State University	129,999.98	121,168.06	3,211.35	4,237.84	8,831.92	16,281.11
School for Blind	30,025.76	27,680.67	318.00	1,139.47	2,345.09	3,802.56
Capitol Building	82,326.14	71,157.89	957.00	160.00	11,168.25	12,285.25
School for Deaf	39,966.53	36,827.23	981.01	1,192.70	3,139.30	5,313.01
State Hospital	20,000.98	18,320.47	348.24	311.16	1,680.51	2,339.91
Ellendale State Teachers College.....	39,997.24	36,822.21	681.61	1,462.71	3,175.03	5,319.35
Normal Schools—						
Mayville %	30,002.21	27,723.33	682.15	640.00	2,278.88	3,601.03
Valley City %	50,003.69	46,205.57	1,136.92	640.00	3,798.12	5,575.04
North Dakota Industrial School	40,024.94	37,663.09	957.34	1,096.36	2,361.85	4,415.55
School of Science	39,997.16	37,810.78	480.19	1,609.01	2,186.38	4,275.58
School of Mines	40,003.51	37,857.79	668.82	1,347.54	2,145.72	4,162.08
Soldiers' Home	39,972.36	37,615.37	440.38	480.00	2,356.99	3,277.37
University	86,066.00	80,236.98	2,978.81	2,005.10	5,829.02	10,812.93
TOTAL ACRES	3,191,770.28	2,500,139.72	38,782.17	45,523.45	691,630.56	775,936.18

GRANT LAND SOLD ON CONTRACT
Land Contracts Held by the State June 30, 1972

	Acres	No. of Contracts	Principal
Common Schools	156,291.97	1,032	\$4,948,214.46
North Dakota State University	5,791.06	40	291,220.10
School for Blind	1,389.84	13	44,430.95
Capitol Building	3,720.85	25	177,566.45
School for Deaf	2,260.21	18	74,863.70
State Hospital	958.00	8	21,522.65
Ellendale State Teachers College	1,034.98	8	29,163.05
Normal Schools —			
Mayville $\frac{3}{8}$ }			
Valley City $\frac{5}{8}$ }	2,437.93	20	75,419.70
North Dakota Industrial School	2,460.95	21	62,599.50
School of Science	1,980.04	20	44,953.55
School of Mines	1,830.98	17	52,835.15
Soldiers Home	2,053.22	17	51,348.60
University	4,363.69	36	134,622.65
TOTAL	186,573.72	1,275	\$5,918,760.51

Land sold on contract from November 1, 1971 to June 30, 1972 in the amount of \$1,047,901.00. Interest on this amount has not been paid and will not be due until November 1st, 1972. However, this is drawing interest at the rate of 7% per annum.

FARM LOAN INVESTMENTS**June 30, 1972**

	No. of Loans	Acres	Amount
Common Schools	1,470	1,209,762.19	\$27,824,163.30
N. D. State University	46	38,074.00	1,167,513.70
School for Blind	9	7,050.00	158,654.90
School for Deaf	20	13,049.00	391,248.42
State Hospital	13	6,153.00	178,306.40
Ellendale State Teachers College	18	9,364.00	283,460.15
Valley City Normal	17	11,379.00	348,984.35
Mayville Normal	9	4,015.00	116,790.50
N. D. Industrial School	13	6,922.00	213,843.65
School of Science	12	6,014.00	192,687.40
School of Mines	11	6,481.00	184,636.55
Soldiers Home	18	14,537.00	340,017.52
University	39	34,897.11	825,279.55
TOTAL	1,695	1,367,697.30	\$32,225,586.39

\$6,041,600.00 was invested in Farm Loans from December 1, 1971 to June 30, 1972. Interest on this amount has not been paid and will not be due until December 1, 1972. Interest rate is considered and set at the monthly board meetings. Loans granted after April 29, 1971 are drawing interest at the rate of 7%.

FARMERS HOME ADMINISTRATION INVESTMENTS**June 30, 1972**

No. of Loans	Amount
43	\$789,700.71

ACQUIRED LAND SOLD ON CONTRACT**June 30, 1972**

	No. of Contracts	Acres	Amount
Common Schools	27	4,994.65	\$52,315.35
North Dakota State University....	4	1,071.77	8,187.05
School for Blind	1	320.00	637.75
Capitol Building	None		
School for Deaf	1	320.00	1,661.70
State Hospital	None		
Ellendale State Teachers College	1	160.00	2,380.00
Valley City Normal	None		
Mayville Normal	None		
North Dakota Industrial School....	1	160.00	391.15
School of Science	1	160.00	2,093.80
School of Mines	3	480.00	2,356.60
Soldiers' Home	2	480.00	2,324.55
University	1	160.00	1,652.85
TOTAL	42	8,306.42	\$74,000.80

INVESTMENTS
June 30, 1972

	U.S. Treas. Bonds	F.H.A. Notes	Fed. Land Bank Bonds	Gov't. Natl. Mtg. Assn.
Common Schools	\$9,372,866.66	\$2,004,020.64	\$478,530.66	\$1,148,473.62
North Dakota				
State University	50,000.00	-----	-----	-----
School for Blind	33,000.00	-----	-----	-----
Capitol Building		-----	-----	-----
Deaf School	26,000.00	-----	-----	-----
State Hospital	3,000.00	-----	-----	-----
Ellendale State College	11,500.00	-----	-----	-----
Valley State College...	50,000.00	-----	-----	-----
Mayville State College	18,000.00	-----	-----	-----
North Dakota				
Industrial School.....	10,500.00	-----	-----	-----
School of Science.....	29,000.00	-----	-----	-----
School of Mines.....	39,000.00	-----	-----	-----
Soldiers Home.....	40,000.00	-----	-----	-----
University	25,000.00	-----	-----	-----
TOTALS	\$9,707,866.66	\$2,004,020.64	\$478,530.66	\$1,148,473.62

INVESTMENTS
June 30, 1972

Export-Import Bank Debentures	Municipals	Certificate of Deposit (Reserve Fund)	Certificate of Deposit	TOTAL
\$1,943,614.68	\$5,003,402.57	\$97,000.00	-----	\$20,047,908.83
-----	1,199,080.00	63,000.00	-----	1,312,080.00
-----	330,700.00	20,000.00	-----	383,700.00
-----	96,000.00	7,000.00	\$203,000.00	306,000.00
-----	182,940.00	21,000.00	-----	229,940.00
-----	220,400.00	5,000.00	-----	228,400.00
-----	365,700.00	21,000.00	-----	398,200.00
-----	344,800.00	11,000.00	-----	405,800.00
-----	339,850.00	18,000.00	-----	375,850.00
-----	571,300.00	31,000.00	-----	612,800.00
-----	387,600.00	29,000.00	-----	445,600.00
-----	451,900.00	31,000.00	-----	521,900.00
-----	246,400.00	10,000.00	-----	296,400.00
-----	525,400.00	41,000.00	-----	591,400.00
\$1,943,614.68	\$10,265,472.57	\$405,000.00	\$203,000.00	\$26,155,978.83

PERMANENT FUND COLLECTIONS**July 1, 1970 to June 30, 1972**

	Land Sold on Contract	Land Sold Cash Sales	Easements	Bonds	Farm Loans
Common Schools.....	\$1,301,513.96	\$53,215.29	\$4,467.10	\$5,292,885.88	\$5,601,237.88
N.D.S.U.	69,506.88	-----	-----	385,836.25	155,438.15
School for Blind.....	11,971.51	2,000.00	-----	89,400.00	14,185.65
Capitol Building.....	41,751.65	385.70	275.00	33,000.00	-----
School for Deaf.....	20,475.01	-----	-----	196,552.50	53,812.90
State Hospital.....	15,397.91	-----	-----	50,468.75	11,905.14
Ellendale State Teachers College.....	15,574.83	-----	-----	122,512.50	115,102.02
Valley City State College.....	19,337.28	3,750.00	28.00	249,212.50	34,263.08
Mayville State College	11,602.68	2,250.00	17.00	65,686.25	12,682.85
North Dakota Industrial School — Mandan	15,577.88	-----	-----	133,856.25	21,615.20
Science School.....	14,488.75	-----	-----	97,525.00	21,765.85
School of Mines.....	25,650.40	-----	-----	109,968.75	18,248.70
Soldiers Home.....	9,062.31	-----	-----	104,275.00	13,775.96
University.....	43,868.23	226.80	25.00	220,612.50	68,097.95
TOTALS	\$1,615,779.28	\$61,827.79	\$4,812.10	\$7,151,792.13	\$6,142,131.33

PERMANENT FUND COLLECTIONS

July 1, 1970 to June 30, 1972

Royalty Coal - Gravel Scoria	X Contracts	F.H.A. Loans	Royalty Oil and Gas	Redeemed Certificate of Deposit	Transfers	TOTAL
\$78,719.74	\$16,401.97	\$107,299.47	\$647,121.05	\$1,500,000.00		\$14,602,862.34
	1,530.21		17,617.79			629,929.28
			1,616.65			119,173.81
9,512.04			2,482.62		\$1,041.12	88,448.13
	478.65					271,319.06
			11,373.51			89,145.31
	499.49					253,688.84
						306,590.86
						92,238.78
			7,143.76			178,193.09
						133,779.60
	377.55					154,245.40
	398.95					127,512.22
220.00	328.00		1,264.20			334,642.68
\$88,451.78	\$20,014.82	\$107,299.47	\$688,619.58	\$1,500,000.00	\$1,041.12	\$17,381,769.40

The above collected monies are placed in the Permanent Trust Fund for each of the above listed schools and institutions. These permanent trust funds can never be spent but must be invested. However, the earnings from the investments are spent by the schools and institutions.

COLLECTIONS

Interest and Income

July 1, 1970 to June 30, 1972

EARNINGS

	Interest on Contracts	Land Rentals	Bond Interest	Interest on Loans	Coal and Uranium	Oil and Gas Leases	Interest on X-Contracts	Interest F.H.A. Loans	TOTALS
Common Schools	\$452,755.41	\$1,523,354.47	\$1,852,363.96	\$2,688,351.90	\$7,206.02	\$357,826.29	\$5,511.31	\$135,874.11	\$7,023,243.47
North Dakota State University	20,396.29	53,355.65	138,363.61	96,439.74	302.00	8,827.35	772.60		318,457.24
Blind School	3,910.60	9,778.01	37,362.26	12,392.20		2,188.93	68.95		65,700.95
Capitol Building	12,185.95	31,713.00	32,522.50			3,695.50			80,116.95
School for Deaf	7,743.24	15,622.99	33,111.35	32,438.65	155.76	2,142.01	121.35		91,335.35
State Hospital	2,519.12	5,773.20	22,851.24	14,798.21		1,165.08	1.90		47,108.75
Ellendale State College	4,079.97	14,137.07	40,290.06	26,009.48		2,749.64	255.96		87,522.18
Valley City State College	4,068.91	15,397.91	51,915.45	23,951.27	320.00	1,951.59			97,605.13
Mayville State College	2,441.73	10,060.98	37,740.67	6,700.00	310.58	4,788.88			62,042.84
North Dakota Industrial School — Mandan	5,781.58	16,227.45	61,309.12	12,636.80	320.00	8,059.42	85.57		104,419.94
School of Science	3,388.71	11,336.21	46,020.01	12,490.63	159.40	1,624.78	204.71		75,224.45
School of Mines	4,242.72	15,729.00	52,080.66	9,498.40	320.00	5,892.13	245.72		88,008.63
Soldiers Home	5,633.92	9,833.46	30,544.25	23,298.89		1,450.33	229.50		70,990.35
University	12,917.34	34,518.87	64,580.97	76,061.32	80.00	4,474.45	207.27		192,840.22
TOTALS	\$542,065.49	\$1,766,838.27	\$2,501,056.11	\$2,635,067.49	\$9,173.76	\$406,836.35	\$7,704.81	\$135,874.11	\$8,404,616.45

The above collected monies go to the various schools and institutions listed above and may be spent by them. In the case of Common Schools, the monies are apportioned out quarterly to the school Districts on a per pupil basis.

COLLECTIONS DISTRIBUTED TO INSTITUTIONAL FUNDS**From July 1, 1970 to June 30, 1972**

Land Contracts (Grant Land)	\$1,615,779.28	
Land Sold — (Cash)	61,827.79	
Easements	4,812.10	
Bond Collections	7,151,792.13	
Farm Loans	6,142,131.33	
Royalty—Coal, Gravel & Scoria	88,451.78	
X-Contracts (Acquired Land)	20,014.82	
F.H.A. Loans	107,299.47	
Royalty—Oil & Gas	688,619.58	
Redeemed Certificates of Deposits	1,500,000.00	
Transfer	1,041.12	
Credited to Permanent Fund, Common Schools and Institutions		\$17,381,769.40
Interest on Contracts (Grant Land)	542,065.49	
Land Rentals	1,766,838.27	
Interest on Bonds	2,501,056.11	
Interest on Farm Loans	3,035,067.49	
Coal & Uranium	9,173.76	
Oil & Gas Leases	406,836.38	
Interest on X-Contracts (Acquired Land)	7,704.84	
Interest -- F.H.A. Loans	135,874.11	
Credited to Interest and Income Fund, Common Schools and Institutions		8,404,616.45
Reserve Fund		18,589.94
Fees—Land Sales Cost, Advertising, Appraising, Etc. Oil Leasing Farm Loan, Application Fees, Patent and Deed Fees credited to General Fund		20,801.33
TOTAL		\$25,825,777.12

TOTAL COST OF OPERATION OF THE DEPARTMENT**July 1, 1970 to June 30, 1972**

	Expenditures
Salaries, Social Security, OASIS, Blue Cross, Retirement Fund & Workman's Compensation Ins.	\$267,752.79
Fees and Service, Postage, Miscellaneous, Leasing, Pub- lishing Notice Land Sales, Appraisals, Travel, Rent and Telephone	52,473.10
Supplies and Materials, Central Duplicating, Printing	5,631.70
Equipment and Furniture	2,438.69
TOTAL	\$328,296.28

GRANT LAND SOLD ON CONTRACT**From July 1, 1970 to June 30, 1972**

No. of Tracts	No. of Acres	Purchase Price
144	21,486.70	\$1,630,721.00

DEEDS AND PATENTS ISSUED**From July 1, 1970 to June 30, 1972**

310 Patents covering 45,414.46 acres

31 Quit Claim Deeds covering 6,095.00 acres

25 Deeds covering 1,038.07 acres were issued for purposes over which the right of eminent domain was exercised. Several easements for temporary use in road construction were granted.

366 Total

63 Contracts were assigned during this period.

SCHOOL BONDS PURCHASED**From July 1, 1970 to June 30, 1972**

No. of Bonds Issued	Amount
7	\$910,100.00

FARM LOAN INVESTMENTS COMPLETED**From July 1, 1970 to June 30, 1972**

No. of Loans	Amount
454	\$14,898,100.00

LEASING DEPARTMENT

Leases for hay, grazing and other agricultural purposes were issued in 1971 on 12,522.78 cultivated acres and on 202,836.59 acres of uncultivated acres. These tracts brought in \$316,086.93 in first year rentals.

Leases were issued in 1972 on 8,851.96 cultivated acres and on 243,017.32 uncultivated acres, for first year rentals of \$309,086.75.

The above leases were issued under the minimum rental rates as established in June, 1969. That rate is \$2.00 per animal unit month where the carrying capacity has been established by the soil Conservation Service or the Forest Service Technicians and supplied to this Department. Where the carrying capacity has not been supplied for uncultivated land, the minimum rent is 3% of the department's valuation of the land, but no minimum rent set higher than \$200.00 per quarter section under this method. The minimum rent on cultivated land is \$5.00 per acre.

OIL AND GAS: Seven oil and gas leasing auctions were held in the period July 1, 1970 to June 30, 1972. Leases were sold on 91,464.03 mineral acres bringing \$203,353.26 in bonuses and \$22,903.70 in first year rentals.

URANIUM LEASES: Twenty six uranium leases were issued during the period from July 1, 1970 to June 30, 1972. The total acres leased were 4,311.88 bringing \$4,311.88 in bonuses and \$4,311.88 in first year rentals.

EMPLOYEES STATE LAND DEPARTMENT

July 1, 1970 to June 30, 1972

Otto N. Bervik, Leasing Manager and Assistant to Commissioner	\$19,010.00	24 months
Spars Christenson, Cashier	12,075.00	24 months
Theresa Fischer, Bond & Mtg. Manager	15,365.00	24 months
Alvina Glatt, Asst. Leasing Manager	12,195.00	24 months
Pearl Herron, Asst. Cashier	11,015.00	24 months
Catherine L. Hruby, Asst. Collection Mgr.	11,970.00	24 months
Anna C. Jaeger, Asst. Bond & Mtg. Mgr.	11,150.00	24 months
*Del Joan Lachenmeier, Bookkeeper	1,912.41	4½ months
Jeannie Loeb, Clerk-Typist	6,265.00	20 months
Joyce E. Malmstad, Accountant & Office Mgr.	17,955.00	24 months
James F. Melchior, Bookkeeper	9,869.56	24 months
*Paul A. Neidhardt, Fieldman, New Salem, N. Dak.	5,906.00	24 months
Margaret D. Pederson, Sales Manager	12,195.00	24 months
Emma L. Peightal, Title Manager	12,195.00	24 months
Albert Schmalenberger, State Land Commissioner	22,200.00	24 months
David H. Schuh, Fieldman, Underwood, N. Dak.	13,190.00	24 months
Thomas O. Smith, Attorney	10,275.00	12 months
Marvin M. Thompson, Collection Manager	15,530.00	24 months
E. A. Tough, Fieldman, Strasburg, N. Dak.	11,932.00	24 months
Lavina Wegner, Secretary to Commissioner ..	12,195.00	24 months

*Part Time Employee

**Resigned

SPECIAL ANNUAL REPORT

of the

Board of University and School Lands

6th FLOOR, CAPITOL BUILDING

Bismarck, North Dakota 58501



R. E. Lommen, COMMISSIONER

July 1, 1972—June 30, 1973

SPECIAL ANNUAL REPORT

of the

Board of University and School Lands

Bismarck, North Dakota 58501



July 1, 1972—June 30, 1973

The Governing Body created by Section 156 of Article IX of the Constitution of the State of North Dakota, consists of the following officers:

HON. ARTHUR A. LINK, President	Governor
BEN MEIER, Vice President	Secretary of State
ROBERT PETERSON	State Auditor
ALLEN I. OLSON	Attorney General
M. F. PETERSON	Superintendent of Public Instruction
R. E. LOMMEN	Secretary-Commissioner of University and School Lands



Bismarck, North Dakota
October 10, 1973

Honorable Arthur A. Link
Governor of North Dakota
PRESIDENT, Board of University
and School Lands
State Capitol Building
Bismarck, North Dakota 58501

Dear Governor Link:

In accordance with Chapter No. 15-02-08 North Dakota Century Code, I am privileged to submit herewith the Special Annual Report of the Board of University and School Lands for the period July 1, 1972 through June 30, 1973.

The Board and staff of the University and School Lands, pledge themselves to good sound management of the affairs of the Land Department, while seeking the ultimate in returns for the funds.

Respectfully submitted,

R. E. LOMMEN, Commissioner
of University and School Lands

Bismarck, North Dakota
October 10, 1973

Honorable Ben Meier
Secretary of State
State of North Dakota
VICE PRESIDENT, Board of University
and School Lands
State Capitol Building
Bismarck, North Dakota 58501

Dear Mr. Meier:

In accordance with Chapter No. 15-02-08 North Dakota Century Code, I am privileged to submit herewith the Special Annual Report of the Board of University and School Lands for the period July 1, 1972 through June 30, 1973.

The Board and staff of the University and School Lands, pledge themselves to good and sound management of the affairs of the Land Department, while seeking the ultimate in returns for the funds.

Respectfully submitted,

R. E. LOMMEN, Commissioner
of University and School Lands

OFFICE FORCE

R. E. Lommen Land Commissioner
Lavina Wegner Secretary

Accounting Department

Joyce Malmstad Accountant
Spara Christenson Cashier
Pearl Herron Assistant Cashier

Collection Department

Marvin Thompson Manager
Catherine Hruby Assistant Manager

Land Sales Department

Margaret Pederson Sales Manager

Title Department

Emma Peightal Title Manager

Bond & Mortgage Department

Theresia Fischer Manager
Anna Jaeger Assistant Manager
Bernice Asbridge Investment Advisor

Leasing Department

Otto Bervik Leasing Manager & Deputy Commissioner
James Melchior Assistant Leasing Manager
Amy Erling Clerk-Typist

Fieldmen

David H. Schuh Underwood, N. Dak.
Paul Neidhardt New Salem, N. Dak.
E. A. Tough Strasburg, N. Dak.

Legal Department

Thomas O. Smith Attorney

STATEMENT OF LAND GRANT FUNDS

June 30, 1973

Investments—

Gov't. National Mtg. Assn.....	\$ 2,785,860.33
F.H.A. Notes.....	1,002,875.42
Municipal & School Bonds.....	8,264,220.00
U.S. Treas. Bonds.....	8,347,045.03
Export-Import Bank Debenture.....	2,915,422.00
Federal Land Bank Bonds.....	193,000.00
U.S. Treas. Bills.....	707,504.79

Certificate of Deposit Reserve Fund.....	595,300.00
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Certificate of Deposit Capital Building.....	203,000.00	\$25,014,227.57
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F.H.A. Loans.....	701,208.68
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Farm Loans.....	35,450,698.66	36,151,907.34
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Land Sold on Contract Acquired Land.....	60,966.30
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Land Sold on Contract Grant Land.....	5,536,862.04	5,597,828.34
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Cash Balance—Permanent Fund.....	388,632.71
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Cash Balance—Reserve Fund.....	5,930.41	394,563.12
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	Acres		
Acquired Land.....	45,634.45	*Value \$10.00 Per Acre.....	456,344.50
Unsold Grant Land.....	687,342.89	*Value \$10.00 Per Acre.....	6,873,428.90
Cancelled Contracts.....	38,380.14	*Value \$10.00 Per Acre.....	383,801.40
TOTAL ACRES	771,357.48		\$74,872,101.17

*Constitutional Minimum Value

**STATEMENT OF LAND GRANT FUNDS IN
VARIOUS SUB-DIVISIONS TO JUNE 30, 1973**

Common Schools

On admission to the Union, Congress granted to the State of North Dakota, for the support of common schools, sections 16 and 36 in every township in the State, and where these sections or parts thereof were omitted on account of being embraced in lakes, rivers or having been homesteaded prior to survey, the State was allowed to select land elsewhere from any public land in the State, an equal area to supply the loss, and such lieu lands are designated as "Indemnity Lands", which are common school lands other than Section 16 and 36, the proceeds from indemnity lands also to go to the Common School Fund. Of this grant 2,523,383.78 acres have been selected.

Investments

U.S. Treas. Bonds.....	\$ 7,893,045.03	
U.S. Treas. Bills.....	707,504.79	
F.H.A. Notes.....	1,002,875.42	
Gov't. National Mtg. Assn.....	2,785,860.33	
Export-Import Bank Debenture.....	2,915,422.00	
Municipal & School Bonds.....	3,828,610.00	
Certificate of Deposit		
Reserve Fund.....	215,000.00	\$19,348,317.57
F.H.A. Loans.....	701,208.68	
Farm Loans.....	30,160,879.54	30,862,088.22
Land Sold on Contract		
Acquired Land.....	43,476.95	
Land Sold on Contract		
Grant Land.....	4,625,319.44	4,668,796.39
Cash Balance—Permanent Fund.....	296,228.21	
Cash Balance—Reserve Fund.....	3,492.26	299,720.47
Acres		
Acquired Land.....	29,312.56	*Value \$10.00 Per Acre 293,125.60
Unsold Grant Land.....	637,286.07	*Value \$10.00 Per Acre 6,372,860.70
Cancelled Contracts.....	24,620.35	*Value \$10.00 Per Acre 246,203.50
TOTAL—ACRES	691,218.98	\$62,091,112.45

*Constitutional Minimum Value

NORTH DAKOTA STATE UNIVERSITY

Fargo

Under Section 16 of the Enabling Act admitting this State, there was granted 90,000 acres, and under Section 17 an additional 40,000 acres, for the support of the North Dakota State University, making a total of 130,000 acres granted by Congress for this institution at Fargo.

Of this grant, 129,999.98 acres have been selected.

Investments

Bonds—

U.S. Treas. Bonds.....	\$ 50,000.00	
Federal Land Bank Bonds.....	120,000.00	
Municipal & School.....	1,000,040.00	
Certificate of Deposit		
Reserve Fund.....	84,800.00	\$1,254,840.00
Farm Loans.....	1,312,396.00	1,312,396.00
Land Sold on Contract		
Acquired Land.....	6,919.80	
Land Sold on Contract		
Grant Land.....	185,863.15	192,782.95
Cash Balance—Permanent Fund.....	8,893.11	
Cash Balance—Reserve Fund.....	545.14	9,438.25
Acres		
Acquired Land.....	4,237.84	*Value \$10.00 Per Acre 42,378.40
Unsold Grant Land.....	8,831.92	*Value \$10.00 Per Acre 88,319.20
Cancelled Contracts.....	3,211.35	*Value \$10.00 Per Acre 32,113.50
TOTAL—ACRES	16,281.11	\$2,932,268.30

*Constitutional Minimum Value

SCHOOL FOR THE BLIND

Grand Forks

Under Section 17 of the Enabling Act, there was granted 170,000 acres for educational and charitable purposes to be determined by the State Legislature: 30,025.76 acres of this grant has been apportioned to and selected by the State for the benefit of the School for the Blind at Grand Forks.

Investments

Bonds—

U.S. Treas. Bonds.....	\$ 33,000.00	
Municipal & School.....	286,200.00	
Certificate of Deposit		
Reserve Fund.....	24,300.00	\$343,500.00
Farm Loans.....	223,543.45	223,543.45
Land Sold on Contract Acquired Land.....	282.90	
Land Sold on Contract Grant Land.....	40,036.10	40,319.00
Cash Balance—Permanent Fund.....	8,206.47	
Cash Balance—Reserve Fund.....	418.31	8,624.78
Acres		
Acquired Land.....	\$1,139.47	*Value \$10.00 Per Acre 11,394.70
Unsold Grant Land.....	2,345.09	*Value \$10.00 Per Acre 23,450.90
Cancelled Contracts.....	238.00	*Value \$10.00 Per Acre 2,380.00
TOTAL—ACRES	3,722.56	\$653,212.83

*Constitutional Minimum Value

CAPITOL BUILDING

Bismarck

Under Section 12 of the Enabling Act admitting the State, there was granted fifty sections, or 32,000 acres, and under Section 17 of the same Act 50,000 acres for public buildings at the Capitol of the State, making 82,000 acres for the Capitol Building. However, there was an over-selection of 326.14 acres for this State Institution, making a total selection of 82,326.14 acres.

Investments

Bonds—

Federal Land Bank Bonds.....	\$ 17,000.00	
Municipal & School.....	73,000.00	
Certificate of Deposit.....	203,000.00	
Certificate of Deposit Reserve Fund.....	9,000.00	\$302,500.00
Land Sold on Contract Acquired Land.....	NONE	
Land Sold on Contract Grant Land.....	186,568.75	186,568.75
Cash Balance—Permanent Fund.....	19,477.25	
Cash Balance—Reserve Fund.....	20.63	19,497.88

Acres

Acquired Land.....	160	*Value \$10.00 Per Acre.....	1,600.00
Unsold Grant Land.....	10,848.25	*Value \$10.00 Per Acre.....	108,482.50
Cancelled Contracts.....	957.00	*Value \$10.00 Per Acre.....	9,570.00

TOTAL—ACRES 11,965.25 Total Permanent Fund Investment 628,219.13

**Accumulative Interest and Income Account..... 348,515.39

TOTAL..... \$976,734.52

*Constitutional Minimum Value

**On October 17, 1973, the Land Commissioner received authorization from the Capitol Grounds Planning Commission, to invest these funds in U.S. Gov't. securities, keeping in mind the potential need for liquidity.

SCHOOL FOR THE DEAF

Devils Lake

Under Section 17 of the Enabling Act admitting the State, there was granted 40,000 acres for the Deaf School. Of this grant 39,966.53 acres have been selected by the State for this Institution at Devils Lake.

Investments

Bonds—

U.S. Treas. Bonds.....	\$ 26,000.00	
Municipal & School.....	127,470.00	
Certificate of Deposit Reserve Fund.....	23,000.00	\$177,070.00
Farm Loans.....	500,227.05	500,227.05
Land Sold on Contract Acquired Land.....	1,411.55	
Land Sold on Contract Grant Land.....	69,337.20	70,748.75
Cash Balance—Permanent Fund.....	990.04	
Cash Balance—Reserve Fund.....	41.05	1,031.09

Acres

Acquired Land.....	1192.70	*Value \$10.00 Per Acre.....	11,927.00
Unsold Grant Land.....	3139.30	*Value \$10.00 Per Acre.....	31,393.00
Cancelled Contracts.....	981.01	*Value \$10.00 Per Acre.....	9,810.10

TOTAL—ACRES 5313.01 \$802,206.99

*Constitutional Minimum Value

STATE HOSPITAL

Jamestown

Under Section 17 of the Enabling Act admitting the State, there was granted for educational and charitable institutions 170,000 acres to be apportioned as the Legislature should determine. Of this grant 20,000.98 acres has been selected for the State Hospital at Jamestown.

Investments

Bonds—

U.S. Treas. Bonds.....	\$ 3,000.00
Federal Land Bank Bonds.....	24,000.00
Municipal & School.....	194,400.00

Certificate of Deposit

Reserve Fund.....	6,800.00	\$228,200.00
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Farm Loans.....	192,957.40	192,957.40
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Land Sold on Contract

Acquired Land.....	NONE
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Land Sold on Contract

Grant Land.....	18,029.60	18,029.60
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Cash Balance—Permanent Fund.....	15,738.38
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Cash Balance—Reserve Fund.....	77.36	15,815.74
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Acres

Acquired Land.....	311.16	*Value \$10.00 Per Acre.....	3,111.60
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Unsold Grant Land.....	1,600.51	*Value \$10.00 Per Acre.....	16,005.10
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Cancelled Contracts.....	348.24	*Value \$10.00 Per Acre.....	3,482.40
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TOTAL—ACRES	2,259.91	\$477,601.84
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*Constitutional Minimum Value

ELLENDALE STATE TEACHERS COLLEGE

Ellendale

Under Section 17 of the Enabling Act admitting the State, there was granted for educational purposes 170,000 acres of which 40,000 acres have been apportioned and 39,997.24 acres have been selected by the State for the benefit of the State Teachers College at Ellendale.

Bonds—

U.S. Treas. Bonds.....	\$ 11,500.00
Federal Land Bank Bonds.....	8,000.00
Municipal & School.....	350,700.00

Certificate of Deposit

Reserve Fund.....	23,900.00	\$394,100.00
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Farm Loans.....	310,100.10	310,100.10
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Land Sold on Contract

Acquired Land.....	2,115.20
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Land Sold on Contract

Grant Land.....	26,668.15	28,783.35
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Cash Balance—Permanent Fund.....	2,344.79
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Cash Balance—Reserve Fund.....	40.26	2,385.05
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Acres

Acquired Land.....	1,462.71	*Value \$10.00 Per Acre.....	14,627.10
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Unsold Grant Land.....	3,089.09	*Value \$10.00 Per Acre.....	30,890.90
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Cancelled Contracts.....	681.61	*Value \$10.00 Per Acre.....	6,816.10
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TOTAL—ACRES	5,233.41	\$787,702.60
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*Constitutional Minimum Value

NORMAL SCHOOLS

Valley City—Mayville

Under Section 17 of the Enabling Act admitting the State, there was granted for the State Normal Schools 80,000 acres. The Legislature of the State has apportioned 30,000 acres of this grant to the Mayville Normal and 50,000 acres of this grant to the Valley City Normal. In the selection of these lands, however, no division was made but the full 80,000 acres taken for Normal Schools, and, in the division of receipts for such lands five-eighths is given to the Valley City institution and three-eighths to Mayville, being the proportion to which each is entitled according to the area of the grants to each. There was, however, an over-selection of 5.90 acres, making the total acres selected for the above Normal Schools 80,005.90.

Investments—Valley City Normal

Bonds—			
U.S. Treas. Bonds.....	\$ 50,000.00		
Federal Land Bank Bonds.....	24,000.00		
Municipal & School.....	291,000.00		
Certificate of Deposit			
Reserve Fund.....	14,100.00		\$379,100.00
Farm Loans.....	431,756.30		431,756.30
Land Sold on Contract			
Acquired Land.....	NONE		
Land Sold on Contract			
Grant Land.....	52,125.15		52,125.15
Cash Balance—Permanent Fund.....	2,244.11		
Cash Balance—Reserve Fund.....	27.24		2,271.35
Acres			
Acquired Land.....	640	*Value \$10.00 Per Acre	6,400.00
Unsold Grant Land.....	3,598.12	*Value \$10.00 Per Acre	35,981.20
Cancelled Contracts.....	1,136.92	*Value \$10.00 Per Acre	11,369.20
TOTAL—ACRES	5,375.04		\$919,003.20

*Constitutional Minimum Value

Investments—Mayville

Bonds—			
U.S. Treas. Bonds.....	\$ 47,000.00		
Municipal & School.....	270,650.00		
Certificate of Deposit			
Reserve Fund.....	18,400.00		\$336,050.00
Farm Loans.....	172,922.95		172,922.95
Land Sold on Contract			
Acquired Land.....	NONE		
Land Sold on Contract			
Grant Land.....	31,275.10		31,275.10
Cash Balance—Permanent Fund.....	908.26		
Cash Balance—Reserve Fund.....	24.48		932.74
Acres			
Acquired Land.....	640.00	*Value \$10.00 Per Acre	6,400.00
Unsold Grant Land.....	2,158.88	*Value \$10.00 Per Acre	21,588.80
Cancelled Contracts.....	682.15	*Value \$10.00 Per Acre	6,821.50
TOTAL—ACRES	3,481.03		\$575,991.09

*Constitutional Minimum Value

NORTH DAKOTA INDUSTRIAL SCHOOL

Mandan

Under Section 17 of the Enabling Act admitting the State, there was granted by Congress to the State Industrial School 40,000 acres. An over-selection of 24.94 acres was made, making the total acres selected for this institution at Mandan 40,024.94 acres.

Investments

Bonds—			
U.S. Treas. Bonds	\$ 31,500.00		
Municipal & School	510,600.00		
Certificate of Deposit			
Reserve Fund	37,500.00	\$579,600.00	
Farm Loans	278,218.00	278,218.00	
Land Sold on Contract			
Acquired Land	222.90		
Land Sold on Contract			
Grant Land	46,876.60	47,099.50	
Cash Balance—Permanent Fund	1,258.69		
Cash Balance—Reserve Fund	180.96	1,439.65	
Acres			
Acquired Land	1,096.36	*Value \$10.00 Per Acre	10,963.60
Unsold Grant Land	2,361.85	*Value \$10.00 Per Acre	23,618.50
Cancelled Contracts	957.34	*Value \$10.00 Per Acre	9,573.40
<hr/>			
TOTAL—ACRES	4,415.55		\$950,512.65

*Constitutional Minimum Value

SCHOOL OF SCIENCE

Wahpeton

Of the 170,000 acres granted to the State under Section 17 of the Enabling Act for educational and charitable purposes, 40,000 acres have been given by the State Legislature to the School of Science at Wahpeton, and of which 39,997.16 acres have been selected.

Investments

Bonds—			
U.S. Treas. Bonds	\$ 71,000.00		
Municipal & School	325,650.00		
Certificate of Deposit			
Reserve Fund	33,300.00	\$429,950.00	
Farm Loans	239,810.05	239,810.05	
Land Sold on Contract			
Acquired Land	1,811.55		
Land Sold on Contract			
Grant Land	40,755.10	42,566.65	
Cash Balance—Permanent Fund	2,225.82		
Cash Balance—Reserve Fund	360.35	2,586.17	
Acres			
Acquired Land	1,609.01	*Value \$10.00 Per Acre	16,090.10
Unsold Grant Land	2,026.38	*Value \$10.00 Per Acre	20,263.80
Cancelled Contracts	480.19	*Value \$10.00 Per Acre	4,801.90
<hr/>			
TOTAL—ACRES	4,115.58		\$756,068.67

*Constitutional Minimum Value

SCHOOL OF MINES

Grand Forks

Under Section 17 of the Enabling Act admitting the State, there was granted for the School of Mines 40,000 acres. There was an over-selection of 3.51 acres by the State, making a total of 40,003.51 acres for this institution, which is located at Grand Forks in connection with the University.

Investments

Bonds—

U.S. Treas. Bonds.....	\$ 39,000.00	
Municipal & School.....	379,200.00	
Certificate of Deposit		
Reserve Fund.....	41,500.00	\$459,700.00
Farm Loans.....	274,243.10	274,243.10
Land Sold on Contract		
Acquired Land.....	1,545.75	
Land Sold on Contract		
Grant Land.....	61,561.60	63,107.35
Cash Balance—Permanent Fund.....	2,303.69	
Cash Balance—Reserve Fund.....	428.69	2,732.38
	Acres	
Acquired Land.....	1,347.54	*Value \$10.00 Per Acre 13,475.40
Unsold Grant Land.....	1,985.72	*Value \$10.00 Per Acre 19,857.20
Cancelled Contracts.....	668.82	*Value \$10.00 Per Acre 6,688.20
TOTAL—ACRES	4,002.08	\$839,803.63

*Constitutional Minimum Value

SOLDIERS HOME

Lisbon

Of the 170,000 acres granted by Section 17 of the Enabling Act for educational and charitable purposes, the State Legislature apportioned 40,000 acres to the Soldiers Home at Lisbon, and 39,972.36 acres of this grant has been selected.

Investments

Bonds—

U.S. Treas. Bonds.....	\$ 40,000.00	
Municipal & School.....	218,000.00	
Certificate of Deposit		
Reserve Fund.....	12,900.00	\$270,900.00
Farm Loans.....	384,121.02	384,121.02
Land Sold on Contract		
Acquired Land.....	1,700.75	
Land Sold on Contract		
Grant Land.....	46,141.35	47,842.10
Cash Balance—Permanent Fund.....	2,308.06	
Cash Balance—Reserve Fund.....	216.24	2,524.30
	Acres	
Acquired Land.....	480.00	*Value \$10.00 Per Acre 4,800.00
Unsold Grant Land.....	2,354.48	*Value \$10.00 Per Acre 23,544.80
Cancelled Contracts.....	440.38	*Value \$10.00 Per Acre 4,403.80
TOTAL—ACRES	3,274.86	\$738,136.02

*Constitutional Minimum Value

UNIVERSITY

Grand Forks

Under Section 14 of the Enabling Act admitting the State, there was granted seventy-two sections, or 46,080 acres, and under Section 17 of said Act 40,000 acres, making a total of 86,080 acres for the University. Of this grant, 86,066 acres have been selected by the State for this institution at Grand Forks.

Investments

Bonds—			
U.S. Treas. Bonds.....	\$ 52,000.00		
Municipal & School.....	408,700.00		
Certificate of Deposit			
Reserve Fund.....	49,700.00		\$510,400.00
Farm Loans.....	969,523.70		969,523.70
Land Sold on Contract			
Acquired Land.....	1,478.95		
Land Sold on Contract			
Grant Land.....	106,304.75		107,783.70
Cash Balance—Permanent Fund.....	25,505.83		
Cash Balance—Reserve Fund.....	57.44		25,563.27
Acres			
Acquired Land.....	2,005.10	*Value \$10.00 Per Acre	20,051.00
Unsold Grant Land.....	5,717.23	*Value \$10.00 Per Acre	57,172.30
Cancelled Contracts.....	2,976.78	*Value \$10.00 Per Acre	29,767.80
<hr/>			
TOTAL—ACRES	10,699.11		\$1,720,261.77

*Constitutional Minimum Value

LAND SELECTIONS AND ACRE DISTRIBUTION

Original Grant Lands
Cancelled Contract Lands
Acquired Lands

	Acres Selected	Acres Sold On Contract	Cancelled Contract Acres	Acquired Lands	Unsold Grant Land	Total Acres Held June 30, 1973
Common Schools.....	2,523,383.78	1,886,097.71	24,620.35	29,312.56	637,286.07	691,218.98
N. D. State University.....	129,999.98	121,168.06	3,211.35	4,237.84	8,831.92	16,281.11
Blind School.....	30,025.76	27,680.67	238.00	1,139.47	2,345.09	3,722.56
Capitol Building.....	82,326.14	71,477.89	957.00	160.00	10,848.25	11,965.25
School for Deaf.....	39,966.53	36,827.23	981.01	1,192.70	3,139.30	5,313.01
State Hospital.....	20,000.98	18,400.47	348.24	311.16	1,600.51	2,259.91
Ellendale College.....	39,997.24	36,908.15	681.61	1,462.71	3,089.09	5,233.41
Norman Schools—						
Mayville 3/8.....	30,002.21	27,843.33	682.15	640.00	2,158.88	3,481.03
Valley City 5/8.....	50,003.69	46,405.57	1,136.92	640.00	3,598.12	5,375.04
N. D. Ind. School—						
Mandan.....	40,024.94	37,663.09	957.34	1,096.36	2,361.85	4,415.55
Science School.....	39,997.16	37,970.78	480.19	1,609.01	2,026.38	4,115.58
School of Mines.....	40,003.51	38,017.79	668.82	1,347.54	1,985.72	4,002.08
Soldiers Home.....	39,972.36	37,617.88	440.38	480.00	2,354.48	3,274.86
University.....	86,066.00	80,348.77	2,976.78	2,005.10	5,717.23	10,699.11
TOTAL ACRES.....	3,191,770.28	2,504,427.39	38,380.14	45,634.45	687,342.89	771,357.48

GRANT LAND SOLD ON CONTRACT

Land Contracts Held by the State June 30, 1973

	Acres	No. of Contracts	Principal
Common Schools.....	145,955.70	962	\$4,625,319.44
North Dakota State University.....	5,651.01	38	185,863.15
School for Blind.....	1,229.84	12	40,036.10
Capitol Building.....	3,957.66	26	186,568.75
School for Deaf.....	2,260.21	18	69,337.20
State Hospital.....	600.31	5	18,029.60
Ellendale State Teachers College.....	993.39	8	26,668.15
Normal Schools—			
Mayville 3/8.....			
Valley City 5/8.....	2,281.68	19	83,400.25
North Dakota Industrial School.....	1,824.25	17	46,876.60
School of Science.....	1,792.11	19	40,755.10
School of Mines.....	1,830.98	18	61,561.60
Soldiers Home.....	2,013.22	16	46,141.35
University.....	3,942.07	33	106,304.75
TOTAL.....	174,332.43	1,191	\$5,536,862.04

ACQUIRED LAND SOLD ON CONTRACT

June 30, 1973

	No. of Contracts	Acres	Amount
Common Schools.....	20	3,594.65	\$43,476.95
North Dakota State University.....	4	1,071.77	6,919.80
School for Blind.....	1	320.00	282.90
Capitol Building.....	None		
School for the Deaf.....	1	320.00	1,411.55
State Hospital.....	None		
Ellendale State Teachers College.....	1	160.00	2,115.20
Valley City Normal.....	None		
Mayville Normal.....	None		
North Dakota Industrial School.....	1	160.00	222.90
School of Science.....	1	160.00	1,811.55
School of Mines.....	1	160.00	1,545.75
Soldiers Home.....	1	160.00	1,700.75
University.....	1	160.00	1,478.95
TOTAL.....	32	6,266.42	\$60,966.30

INVESTMENTS

June 30, 1973

	U.S. Treas. Obligations	Federal Land Bank Bonds	F.H.A. Notes and Loans	Gov't Natl. Mtg. Assn.
Common Schools.....	\$8,600,549.82	\$	\$1,704,984.10	\$2,785,860.33
N. D. State University.....	50,000.00	120,000.00		
School for Blind.....	33,000.00			
Capitol Building.....		17,000.00		
School for Deaf.....	26,000.00			
State Hospital.....	3,000.00	24,000.00		
Ellendale College.....	11,500.00	8,000.00		
Valley City College.....	50,000.00	24,000.00		
Mayville College.....	47,000.00			
Industrial School—Mandan.....	31,500.00			
Science School.....	71,000.00			
School of Mines.....	39,000.00			
Soldiers Home.....	40,000.00			
University.....	52,000.00			
TOTAL.....	\$9,054,549.82	193,000.00	1,704,084.10	2,785,860.33

INVESTMENTS
June 30, 1973

Export-Import Bank Debentures	School Dist. and Municipals	Farm Loans	Certificates of Deposit	TOTAL
\$2,915,422.00	\$3,828,610.00	\$30,160,879.54	\$215,000.00	\$50,210,405.79
	1,000,040.00	1,312,396.00	84,800.00	2,567,236.00
	286,200.00	223,543.45	24,300.00	567,043.45
	73,000.00		212,500.00	302,500.00
	127,470.00	500,227.05	23,600.00	677,297.05
	194,400.00	192,957.40	6,800.00	421,157.40
	350,700.00	310,100.10	23,900.00	704,200.10
	291,000.00	431,756.30	14,100.00	810,856.30
	270,650.00	172,922.95	18,400.00	508,972.95
	510,600.00	278,218.00	37,500.00	857,818.00
	325,650.00	239,810.05	33,300.00	669,760.05
	379,200.00	274,243.10	41,500.00	733,943.10
	218,000.00	384,121.02	12,900.00	655,021.02
	408,700.00	969,523.70	49,700.00	1,479,923.70
2,915,422.00	8,264,220.00	35,450,698.66	798,300.00	\$61,166,134.91

PERMANENT FUND COLLECTIONS

July 1, 1972 to June 30, 1973

	Land Sold on Contract	Land Sold Cash Sales	Easements	Bonds and Investments
Common Schools.....	\$655,795.02	\$ 9,881.67	\$3,188.10	\$2,722,189.48
N. D. State University.....	15,356.95			79,040.00
Blind School.....	4,394.85	4,000.00	30.00	44,500.00
Capitol Building.....	22,997.70	262.98	281.50	6,000.00
Deaf School.....	5,526.50			55,470.00
State Hospital.....	3,493.05	5,200.00	5.00	2,000.00
Ellendale College.....	3,267.10	8,013.02		7,000.00
Valley City College.....	7,324.53	7,500.00	3.00	29,800.00
Mayville College.....	4,394.92	4,500.00	2.00	40,200.00
N. D. Industrial School—Mandan..	14,180.40			39,700.00
Science School.....	4,968.75	10,400.00		19,950.00
School of Mines.....	7,073.55			72,700.00
Soldiers Home.....	5,207.25	251.00		28,400.00
University.....	28,317.90	7,468.00		89,700.00
TOTALS.....	\$782,298.47	\$57,476.67	\$3,509.60	\$3,236,649.48

PERMANENT FUND COLLECTIONS

July 1, 1972 to June 30, 1973

Farm Loans	Royalty Coal-Gravel	Misc. Escheated Estates	X-Contracts	F.H.A. Loans	Royalty Oil and Gas	TOTAL
\$3,393,802.31	\$40,654.31	\$4,622.52	\$5,455.95	\$88,492.03	\$331,351.86	\$7,255,433.25
28,417.70			811.35		7,212.36	130,838.36
23,811.45					864.96	77,601.26
	19,844.29				999.11	50,385.58
17,021.37			250.15			78,268.02
15,549.00					6,324.74	32,571.79
23,560.05			264.80			42,104.97
51,028.05						95,655.58
2,667.55						51,764.47
50,225.65					3,187.37	107,293.42
22,877.35						58,196.10
12,893.45			200.15			92,867.15
82,796.50			211.50			116,866.25
72,755.85	110.00		173.90		758.84	199,284.49
\$3,797,406.28	\$60,608.60	\$4,622.52	\$7,367.80	\$88,492.03	\$350,699.24	\$8,389,130.69

The above collected monies are placed in the Permanent Trust Fund for each of the above listed schools and institutions. These permanent trust funds can never be diminished but must be invested. However, the earnings from the investments are distributed to the schools and institutions for their use.

COLLECTIONS

Interest and Income

July 1, 1972 to June 30, 1973

EARNINGS

	Interest on Contracts	Land Rentals	Interest on Bonds	Interest on Loans	Oil and Gas Leases	Interest on X-Contracts	Interest on F. H. A. Loans	TOTALS
Common Schools.....	\$259,248.19	\$835,938.03	\$831,021.09	\$1,842,035.83	\$638,227.19	\$2,104.34	\$66,230.48	\$4,474,805.15
N. D. State University.....	10,068.90	29,399.00	40,976.38	69,277.70	6,033.54	312.75		156,068.27
Blind School.....	2,389.30	5,822.15	13,869.62	11,609.50	2,044.76	19.15		35,754.48
Capitol Building.....	8,376.25	16,131.50	14,259.91		5,462.93			44,230.59
School for Deaf.....	4,063.40	8,130.78	8,802.20	21,316.48	2,290.39	49.85		44,653.10
State Hospital.....	1,538.25	3,223.97	6,664.28	11,660.60	794.72			23,881.82
Ellendale College.....	1,419.55	8,638.65	12,809.92	17,638.55	1,755.67	95.20		42,357.54
Valley City College.....	2,746.22	9,002.05	13,404.51	23,920.18	1,010.94			50,083.90
Mayville College.....	1,647.73	5,737.67	14,144.59	6,175.00	1,774.06			29,479.05
N. D. Industrial School—Mandan.....	3,278.82	9,070.40	21,527.52	15,854.50	1,856.89	11.75		51,599.88
Science School.....	2,310.66	6,067.20	16,143.76	12,810.25	1,725.30	83.75		39,140.92
School of Mines.....	3,021.45	8,977.10	13,689.06	12,627.30	1,396.37	88.20		39,799.48
Soldiers Home.....	2,529.00	4,916.13	7,618.15	30,577.15	308.28	83.50		46,032.21
University.....	6,128.42	18,234.40	18,960.41	54,419.65	6,202.32	66.10		104,011.30
TOTALS.....	\$308,766.14	\$969,289.03	\$1,033,891.40	\$2,129,922.69	\$670,883.36	\$2,914.59	\$66,230.48	\$5,181,897.69

The above collected monies go to the various schools and institutions listed above and may be used by them. In the case of Common Schools, the monies are apportioned quarterly to the school Districts on a per pupil basis.

COLLECTIONS DISTRIBUTED TO INSTITUTIONAL FUNDS

From July 1, 1972 to June 30, 1973

Land Contracts (Grant Land).....	\$ 782,298.47
Land Sold—(Cash).....	57,476.67
Easements.....	3,509.60
Bonds & Investments.....	3,236,649.48
Farm Loans.....	3,797,406.28
Royalty—Coal and Gravel.....	60,608.60
Escheated Estates.....	4,622.52
X-Contracts (Acquired Land).....	7,367.80
F.H.A. Loans.....	88,492.03
Royalty—Oil and Gas.....	350,699.24
Credited to Permanent Fund, Common Schools and Institutions.....	\$8,389,130.69
Interest on Contracts (Grant Land).....	308,766.14
Land Rentals.....	969,289.03
Interest on Bonds.....	1,033,891.40
Interest on Farm Loans.....	2,129,922.69
Oil & Gas Leases.....	670,883.36
Interest on X-Contracts (Acquired Land).....	2,914.59
Interest—F.H.A. Loans.....	66,230.48
Credited to Interest and Income Fund, Common Schools and Institutions.....	\$5,181,897.69
Reserve Fund.....	5,666.70
Fees—Land Sales Cost, Advertising, Appraising, etc., Oil Leasing, Farm Loan Application Fees, Patent and Deed Fees credited to General Fund.....	9,669.87

DEPARTMENT MAINTENANCE FUND

July 1, 1972 to June 30, 1973

Salaries, Social Security, OASIS, Blue Cross	
Retirement Fund & Workmen's Compensation Ins.	\$148,493.99
Fees and Service, Postage, Miscellaneous, Leasing, Publishing Notice Land Sales, Appraisals, Travel, Rent and Telephone	25,889.56
Supplies and Materials	
Central Duplicating, Printing	3,609.77
Equipment and Furniture	1,383.65
TOTAL	\$179,376.97

This appropriation is not from the General Fund. The maintenance fund for the State Land Department was established by the North Dakota Legislature effective July 1, 1971. The law provides that the department may transfer 10% of its interest and income fund collections earned in the prior three months to a maintenance fund used for cost of operations.* The fund maximum balance shall not exceed \$20,000.00 and any excess must be apportioned back after expenses are deducted for the three month period.

*After July 1, 1973 the maintenance fund maximum balance shall not exceed \$40,000.00.

GRANT LAND SOLD ON CONTRACT**From July 1, 1972 to June 30, 1973**

NUMBER OF TRACTS	NUMBER OF ACRES	PURCHASE PRICE
25	3,836.81	\$400,400.00

DEEDS AND PATENTS ISSUED**From July 1, 1972 to June 30, 1973**

116 Patents covering 16,154.84 acres

10 Quit Claim Deeds covering 2,360.00 acres

11 Deeds covering 574.48 acres were issued for purposes over which the right of eminent domain was exercised. Several easements for temporary use in road construction were granted.

137 Total

33 Contracts were assigned during this period.

FARM LOAN INVESTMENTS COMPLETED**From July 1, 1972 to June 30, 1973**

NO. OF LOANS	AMOUNT
208	\$7,019,100.00

LEASING DEPARTMENT

Leases for hay, grazing and other agricultural purposes were issued in 1973 on 3,768.86 cultivated acres and on 177,128.40 acres of uncultivated acres. These tracts brought in \$239,709.55 in first year rentals.

The above leases were issued under the minimum rental rates as established in June, 1969. That rate is \$2.00 per animal unit month where the carrying capacity has been established by the Soil Conservation Service or the Forest Service Technicians and supplied to this Department. Where the carrying capacity has not been supplied for uncultivated land, the minimum rent is 3% of the departments valuation of the land, but no minimum rent set higher than \$200.00 per quarter section under this method. The minimum rent on cultivated land is \$5.00 per acre.

OIL AND GAS: Three oil and gas leasing auctions were held in the period July 1, 1972 to June 30, 1973. Leases were sold on 146,271.81 mineral acres bringing \$584,272.66 in bonuses and \$36,567.95 in first year rentals.

FORTY-FIRST BIENNIAL REPORT
OF THE
**BOARD OF UNIVERSITY
AND SCHOOL LANDS**

6th FLOOR, CAPITOL BUILDING
BISMARCK, NORTH DAKOTA 58505



by
R. E. Lommen, COMMISSIONER
July 1, 1973 — June 30, 1975

FORTY-FIRST BIENNIAL REPORT
OF THE
**BOARD OF UNIVERSITY
AND SCHOOL LANDS**
BISMARCK, NORTH DAKOTA 58505



July 1, 1973 — June 30, 1975

The Governing Body created by Section 156 of Article IX of the Constitution of the State of North Dakota, consists of the following officers:

HON. ARTHUR A. LINK, President	Governor
BEN MEIER, Vice President	Secretary of State
ROBERT PETERSON	State Auditor
ALLEN I. OLSON	Attorney General
M.F. PETERSON	Superintendent of Public Instruction
R.E. LOMMEN	Secretary-Commissioner of University and School Lands

Bismarck, North Dakota
July 1, 1975

Honorable Arthur A. Link
Governor of North Dakota
PRESIDENT, Board of University
and School Lands
State Capitol Building
Bismarck, North Dakota 58505

Dear Governor Link:

In accordance with Chapter 15-02-08 of the North Dakota Century Code, I am privileged to submit herewith the Forty-First Biennial Report of the Board of University and School Lands for the period July 1, 1973 through June 30, 1975.

Earnings from all sources during this biennium were \$13,362,161.57, compared to \$9,704,259.96 for the prior biennium. This is an all-time high for our department, and represents an increase of 37.69% over the last biennium. These increases were derived mainly from investment income from land sale proceeds, increased oil lease bonuses, a concerted effort in collection of delinquent farm loan payments and by keeping our cash balances fully invested.

The Board and staff of the University and School Lands, pledge themselves to good sound management of the affairs of the Land Department, while seeking the ultimate in returns for the funds.

Respectfully submitted,
R.E. Lommen, Commissioner
of University and School Lands

OFFICE FORCE

R.E. Lommen Land Commissioner
Deborah Meissel Secretary

Accounting Department

Joyce Malmstad Accountant
Bernice Asbridge Cashier
Pearl Herron Assistant Cashier

Collection Department

Marvin Thompson Manager
Cathy L. Hruby Assistant Manager

Land Sales Department

Margaret Pederson Sales Manager

Title Department

Emma Peightal Title Manager

Bond & Mortgage Department

Theresia Fischer Manager

Abandoned Property Department

Anna Jaeger Manager

Leasing Department

Otto Bervik Leasing Manager & Deputy Commissioner
Adolph Peterson Assistant Leasing Manager
Lloyd Shoesmith Land Analyst
Amy Erling Clerk-Typist

Fieldmen

E.A. Tough Strasburg, N. Dak.
Paul Neidhardt New Salem, N. Dak.

Legal Department

Owen L. Anderson Attorney

STATEMENT OF LAND GRANT FUNDS

June 30, 1975

Investments—

U.S. Treas. Bonds	\$ 8,347,045.03	
G.N.M.A. Pass-Through Certificates	6,744,678.85	
Federal Land Bank Bonds	999,000.00	
U.S. Treas. Bills	1,744,431.88	
Export-Import Bank Debentures	2,914,422.00	
G.N.M.A.	2,785,860.33	
F.H.A. Notes	1,002,750.06	
Fed. Natl. Mtg. Assn.	745,727.08	
Municipal & School Dist. Bonds	422,496.08	
Certificates of Deposit	1,668,000.00	\$27,375,411.31
F.H.A. Loans	334,996.84	
Farm Loans	39,098,563.20	39,433,560.04
Land Sold on Contract		
Acquired Land	29,390.55	
Land Sold on Contract		
Grant Land	9,054,343.40	9,083,733.95
Cash Balance—Permanent Fund	324,088.56	
Cash Balance—Reserve Fund	NONE	324,088.56
Acres		
Acquired Land	45,521.32 *Value \$10.00 Per Acre	455,213.20
Unsold Grant Land	641,729.50 *Value \$10.00 Per Acre	6,417,295.00
Cancelled Contracts	<u>35,603.36</u> *Value \$10.00 Per Acre	<u>356,033.60</u>
TOTAL ACRES	722,854.18	GRAND TOTAL \$ 83,445,335.66

*Constitutional Minimum Value

STATEMENT OF LAND GRANT FUNDS

June 30, 1973

Investments—

Gov't. National Mtg. Assn.....	\$ 2,785,860.33	
F.H.A. Notes	1,002,875.42	
Municipal & School Bonds	8,264,220.00	
U.S. Treas. Bonds	8,347,045.03	
Export-Import Bank Debentures	2,915,422.00	
Federal Land Bank Bonds	193,000.00	
U.S. Treas. Bills.....	707,504.79	
Certificate of Deposit		
Reserve Fund.....	595,300.00	
Certificate of Deposit		
Capitol Building.....	203,000.00	\$25,014,227.57
F.H.A. Loans	701,208.68	
Farm Loans	35,450,698.66	36,151,907.34
Land Sold on Contract		
Acquired Land	60,966.30	
Land Sold on Contract		
Grant Land	5,536,862.04	5,597,828.34
Cash Balance—Permanent Fund.....	388,632.71	
Cash Balance—Reserve Fund	5,930.41	394,563.12
Acres		
Acquired Land	45,634.45	*Value \$10.00 Per Acre 456,344.50
Unsold Grant Land	687,342.89	*Value \$10.00 Per Acre 6,873,428.90
Cancelled Contracts	38,380.14	*Value \$10.00 Per Acre 383,801.40
TOTAL ACRES.....	771,357.48	\$74,872,101.17

*Constitutional Minimum Value

**STATEMENT OF LAND GRANT FUNDS IN
VARIOUS SUB-DIVISIONS TO JUNE 30, 1975**

Common Schools

On admission to the Union, Congress granted to the State of North Dakota, for the support of common schools, sections 16 and 36 in every township in the State, and where these sections or parts thereof were omitted on account of being embraced in lakes, rivers or having been homesteaded prior to survey, the State was allowed to select land elsewhere from any public land in the State, as "Indemnity Lands", which are common school lands other than Section 16 and 36, the proceeds from indemnity lands also to go to the Common School Fund. Of this grant 2,523,383.78 acres have been selected.

Investments

U.S. Treas. Bonds	\$ 7,893,045.03	
G.N.M.A. Pass Through Certificates	2,822,208.91	
G.N.M.A.	2,785,860.33	
Federal Land Bank Bonds	830,000.00	
F.H.A. Notes	1,002,750.06	
Export-Import Bank Debentures	2,915,422.00	
U.S. Treas. Bills	1,690,776.55	
Fed. Natl. Mtg. Assn.	745,727.08	
Municipal & School District Bonds	338,800.00	
Certificates of Deposit	1,050,000.00	\$22,074,589.96
F.H.A. Loans	334,996.84	
Farm Loans	32,778,805.35	33,113,802.19

Land Sold on Contract

Acquired Land 20,169.30

Land Sold on Contract

Grant Land 7,766,141.55 7,786,310.85

Cash Balance—Permanent Fund 197,735.27

Cash Balance—Reserve Fund NONE 197,735.27

Acres

Acquired Land. 29,199.43 *Value \$10.00 Per Acre 291,994.30

Unsold Grant Land 596,553.35 *Value \$10.00 Per Acre 5,965,533.50

Cancelled Contracts 22,545.62 *Value \$10.00 Per Acre 225,334.50

TOTAL ACRES 648,298.40 **GRAND TOTAL** \$69,655,422.27

*Constitutional Minimum Value

NORTH DAKOTA STATE UNIVERSITY

Fargo

Under Section 16 of the Enabling Act admitting this State, there was granted 90,000 acres, and under Section 17 an additional 40,000 acres, for the support of the North Dakota State University, making a total of 130,000 acres granted by Congress for this institution at Fargo.

Of this grant, 129,999.98 acres have been selected.

Investments

Bonds—

U.S. Treas. Bonds	\$ 50,000.00	
Federal Land Bank Bonds	120,000.00	
GNMA Pass-Through Certificates	900,834.09	
Certificate of Deposit	76,000.00	\$1,146,834.09
Farm Loans	1,538,525.25	1,538,525.25
Land Sold on Contract		
Acquired Land	4,183.20	
Land Sold on Contract		
Grant Land	193,453.00	197,636.20
Cash Balance—Permanent Fund	16,854.67	16,854.67
Acres		
Acquired Land	4,237.84 *Value \$10.00 Per Acre	42,378.40
Unsold Grant Land	8,511.92 *Value \$10.00 Per Acre	85,119.20
Cancelled Contracts	3,018.85 *Value \$10.00 Per Acre	30,188.50
TOTAL ACRES	15,768.61	GRAND TOTAL \$3,057,536.31

*Constitutional Minimum Value

SCHOOL FOR THE BLIND

Grand Forks

Under Section 17 of the Enabling Act, there was granted 170,000 acres for educational and charitable purposes to be determined by the State Legislature: 30,025.76 acres of this grant has been apportioned to and selected by the State for the benefit of the School for the Blind at Grand Forks.

Bonds—

Investments

U.S. Treas. Bonds	\$ 33,000.00	
Municipal & School	4,000.00	
GNMA Pass-Through Certificates	251,315.26	
Certificate of Deposit	24,000.00	\$312,315.26
Farm Loans	287,645.80	287,645.80
Land Sold on Contract		
Acquired Land	None	
Land Sold on Contract		
Grant Land	71,429.80	71,429.80
Cash Balance—Permanent Fund	2,975.04	2,975.04
Acres		
Acquired Land	1,139.47 *Value \$10.00 Per Acre	11,394.70
Unsold Grant Land	2,031.34 *Value \$10.00 Per Acre	20,313.40
Cancelled Contracts	238.00 *Value \$10.00 Per Acre	2,380.00
TOTAL ACRES	3,408.81	GRAND TOTAL \$708,454.00

*Constitutional Minimum Value

CAPITOL BUILDING**Bismarck**

Under Section 12 of the Enabling Act admitting the State, there was granted fifty sections, or 32,000 acres, and under Section 17 of the same Act 50,000 acres for public buildings at the Capitol of the State, making 82,000 acres for the Capitol Building. However, there was an over-selection of 326.14 acres for this State Institution, making a total selection of 82,326.14 acres.

Bonds —		Investments	
G.N.M.A. Pass-Through Certificates	.....	\$ 64,028.98	
Federal Land Bank Bonds	.....	17,000.00	
U.S. Treas. Bonds	.....	53,655.33	
Certificates of Deposit	.....	331,000.00	\$465,684.31
Farm Loans	.....	None	
Land Sold on Contract—Acquired Land	.....	None	
Land Sold on Contract—Grant Land	.....	286,601.50	286,601.50
Cash Balance—Permanent Fund	.....	1,058.06	1,058.06
Acres			
Acquired Land	160.00 *Value \$10.00 Per Acre		1,600.00
Unsold Grant Land	9,740.21 *Value \$10.00 Per Acre		97,402.10
Cancelled Contracts	877.00 *Value \$10.00 Per Acre		8,770.00
TOTAL ACRES	10,777.21	GRANT TOTAL	107,772.10
Total Permanent Fund Investment	.....	\$861,115.97	
Cash Balance—Interest & Income Account	.....	9,058.42	
Investments—Interest & Income Account	.....	501,118.31	
TOTAL INVESTMENTS	.....	\$1,371,292.70	

*Constitutional Minimum Value

SCHOOL FOR THE DEAF**Devils Lake**

Under Section 17 of the Enabling Act admitting the State, there was granted 40,000 acres for the Deaf School. Of this grant 39,966.53 acres have been selected by the State for this Institution at Devils Lake.

Bonds —		Investments	
U.S. Treas. Bonds	.....	\$ 26,000.00	
G.N.M.A. Pass-Through Certificates	.....	108,284.30	
Certificate of Deposit	.....	26,000.00	\$160,284.30
Farm Loans	.....	569,766.75	569,766.75
Land Sold on Contract	.....	
Acquired Land	.....	None	
Land Sold on Contract	.....	
Grant Land	.....	90,104.45	90,104.45
Cash Balance—Permanent Fund	.....	16,885.64	16,885.64
Acres			
Acquired Land	1,192.70 *Value \$10.00 Per Acre		11,927.00
Unsold Grant Land	2,656.33 *Value \$10.00 Per Acre		26,563.30
Cancelled Contracts	981.01 *Value \$10.00 Per Acre		9,810.10
TOTAL ACRES	4,830.04	GRANT TOTAL	\$885,341.54

*Constitutional Minimum Value

STATE HOSPITAL

Jamestown

Under Section 17 of the Enabling Act admitting the State, there was granted for educational and charitable institutions 170,000 acres to be apportioned as the Legislature should determine. Of this grant 20,000.98 acres have been selected for the State Hospital at Jamestown.

Bonds —		Investments	
U.S. Treas. Bonds	\$ 3,000.00		
G.N.M.A. Pass-Through Certificates	182,957.85		
Federal Land Bank Bonds	24,000.00		
Certificate of Deposit	15,000.00		\$224,957.85
Farm Loans	231,541.40		231,541.40
Land Sold on Contract			
Acquired Land	None		
Land Sold on Contract			
Grant Land	25,832.20		25,832.20
Cash Balance—Permanent Fund	13,770.72		13,770.72
Acres			
Acquired Land	311.16 *Value \$10.00 Per Acre		3,111.60
Unsold Grant Land	1,585.51 *Value \$10.00 Per Acre		15,855.10
Cancelled Contracts	307.77 *Value \$10.00 Per Acre		3,077.70
TOTAL ACRES	2,204.44	GRAND TOTAL	\$518,146.57

*Constitutional Minimum Value

ELLENDALE STATE TEACHERS COLLEGE

Ellendale

Under Section 17 of the Enabling Act admitting the State, there was granted for educational purposes 170,000 acres of which 40,000 acres have been apportioned and 39,997.24 acres have been selected by the State for the benefit of the State Teachers College at Ellendale.

Bonds —		Investments	
Municipal & School	\$ 64,700.00		
U.S. Treas. Bonds	11,500.00		
G.N.M.A. Pass-Through Certificates	258,422.45		
Federal Land Bank Bonds	8,000.00		
Certificate of Deposit	10,000.00		\$352,622.45
Farm Loans	352,096.20		352,096.20
Land Sold on Contract			
Acquired Land	1,553.40		
Land Sold on Contract			
Grant Land	61,891.60		63,445.00
Cash Balance—Permanent Fund	20,918.85		20,918.85
Acres			
Acquired Land	1,462.71 *Value \$10.00 Per Acre		14,627.10
Unsold Grant Land	2,820.49 *Value \$10.00 Per Acre		28,204.90
Cancelled Contract	681.61 *Value \$10.00 Per Acre		6,816.10
TOTAL ACRES	4,964.81	GRAND TOTAL	\$838,730.60

*Constitutional Minimum Value

NORMAL SCHOOLS Valley City—Mayville

Under Section 17 of the Enabling Act admitting the State, there was granted for the State Normal Schools 80,000 acres. The Legislature of the State has apportioned 30,000 acres of this grant to the Mayville Normal and 50,000 acres of this grant to the Valley City Normal. In the selection of these lands, however, no division was made but the full 80,000 acres taken for Normal Schools, and in the division of receipts for such lands five-eighths is given to the Valley City institution and three-eighths to Mayville, being the proportion to which each is entitled according to the area of the grants to each. There was, however, an over-selection of 5.90 acres, making the total acres selected for the above Normal Schools 80,005.90.

Bonds —		Investments—Valley City Normal	
Municipal & School		\$ 2,000.00	
U.S. Treas. Bonds		50,000.00	
G.N.M.A. Pass-Through Certificates		257,856.41	
Certificate of Deposit		20,000.00	\$329,856.41
Farm Loans		511,337.55	511,337.55
Land Sold on Contract			
Acquired Land		None	
Land Sold on Contract			
Grant Land		81,749.47	81,749.47
Cash Balance—Permanent Fund		3,544.13	3,544.13
	Acres		
Acquired Land	640.00	*Value \$10.00 Per Acre	6,400.00
Unsold Grant Land	3,263.75	*Value \$10.00 Per Acre	32,637.50
Cancelled Contracts	1,086.92	*Value \$10.00 Per Acre	10,869.20
TOTAL ACRES	4,990.67	GRAND TOTAL	\$976,394.26

Bonds —		Investments—Mayville	
Municipal & School		\$ 446.08	
G.N.M.A. Pass-Through Certificates		243,120.03	
U.S. Treas. Bonds		47,000.00	
Certificate of Deposit		5,000.00	\$295,566.11
Farm Loans		228,381.10	228,381.10
Land Sold on Contract			
Acquired Land		None	
Land Sold on Contract			
Grant Land		49,049.68	49,049.68
Cash Balance—Permanent Fund		4,925.14	4,925.14
	Acres		
Acquired Land	640.00	*Value \$10.00 Per Acre	6,400.00
Unsold Grant Land	1,958.25	*Value \$10.00 Per Acre	19,582.50
Cancelled Contracts	652.15	*Value \$10.00 Per Acre	6,521.50
TOTAL ACRES	3,250.40	GRAND TOTAL	\$610,426.03

*Constitutional Minimum Value

NORTH DAKOTA INDUSTRIAL SCHOOL

Mandan

Under Section 17 of the Enabling Act admitting the State, there was granted by Congress to the State Industrial School 40,000 acres. An over-selection of 24.94 acres was made, making the total acres selected for this institution at Mandan 40,024.94 acres.

Bonds —		Investments	
U.S. Treas. Bonds		\$ 31,500.00	
G.N.M.A. Pass-Through Certificates		462,501.77	
Certificate of Deposit		23,000.00	\$517,001.77
Farm Loans		392,061.05	392,061.05
Land Sold on Contract			
Acquired Land		None	
Land Sold on Contract			
Grant Land		80,085.75	80,085.75
Cash Balance—Permanent Fund		4,212.80	4,212.80
		Acres	
Acquired Land	1,096.36	*Value \$10.00 Per Acre	10,963.60
Unsold Grant Land	1,964.36	*Value \$10.00 Per Acre	19,643.60
Cancelled Contracts	717.34	*Value \$10.00 Per Acre	7,173.40
TOTAL ACRES	3,778.06	GRAND TOTAL	\$1,031,141.97

*Constitutional Minimum Value

SCHOOL OF SCIENCE

Wahpeton

Of the 170,000 acres granted to the State under Section 17 of the Enabling Act for educational and charitable purposes, 40,000 acres have been given by the State Legislature to the School of Science at Wahpeton, and of which 39,997.16 acres have been selected.

Bonds —		Investments	
Municipal & School		\$ 6,750.00	
U.S. Treas. Bonds		71,000.00	
G.N.M.A. Pass-Through Certificates		292,589.05	
Certificate of Deposit		12,000.00	\$382,339.05
Farm Loans		303,875.95	303,875.95
Land Sold on Contract			
Acquired Land		None	
Land Sold on Contract			
Grant Land		48,311.95	48,311.95
Cash Balance—Permanent Fund		3,718.62	3,718.62
		Acres	
Acquired Land	1,609.01	*Value \$10.00 Per Acre	16,090.10
Unsold Grant Land	1,815.86	*Value \$10.00 Per Acre	18,158.60
Cancelled Contracts	480.19	*Value \$10.00 Per Acre	4,801.90
TOTAL ACRES	3,905.06	GRAND TOTAL	\$777,296.17

*Constitutional Minimum Value

SCHOOL OF MINES**Grand Forks**

Under Section 17 of the Enabling Act admitting the State, there was granted for the School of Mines 40,000 acres. There was an over-selection of 3.51 acres by the State, making a total of 40,003.51 acres for this institution, which is located at Grand Forks in connection with the University.

Investments**Bonds —**

Municipal & School	\$ 3,800.00	
U.S. Treas. Bonds	39,000.00	
G.N.M.A. Pass-Through Certificates	332,745.90	
Certificate of Deposit	21,000.00	\$396,545.90
Farm Loans	409,689.55	409,689.55
Land Sold on Contract		
Acquired Land	1,121.45	
Land Sold on Contract		
Grant Land	90,510.55	91,632.00
Cash Balance—Permanent Fund	6,314.73	6,314.73

Acres

Acquired Land	1,347.54	*Value \$10.00 per Acre	13,475.40
Unsold Grant Land	1,471.57	*Value \$10.00 per Acre	14,715.70
Cancelled Contracts	668.82	*Value \$10.00 per Acre	6,688.20
TOTAL ACRES	3,487.93	GRAND TOTAL	\$939,061.48

*Constitutional Minimum Value

SOLDIERS HOME**Lisbon**

Of the 170,000 acres granted by Section 17 of the Enabling Act for educational and charitable purposes, the State Legislature apportioned 40,000 acres to the Soldiers Home at Lisbon, and 39,972.36 acres of this grant has been selected.

Investments**Bonds —**

Municipal & School	\$ 2,000.00	
U.S. Treas. Bonds	40,000.00	
G.N.M.A. Pass-Through Certificates	197,812.61	
Certificate of Deposit	21,000.00	\$260,812.61
Farm Loans	402,680.35	402,680.35
Land Sold on Contract		
Acquired Land	1,252.20	
Land Sold on Contract		
Grant Land	67,528.85	68,781.05
Cash Balance—Permanent Fund	19,765.41	19,765.41

Acres

Acquired Land	480.00	*Value \$10.00 per Acre	4,800.00
Unsold Grant Land	2,114.48	*Value \$10.00 per Acre	21,144.80
Cancelled Contracts	400.00	*Value \$10.00 per Acre	4,000.00
TOTAL ACRES	2,994.48	GRAND TOTAL	\$781,984.22

*Constitutional Minimum Value

UNIVERSITY
Grand Forks

Under Section 14 of the Enabling Act admitting the State, there was granted seventy-two sections, or 46,080 acres, and under Section 17 of said Act 40,000 acres, making a total of 86,080 acres for the University. Of this grant, 86,066 acres have been selected by the State for this institution at Grand Forks.

Investments

Bonds—

U.S. Treas. Bonds	\$ 52,000.00	
G.N.M.A. Pass-Through Certificates	370,001.24	
Certificate of Deposit	34,000.00	\$ 456,001.24
Farm Loans	1,092,156.90	1,092,156.90
Land Sold on Contract		
Acquired Land	1,111.00	
Land Sold on Contract		
Grant Land	141,653.05	142,764.05
Cash Balance—Permanent Fund	11,409.48	11,409.48

Acres

Acquired Land	2,005.10	*Value \$10.00 per Acre	20,051.00
Unsold Grant Land	5,242.08	*Value \$10.00 per Acre	52,420.80
Cancelled Contracts	2,948.08	*Value \$10.00 per Acre	29,480.80
TOTAL ACRES	10,195.26	GRAND TOTAL	\$1,804,284.27

*Constitutional Minimum Value

LAND SELECTIONS AND ACRE DISTRIBUTION

	Original Grant Lands Cancelled Contract Lands Acquired Lands					Total Acres Held June 30, 1975
	Acres Selected	Acres Sold On Contract	Cancelled Contract Acres	Acquired Lands	Unsold Grant Land	
Common Schools	2,523,383.78	1,926,830.43	22,545.62	29,199.43	596,553.35	648,298.40
N.D. State University	129,999.98	121,488.06	3,018.85	4,237.84	8,511.92	15,768.61
Blind School	30,025.76	27,994.42	238.00	1,139.47	2,031.34	3,408.81
Capitol Building	82,326.14	72,585.93	877.00	160.00	9,740.21	10,777.21
School for Deaf	39,966.53	37,310.20	981.01	1,192.70	2,656.33	4,830.04
State Hospital	20,000.98	18,415.47	307.77	311.16	1,585.51	2,204.44
Ellendale College	39,997.24	37,176.75	681.61	1,462.71	2,820.49	4,964.81
Normal Schools —						
Mayville 3/8	30,002.21	28,043.96	652.15	640.00	1,958.25	3,250.40
Valley City 5/8	50,003.69	46,739.94	1,086.92	640.00	3,263.75	4,990.67
N.D. Ind. School						
Mandan	40,024.94	38,060.58	717.34	1,096.36	1,964.36	3,778.06
Science School	39,997.16	38,181.30	480.19	1,609.01	1,815.86	3,905.06
School of Mines	40,003.51	38,531.94	668.82	1,347.54	1,471.57	3,487.93
Soldiers Home	39,972.36	37,857.88	400.00	480.00	2,114.48	2,994.48
University	86,066.00	80,823.92	2,948.08	2,005.10	5,242.08	10,195.26
TOTAL ACRES	3,191,770.28	2,550,040.78	35,603.36	45,521.32	641,729.50	722,854.18

GRANT LAND SOLD ON CONTRACT
Land Contracts Held by the State June 30, 1975

	Acres	No. of Contracts	Principal
Common Schools	163,307.33	1,075	\$7,766,141.55
North Dakota State University	5,207.15	35	193,453.00
School for Blind	1,428.49	13	71,429.80
Capitol Building	4,593.03	30	286,601.50
School for Deaf	2,126.83	20	90,104.45
State Hospital	415.78	5	25,832.20
Ellendale State Teachers College	1,021.99	9	61,891.60
Normal Schools —			
Mayville 3/8)	936.26	21	49,049.68
Valley City 5/8)	1,560.42		81,749.47
North Dakota Industrial School	1,983.07	21	80,085.75
School of Science	1,922.80	21	48,311.95
School of Mines	1,808.15	17	90,510.55
Soldiers Home	1,454.80	13	67,528.85
University	3,826.21	32	141,653.05
TOTAL	191,592.31	1,312	\$9,054,343.40

ACQUIRED LAND SOLD ON CONTRACT
June 30, 1975

	No. of Contracts	Acres	Amount
Common Schools	16	3,092.90	\$20,169.30
North Dakota State University	3	591.77	4,183.20
School for Blind	None		
Capitol Building	None		
School for the Deaf	None		
State Hospital	None		
Ellendale State Teachers College	1	160.00	1,553.40
Valley City Normal	None		
Mayville Normal	None		
North Dakota Industrial School	None		
School of Science	None		
School of Mines	1	160.00	1,121.45
Soldiers Home	1	160.00	1,252.20
University	1	160.00	1,111.00
TOTAL	23	4,324.67	\$29,390.55

**STATE LAND DEPARTMENT
UNIVERSITY AND SCHOOL LANDS
LAND SALES: 7-1-55 to 7-1-75**

Period	Number of Tracts	Number of Acres	Total Sale Price	Average Price Per Acre	Int. Rate
7-1-55 to 7-1-56	85	13,964.77	\$ 368,313.00	\$ 26.37	4%
7-1-56 to 7-1-57	130	21,003.77	817,444.00	38.92	4%
7-1-57 to 7-1-58	53	8,406.57	287,075.00	34.15	4%
7-1-58 to 7-1-59	137	20,351.35	909,535.00	44.69	4%
7-1-59 to 7-1-60	154	25,510.38	972,715.00	38.13	4%
7-1-60 to 7-1-61	120	19,600.80	814,975.00	42.21	4%
7-1-61 to 7-1-62	109	16,326.25	669,441.00	40.36	4%
7-1-62 to 7-1-63	76	11,079.00	583,425.00	52.66	4%
7-1-63 to 7-1-64	121	17,550.06	1,051,665.00	59.92	4%
7-1-64 to 7-1-65	87	13,629.95	695,900.00	51.05	4%
7-1-65 to 7-1-66	103	15,604.10	1,013,300.00	64.93	4%
7-1-66 to 7-1-67	129	19,661.61	1,456,820.00	74.09	5%
7-1-67 to 7-1-68	83	12,316.61	955,620.00	77.58	5%
7-1-68 to 7-1-69	73	11,325.18	820,772.00	72.47	6%
7-1-69 to 7-1-70	76	11,253.70	808,285.00	71.82	8%
7-1-70 to 7-1-71	57	8,401.03	567,620.00	67.56	7¾%
7-1-71 to 7-1-72	87	13,085.67	1,063,101.00	81.24	7%
7-1-72 to 7-1-73	25	3,836.81	400,400.00	104.35	7%
7-1-73 to 7-1-74	301	45,392.41	7,358,844.00	162.11	8%
7-1-74 to 7-1-75	None	None	None	None	
<hr/>					
20 YEAR TOTALS:	2,006	308,300.02	\$21,615,250.00	70.11—	

STATE SCHOOL LAND ACREAGE
As of June 30, 1975

County	Acres	No. of Tracts
Adams	17,122.16	109
Barnes	2,799.58	18
Benson	11,081.48	101
Billings	31,241.48	200
Bottineau	3,394.15	22
Bowman	29,433.32	189
Burke	16,262.46	105
Burleigh	29,127.57	189
Cass	40.00	1
Cavalier	1,154.49	11
Dickey	3,983.77	26
Divide	21,581.97	139
Dunn	26,139.52	166
Eddy	10,913.19	85
Emmons	15,001.87	100
Foster	3,276.41	22
Golden Valley	29,048.24	187
Grand Forks	2,233.77	14
Grant	33,959.94	218
Griggs	1,741.24	13
Hettinger	9,925.69	64
Kidder	29,116.79	187
LaMoure	1,605.00	10
Logan	9,714.07	63
McHenry	22,470.32	146
McIntosh	6,397.50	46
McKenzie	64,125.76	408
McLean	22,007.54	154
Mercer	15,089.94	102
Morton	18,295.69	122
Mountrail	32,511.05	218
Nelson	2,854.47	31
Oliver	8,644.82	56
Pembina	NONE	
Pierce	14,485.01	98
Ramsey	2,216.50	23
Ransom	1,120.00	7
Renville	1,911.00	12
Richland	513.68	4
Rolette	8,153.35	58
Sargent	1,128.79	8
Sheridan	27,776.07	185
Sioux	23,538.42	156
Slope	23,621.72	149
Stark	6,463.61	41
Steele	NONE	
Stutsman	15,191.38	102
Towner	8,254.94	74
Traill	NONE	
Walsh	201.02	3
Ward	11,199.06	72
Wells	5,255.39	41
Williams	39,528.99	258
TOTAL	722,854.18	4,813

INVESTMENTS

June 30, 1975

	U.S. Treas. Obliga- tions	G.N.M.A. Certifi- cates	Federal Land Bank Bonds	Lands Sold on Contract	F.H.A. Notes	Export- Import Bank Deben- tures
Common Schools.....	\$7,893,045.03	\$5,608,069.24	\$830,000.00	\$7,786,310.85	\$1,002,750.06	\$2,915,422.00
N.D. State Univ.....	50,000.00	900,834.09	120,000.00	197,636.20		
School for Blind.....	33,000.00	251,315.26		71,429.80		
Capitol Building.....		64,028.98	17,000.00	286,601.50		
School for Deaf.....	26,000.00	108,284.30		90,104.45		
State Hospital.....	3,000.00	182,957.85	24,000.00	25,832.20		
Ellendale College.....	11,500.00	258,422.45	8,000.00	63,445.00		
Valley City College.....	50,000.00	257,856.41		81,749.47		
Mayville College.....	47,000.00	243,120.03		49,049.68		
Ind. School—Mandan.....	31,500.00	462,501.77		80,085.75		
Science School.....	71,000.00	292,589.05		48,311.95		
School of Mines.....	39,000.00	332,745.90		91,632.00		
Soldiers Home.....	40,000.00	197,812.61		68,781.05		
University.....	52,000.00	370,001.24		142,764.05		
TOTAL.....	\$8,347,045.03	9,530,539.18	999,000.00	9,083,733.95	1,002,750.06	2,915,422.00

INVESTMENTS—Interest & Income

Capitol Building

INVESTMENTS

June 30, 1975

U.S. Treas. Bills	Fed. Nat'l. Mortgage Associ- ation	School Dist. and Municipals	F.H.A. Loans	Farm Loans	Certifi- cates of Deposit	TOTAL
\$1,690,776.55	\$745,727.08	\$338,800.00	\$334,996.84	\$32,778,805.35	\$1,050,000.00	\$62,974,703.00
				1,538,525.25	76,000.00	2,882,995.54
		4,000.00		287,645.80	24,000.00	671,390.86
53,655.33					331,000.00	752,285.81
				569,766.75	26,000.00	820,155.50
				231,541.40	15,000.00	482,331.45
		64,700.00		352,096.20	10,000.00	768,163.65
		2,000.00		511,337.55	20,000.00	922,943.43
		446.08		228,381.10	5,000.00	572,996.89
				392,061.05	23,000.00	989,148.57
		6,750.00		303,875.95	12,000.00	734,526.95
		3,800.00		409,689.55	21,000.00	897,867.45
		2,000.00		402,680.35	21,000.00	732,274.01
				1,092,156.90	34,000.00	1,690,922.19
1,744,431.88	745,727.08	422,496.08	334,996.84	39,098,563.20	1,668,000.00	\$75,892,705.30

INVESTMENTS
Interest & Income

49,118.31
\$1,793,550.19

INVESTMENTS
Interest & Income

452,000.00
\$2,120,000.00

501,118.31
\$76,393,823.61

PERMANENT FUND COLLECTIONS

July 1, 1973 to June 30, 1975

	Land Sold on Contract	Land Sold Cash Sales	Easements	Bonds and Investments	Farm Loans
Common Schools	\$3,325,471.89	\$289,983.25	\$5,195.00	\$5,920,408.28	\$5,439,018.39
N.D. State Univ.	68,427.15	19,000.00		99,205.91	195,270.75
Blind School	22,193.30			34,096.24	30,086.15
Capitol Building	97,717.25		80.00	156,971.02	
School for Deaf	64,835.25	217.75	80.00	19,185.70	81,374.60
State Hospital	5,362.40			11,442.15	29,754.00
Ellendale College	18,440.55		50.00	27,577.55	65,603.90
Valley City College	31,610.44			55,143.59	33,418.75
Mayville College	18,966.66			27,083.89	39,341.85
Ind. School—Mandan	34,961.85	9,120.00		48,098.23	61,656.95
Science School	12,772.65	1,963.50		26,310.95	48,135.35
School of Mines	66,117.05			42,654.10	51,953.55
Soldiers Home	25,264.50			18,187.39	32,540.67
University	50,835.70	200.80	94.45	38,698.76	125,970.85
TOTALS	\$3,842,976.64	320,485.30	5,499.45	6,525,063.76	6,234,125.76

PERMANENT FUND COLLECTIONS
July 1, 1973 to June 30, 1975

Royalty Coal-Gravel	Misc. Escheated Estates	X-Contracts	F.H.A. Loans	Royalty Oil and Gas	* TRANSFERS	TOTAL
\$175,495.57	\$5,775.71	\$16,541.95	\$366,211.84	\$1,051,751.59	\$224,278.46	\$16,820,131.93
		1,722.95		35,376.01	86,358.79	505,361.56
				4,791.67	25,001.21	116,168.57
38,994.76				14,194.96	9,520.63	317,478.62
2,064.00		1,411.55			23,641.05	192,809.90
1,040.00				26,894.43	6,877.36	81,370.34
		561.80			23,940.26	136,174.06
					14,127.24	134,300.02
					18,424.48	103,816.88
				9,713.22	37,903.86	201,454.11
1,039.70					35,471.90	125,694.05
		424.30		9,333.35	41,928.69	212,411.04
		448.55			13,116.24	89,557.35
220.00		367.95		2,361.75	49,757.44	268,507.70
218,854.03	5,775.71	21,479.05	366,211.84	1,154,416.98	610,347.61	\$19,305,236.13

*Cash reserve funds transferred to Permanent Funds.

The above collected monies are placed in the Permanent Trust Fund for each of the above-listed schools and institutions. These permanent trust funds can never be diminished but must be invested. However, the earnings from the investments are distributed to the schools and institutions for their use.

Comparative Schedule of Interest and Income Fund CASH RECEIPTS
For the Biennium Ending June 30, 1973 & June 30, 1975

INSTITUTION	Interest on Contracts		Land Rentals		Interest on Securities		Interest on Loans		Easements Permits Penalties
	1971-73	1973-75	1971-73	1973-75	1971-73	1973-75	1971-73	1973-75	1973-75
Com. Sch.	\$484,789.94	\$726,266.53	\$1,629,968.82	\$1,826,050.02	\$1,816,502.28	\$2,008,674.46	\$3,371,670.30	\$4,275,845.58	\$31,387.50
N.D.S.U.	20,006.33	19,656.30	57,693.75	73,361.95	107,658.42	154,995.50	130,490.15	190,244.51	
Blind Sch.	4,309.75	5,911.66	10,762.53	11,196.18	31,461.62	40,192.40	19,890.65	30,602.75	12.50
Cap. Bldg.	14,076.50	30,305.83	33,122.25	33,864.25	29,994.91	94,554.27	.00	.00	25.00
Deaf Sch.	7,698.20	9,196.15	15,844.81	22,450.33	23,756.95	20,128.73	40,140.58	70,855.20	37.50
State Hosp.	3,074.05	3,096.25	6,205.82	7,780.48	17,623.52	28,242.32	19,746.81	27,944.75	
Ellendale	3,530.35	2,999.05	16,466.57	18,284.22	32,247.99	48,634.91	31,163.25	44,860.34	62.50
V.C. Normal	4,840.45	8,161.98	17,000.96	22,485.85	36,776.21	42,280.34	39,925.58	60,575.10	
Mayville N.	2,904.45	4,897.27	11,314.53	13,901.12	32,407.82	39,918.53	10,454.50	24,933.00	
N.D. Ind. Sch. . . .	5,897.38	6,378.00	17,631.90	25,277.25	51,383.95	72,401.33	23,939.60	40,768.10	
Science Sch.	4,000.26	4,708.28	11,785.15	16,646.35	38,384.76	50,486.02	20,864.61	30,539.31	25.00
Sch. Mines	5,610.55	8,879.85	17,066.50	20,542.55	37,793.38	56,734.24	18,803.35	42,862.40	25.00
Soldiers H.	5,261.25	6,568.45	9,949.01	15,434.17	21,885.90	32,142.15	43,907.85	56,493.38	
University	12,748.89	13,039.00	36,332.62	44,086.42	48,589.61	63,476.74	100,288.24	135,571.93	
TOTALS	\$578,748.35	\$850,064.60	1,891,145.22	2,151,361.14	2,326,467.32	2,752,861.94	3,871,285.47	5,032,096.35	31,575.00

	Oil and Gas Leases		Interest on Acquired Land Contracts		Interest on F.H.A. Loans		TOTALS	
	1971-73	1973-75	1971-73	1973-75	1971-73	1973-75	1971-73	1973-75
Com Sch.	\$837,220.63	\$2,203,159.17	\$4,754.56	\$2,734.75	\$135,044.55	\$90,145.06	\$8,279,951.08	\$11,164,263.07
N.D.S.U.	10,939.77	48,433.55	669.99	465.80			327,458.41	487,157.61
Blind Sch.	3,233.20	6,603.31	48.60	8.50			69,706.35	94,527.30
Cap. Bldg.	7,269.75	20,554.83					84,463.41	179,304.18
Deaf Sch.	3,398.74	17,530.48	107.00	44.37			90,946.28	140,242.76
State Hosp.	1,405.36	21,869.03					48,055.56	88,932.83
Ellendale.	3,487.21	15,555.17	212.65	158.20			87,108.02	130,554.39
V.C. Normal	1,550.58	14,905.93					100,093.78	148,409.20
Mayville N.	5,761.32	33,681.26					62,842.62	117,331.18
N.D. Ind. Sch.	2,759.70	11,125.58	32.92	6.65			101,645.45	155,956.91
Science Sch.	2,561.40	9,943.10	178.35	152.05			77,774.53	112,500.11
Sch. Mines	5,883.86	14,025.71	199.80	115.70			85,357.44	143,185.45
Soldiers H.	992.81	5,583.48	189.80	127.45			82,186.62	116,349.08
University	8,561.48	27,161.36	149.57	112.05			206,670.41	283,447.50
TOTALS.	895,025.81	2,450,131.96	6,543.24	3,925.52	135,044.55	90,145.06	\$9,704,259.96	\$13,362,161.57

COLLECTIONS
Interest and Income
July 1, 1973 to June 30, 1975

	Interest on Contracts	Land Rentals	Interest on Bonds	Interest on Loans	Easements Permits Penalties	Oil and Gas Leases	Interest on X-Contracts	Interest on F.H.A. Loans	TOTALS
Common Schools	\$726,266.53	\$1,826,050.02	\$2,008,674.46	\$4,275,845.58	\$31,387.50	\$2,203,159.17	\$2,734.75	\$90,145.06	\$11,164,263.07
N.D. State Univ.	19,656.30	73,361.95	154,995.50	190,244.51		48,433.55	465.80		487,157.61
Blind School	5,911.66	11,196.18	40,192.40	30,602.75	12.50	6,603.31	8.50		94,527.30
Capitol Building	30,305.83	33,864.25	94,554.27		25.00	20,554.83			179,304.18
School for Deaf	9,196.15	22,450.33	20,128.73	70,855.20	37.50	17,530.48	44.37		140,242.76
State Hospital	3,096.25	7,780.48	28,242.32	27,944.75		21,869.03			88,932.83
Ellendale College	2,999.05	18,284.22	48,634.91	44,860.34	62.50	15,555.17	158.20		130,554.39
Valley City College	8,161.98	22,485.85	42,280.34	60,575.10		14,905.93			148,409.20
Mayville College	4,897.27	13,901.12	39,918.53	24,933.00		33,681.26			117,331.18
Ind. School—Mandan	6,378.00	25,277.25	72,401.33	40,768.10		11,125.58	6.65		155,956.91
Science School	4,708.28	16,646.35	50,486.02	30,539.31	25.00	9,943.10	152.05		112,500.11
School of Mines	8,879.85	20,542.55	56,734.24	42,862.40	25.00	14,025.71	115.70		143,185.45
Soldiers Home	6,568.45	15,434.17	32,142.15	56,493.38		5,583.48	127.45		116,349.08
University	13,039.00	44,086.42	63,476.74	135,571.93		27,161.36	112.05		283,447.50
TOTALS	\$850,064.60	2,151,361.14	2,752,861.94	5,032,096.35	31,575.00	2,450,131.96	3,925.52	90,145.06	\$13,362,161.57

The above collected monies go to the various schools and institutions listed above and may be used by them. In the case of Common Schools, the monies are apportioned quarterly to the School Districts on a per pupil basis.

COLLECTIONS DISTRIBUTED TO INSTITUTIONAL FUNDS

From July 1, 1973 to June 30, 1975

Land Contracts (Grant Land)	\$ 3,842,976.64
Land Sold (Cash)	320,485.30
Easements	5,499.45
Bonds & Investments	6,525,063.76
Farm Loans	6,234,125.76
Royalty — Coal, Gravel & Scoria	218,854.03
Escheated Estates	5,775.71
X-Contracts (Acquired Land)	21,479.05
F.H.A. Loans	366,211.84
Royalty—Oil & Gas	1,154,416.98
Reserve Funds—Transferred	610,347.61
Credited to Permanent Fund, Common Schools and Institutions	\$19,305,236.13
Interest on Contracts (Grant Land)	850,064.60
Land Rentals	2,151,361.14
Interest on Bonds	2,752,861.94
Interest on Farm Loans	5,032,096.35
Easements—Permits—Penalties	31,575.00
Oil & Gas Leases	2,450,131.96
Interest on X-Contracts (Acquired Land)	3,925.52
Interest—F.H.A. Loans	90,145.06
Credited to Interest and Income Fund, Common Schools and Institutions	\$13,362,161.57
Fees — Land Sales Cost, Advertising, Appraising, etc., Oil Leasing, Farm Loan Application Fees, Patent and Deed Fees Credited to General Fund	\$ 32,598.73

DEPARTMENT MAINTENANCE FUND

July 1, 1973 to June 30, 1975

Salaries, Social Security, OASIS, Blue Cross, Retirement Fund & Workmen's Compensation Ins.	\$343,342.16
Fees and Service, Postage, Miscellaneous, Leasing, Publishing Notice Land Sales, Appraisals, Travel, Rent and Telephone	78,465.10
Supplies and Materials Central Duplicating, Printing	7,904.74
Equipment and Furniture	3,000.00
TOTAL	\$432,712.00

This appropriation is not from the General Fund. The maintenance fund for the State Land Department was established by the North Dakota Legislature effective July 1, 1971. The law provides that the department may transfer 10% of its interest and income fund collections earned in the prior three months to a maintenance fund used for cost of operations.

The fund maximum balance shall not exceed \$40,000.00 and any excess must be apportioned back after expenses are deducted for the three-month period.

GRANT LAND SOLD ON CONTRACT
From July 1, 1973 to June 30, 1975

Number of Tracts	Number of Acres	Purchase Price
301	45,392.41	\$7,358,844.00

As of June 30, 1975, our land sales contracts are issued on a twenty year amortized basis, bearing an interest rate of 8½% per annum, these contracts require a 20% cash down payment.

DEEDS AND PATENTS ISSUED
From July 1, 1973 to June 30, 1975

204 Patents covering 29,114.25 acres

16 Quit Claim Deeds covering 3,328.94 acres

30 Deeds covering 3,086.29 acres for purposes over which the right of eminent domain was exercised. Several easements for temporary use in road construction were granted.

250 Total

43 Contracts were assigned during this period.

FARM LOAN INVESTMENTS COMPLETED
From July 1, 1973 to June 30, 1975

No. of Loans	Amount
237	\$9,885,201.80

As of June 30, 1975 our farm loans are issued on a thirty year amortized basis, bearing an interest rate of 8½% per annum.

LEASING DEPARTMENT

Leases for hay, grazing, and other agricultural purposes were issued in 1974 on 11,112.08 cultivated acres and on 101,512.82 uncultivated acres. These tracts brought in \$219,630.43 in first-year rentals.

Leases for the year of 1975 were 7,494.05 cultivated acres and 240,174.93 uncultivated acres. These tracts brought in \$526,723.90 in first-year rentals.

The above leases for 1975 were issued under the minimum rental rates as established by our Board in July, 1974. The rate is \$2.65 per animal unit month where the carrying capacity has been established by the Soil Conservation Service or the Forest Service Technicians and supplied to this office. Where the carrying capacity has not been supplied the rental will be \$1.65 per acre for uncultivated land and \$8.00 per acre for cultivated land. This represents a 30% increase in minimum rental rates.

OIL & GAS — Seven oil and gas leasing auctions were held in the period from July 1, 1973 to June 30, 1975. Leases were sold on 453,112.11 mineral acres bringing \$2,123,529.79 in bonuses and \$113,275.28 in first-year rentals.

In June, 1975, the Board approved new rules and regulations for oil and gas leases, mineral leases, and also coal leases. The only change on oil and gas was the statutory minimum rental of 25¢ per acre, changed to not less than 25¢ per acre.

Some of the major changes in regard to our coal leasing is to allow coal prospecting permits, allow the Board to negotiate coal leases, as to bonus, rentals and royalties, and to also set the minimum delayed rentals and royalties, which are \$1.00 per acre rental and the minimum royalty of not less than 15¢ per ton or 6% of the price per ton of coal, whichever is greater.

We have the following coal leases in effect on June 30, 1975

BOWMAN:

Knife River Coal Company

N $\frac{1}{2}$ NW $\frac{1}{4}$ —Sec. 1-130-99 . . . 20 years	2-28-57 10 ^c 80 acres
NW $\frac{1}{4}$ SW $\frac{1}{4}$, S $\frac{1}{2}$ SW $\frac{1}{4}$, Sec. 1-130-99 20 years	2-28-57 10 ^c 120 acres

MERCER:

North American Coal Corporation

All—Sec. 1-143-89 10 years	12-14-71 15 ^c 320 acres
S $\frac{1}{2}$ —Sec. 16-144-88 10 years	9-17-69 15 ^c 298 acres
All—Sec. 36-144-89 10 years	5-21-69 15 ^c 640 acres
All—Sec. 36-145-88 10 years	10- 1-75 17 $\frac{1}{2}$ ^c 640 acres

Consolidated Coal Company

All—Sec. 16-145-86 10 years	4-26-66 15 ^c 640 acres
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Coteau Properties

Lots 1-2, NE $\frac{1}{4}$ SE $\frac{1}{4}$, S $\frac{1}{2}$ SE $\frac{1}{4}$ —Sec. 16-146-88 10 years	12-1-65 15 ^c 179.86 acres
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MERCER & OLIVER:

Knife River Coal Company

S $\frac{1}{2}$, S $\frac{1}{2}$ NW $\frac{1}{4}$, SW $\frac{1}{4}$ NE $\frac{1}{4}$ — Sec. 16-143-88; S $\frac{1}{2}$ —Sec. 12-143-88; N $\frac{1}{2}$ —Sec. 7-143-87 20 years	11-9-59 10 ^c 1080 acres
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OLIVER:

Lignite Electric Power

All—Sec. 36-142-84 10 years	3-28-68 10 ^c 480 acres
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STARK:

Thomas J. Pearce & Lenus Volk

S $\frac{1}{2}$ NW $\frac{1}{4}$ NW $\frac{1}{4}$, SW $\frac{1}{4}$ NW $\frac{1}{4}$, E $\frac{1}{2}$ NW $\frac{1}{4}$, SW $\frac{1}{4}$ —Sec. 16-139-95 10 years	11-10-70 15 ^c 300 acres
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TOTAL ACRES. 4,777.86

DEPARTMENT OF LAND ANALYSIS

A land analyst was employed May 1, 1974 to make an analysis of each tract of school land for multiple uses.

Some of the uses considered to date are: potential grazing capacity, potential for cropland and potential yield of adapted cultivated crops, potential for waterfowl use, potential for other wildlife, potential for urban and/or recreational use such as cabin sites or home sites.

A listing of the soils over sand and gravel is also given where there is good potential for commercial frontier of sand or gravel. The soils over scoria are also noted. Very stony soils are listed as a source of rip-rap stones. The state engineer's report on coal is used to classify each tract as coal land or not coal land. It relied on observation of coal outcrops, underground coal mines, and coal strata in water wells. Some additional data is available in logs of groundwater survey test holes.

The land analysis also indicates the quantity of water available from underlying aquifers as shown in county reports in amounts of 50 gallons per minute or more.

Analysis were completed on Burleigh, Morton, Stark, Ward, Wells, and LaMoure counties. Much of the data was taken from county published soil surveys by the Soil Conservation Service and North Dakota Agricultural Experiment Station.

The findings were reviewed with the State Game and Fish Department resulting in the "retain" list being reclassified as either "acquire" or "low value" for wildlife uses. This reclassification has been completed on Burleigh, Ward, and LaMoure Counties.

A calculation is also made in a county summary showing the increased rentals that would be received if the land well suited to cropland were leased for that purpose at current rental rates. Presently, the constitution restricts usage to pasture and meadow purposes only.

DEPLETED NATURAL RESOURCE TRUST

The 1975 Legislature passed a coal severance tax, which took effect on July 1, 1975. Thirty percent of the monies derived from this tax are to accrue in a permanent trust fund named, "Depleted Natural Resource Trust". Income derived from investing these permanent trust funds, will accrue and be disbursed quarterly to the "General Fund". We would expect monies from this source to begin accruing by November 1, 1975.

ABANDONED AND UNCLAIMED PROPERTY ACT

This act was passed by the 1975 legislature to become effective July 1, 1975. The purpose of this act is to provide a vehicle by which unclaimed property can be transferred to the Common School Trust Fund for Custody. The earnings from this trust will accrue for the benefit of the Common Schools. The Land Commissioner was named as administrator of this act, and has set up a new department called the Abandoned Property Office.

STATE OF

BOARD
OF
UNIVERSITY
AND
SCHOOL LANDS

NORTH DAKOTA

FORTY - SECOND
BIENNIAL REPORT

July 1, 1975 to June 30, 1977



R. E. LOMMEN
Commissioner

STATE OF NORTH DAKOTA

FORTY-SECOND BIENNIAL REPORT
OF THE
BOARD OF UNIVERSITY
AND SCHOOL LANDS
Bismarck, North Dakota 58505

July 1, 1975-June 30, 1977

The Governing Body created by Section 156 of Article IX of the Constitution of the State of North Dakota consists of the following officers:

HON. ARTHUR A. LINK, President	Governor
HON. BEN MEIER, Vice President	Secretary of State
HON. ROBERT PETERSON	State Auditor
HON. ALLEN I. OLSON	Attorney General
HON. HOWARD SNORTLAND	Superintendent of Public Instruction
HON. R.E. LOMMEN, Secretary	Commissioner of University and School Lands

Bismarck, North Dakota
July 1, 1977

The Honorable Arthur A. Link
Governor of North Dakota
President, Board of University
and School Lands
First Floor, Capitol Building
Bismarck, ND 58505

Dear Governor Link:

In accordance with Chapter 15-02-08 of the North Dakota Century Code I am privileged to submit herewith the Forty-Second Biennial Report of the Board of University and School Lands for the period July 1, 1975, through June 30, 1977.

Earnings from all sources during this biennium were \$14,820,249.72, compared to \$13,362,161.57 for the prior biennium. This is an all-time high for this department and represents an increase of 11% over the last biennium. These increases were derived mainly from investment income from land sale proceeds, increased oil lease bonuses, a concerted effort in collection of delinquent farm loan payments and by keeping our cash balances fully invested.

The Board and staff of the University and School Lands pledge themselves to sound management of the affairs of the Land Department while seeking the maximum in returns for the funds.

Respectfully submitted,

R.E. Lommen, Commissioner
of University and School Lands

OFFICE STAFF

ADMINISTRATION

R.E. Lommen Land Commissioner
Owen L. Anderson Attorney
Karen Wangerud Secretary

ACCOUNTING & COLLECTIONS DEPARTMENT

Joyce Malmstad Accountant
Cathy Hruby Collections Manager
Bernice Asbridge Cashier
Pearl Herron Assistant Cashier

BOND & MORTGAGE DEPARTMENT

Theresia Fischer Manager

ABANDONED PROPERTY DEPARTMENT

Ann Jaeger Manager

LAND SALES & TITLE DEPARTMENT

Margaret Pederson Sales Manager
Emma Peightal Title Clerk

LEASING & MINERALS DEPARTMENT

Otto Bervik Deputy Commissioner and Leasing Manager
Adolph Peterson Assistant Leasing Manager
Lloyd Shoesmith Land Analyst
Marvin Thompson Leasing Officer

FIELDMEN

E.A. Tough Strasburg, N. Dak.
Paul Neidhardt New Salem, N. Dak.

STATEMENT OF LAND GRANT FUNDS

June 30, 1977

Investments:			
U.S. Treas. Bonds		\$ 8,347,045.03	
G.N.M.A. Pass-Through Certificates		8,398,994.72	
Federal Land Bank Bonds		169,000.00	
U.S. Treas. Bills		874,000.00	
Export-Import Bank Debentures		2,915,422.00	
F.H.A. Notes		1,001,139.32	
School District Bonds		354,457.08	
Certificates of Deposit		9,408,000.00	\$31,468,058.15
F.H.A. Loans		251,928.22	
Farm Loans		39,710,260.15	39,962,188.37
Land Sold on Contract			
Acquired Land		13,237.95	
Land Sold on Contract			
Grant Land		9,236,981.30	9,250,219.25
Cash Balance — Permanent Fund		923,964.91	923,964.91
Acquired Land	Acres		
	45,518.81	*Value \$10.00 Per Acre	455,188.10
Unsold Grant Land	628,595.22	*Value \$10.00 Per Acre	6,285,952.20
Cancelled Contracts	<u>34,007.85</u>	*Value \$10.00 Per Acre	<u>340,078.50</u>
TOTAL ACRES	708,121.88	GRAND TOTAL	\$88,685,649.48

*Constitutional Minimum Value

DEPLETED NATURAL RESOURCES

Investments	\$ 2,862,491.00
Cash Balance	\$ 269,625.48

ABANDONED PROPERTY

Investments	\$498,000.00
Cash Balance	\$ 2,695.97

STATEMENT OF LAND GRANT FUNDS

June 30, 1975

Investments:			
U.S. Treas. Bonds		\$ 8,347,045.03	
G.N.M.A. Pass-Through Certificates		6,744,678.85	
Federal Land Bank Bonds		999,000.00	
U.S. Treas. Bills		1,744,431.88	
Export-Import Bank Debentures		2,914,422.00	
G.N.M.A.		2,785,860.33	
F.H.A. Notes		1,002,750.06	
Fed. Natl. Mtg. Assn.		745,727.08	
Municipal & School Dist. Bonds		422,496.08	
Certificates of Deposit		1,668,000.00	\$27,375,411.31
F.H.A. Loans		334,996.84	
Farm Loans		39,098,563.20	39,433,560.04
Land Sold on Contract Acquired Land		29,390.55	
Land Sold on Contract Grant Land		9,054,343.40	9,083,733.95
Cash Balance — Permanent Fund		324,088.56	324,088.56
Acquired Land	Acres		
	45,521.32	*Value \$10.00 Per Acre	455,213.20
Unsold Grant Land	641,729.50	*Value \$10.00 Per Acre	6,417,295.00
Cancelled Contracts	35,603.36	*Value \$10.00 Per Acre	356,033.60
<u>TOTAL ACRES</u>	<u>722,854.18</u>	<u>GRAND TOTAL</u>	<u>\$83,445,335.66</u>

*Constitutional Minimum Value

**STATEMENT OF LAND GRANT FUNDS IN
VARIOUS SUB-DIVISIONS TO JUNE 30, 1977**

Common Schools

On admission to the Union, Congress granted to the State of North Dakota, for the support of common schools, sections 16 and 36 in every township in the State, and where these sections or parts thereof were omitted on account of being embraced in lakes, rivers or having been homesteaded prior to survey, the State was allowed to select land elsewhere from any public land in the State, as "Indemnity Lands", which are common school lands other than Section 16 and 36, the proceeds from indemnity lands also to go to the Common School Fund. Of this grant 2,523,383.78 acres have been selected.

Investments:

U.S. Treas. Bonds.....	\$ 7,893,045.03	
G.N.M.A. Pass-Through Certificates	5,126,511.09	
F.H.A. Notes	1,001,139.32	
Export-Import Bank Debentures.....	2,915,422.00	
U.S. Treas. Bills	750,000.00	
School District Bonds.....	298,600.00	
Certificates of Deposit	8,950,000.00	\$26,934,717.44
F.H.A. Loans	251,928.22	
Farm Loans	32,288,188.85	32,540,117.07
Land Sold on Contract Acquired Land	8,630.45	
Land Sold on Contract Grant Land	7,879,328.85	7,887,959.30
Cash Balance — Permanent Fund	569,559.89	569,559.89
Acquired Land	Acres 29,196.91	*Value \$10.00 Per Acre
Unsold Grant Land	584,867.40	*Value \$10.00 Per Acre
Cancelled Contracts	21,353.45	*Value \$10.00 Per Acre
TOTAL ACRES	635,417.76	GRAND TOTAL

*Constitutional Minimum Value

NORTH DAKOTA STATE UNIVERSITY
Fargo

Under Section 16 of the Enabling Act admitting this State, there was granted 90,000 acres, and under Section 17 an additional 40,000 acres, for the support of the North Dakota State University, making a total of 130,000 acres granted by Congress for this institution at Fargo.

Of this grant, 129,999.98 acres have been selected.

INVESTMENTS

Bonds:

U.S. Treas. Bonds	\$ 50,000.00	
G.N.M.A. Pass-Through Certificates	750,132.71	
Federal Land Bank Bonds	120,000.00	\$ 920,132.71
Farm Loans	1,862,041.70	1,862,041.70
Land Sold on Contract		
Acquired Land	1,521.65	
Grant Land	205,871.25	207,392.90
Cash Balance — Permanent Fund	6,856.96	6,856.96
	Acres	
Acquired Land	4,237.85	*Value \$10.00 Per Acre
Unsold Grant Land	8,351.92	*Value \$10.00 Per Acre
Cancelled Contracts	2,855.26	*Value \$10.00 Per Acre
TOTAL ACRES	15,445.03	GRAND TOTAL

*Constitutional Minimum Value

SCHOOL FOR THE BLIND
Grand Forks

Under Section 17 of the Enabling Act, there was granted 170,000 acres for educational and charitable purposes to be determined by the State Legislature: 30,025.76 acres of this grant has been apportioned to and selected by the State for the benefit of the School for the Blind at Grand Forks.

INVESTMENTS

Bonds:

U.S. Treas. Bonds	\$ 33,000.00	
G.N.M.A. Pass-Through Certificates	210,546.40	
School District Bonds	2,000.00	\$245,546.40
Farm Loans	372,844.55	372,844.55
Land Sold on Contract		
Grant Land	54,643.15	54,643.15
Cash Balance — Permanent Fund	7,208.80	7,208.80
	Acres	
Acquired Land	1,139.47	*Value \$10.00 Per Acre
Unsold Grant Land	2,031.34	*Value \$10.00 Per Acre
Cancelled Contracts	238.00	*Value \$10.00 Per Acre
TOTAL ACRES	3,408.81	GRAND TOTAL

*Constitutional Minimum Value

CAPITOL BUILDING

Bismarck

Under Section 12 of the Enabling Act admitting the State, there was granted fifty sections, or 32,000 acres, and under Section 17 of the same Act 50,000 acres for public buildings at the Capitol of the State, making 82,000 acres for the Capitol Building. However, there was an over-selection of 326.14 acres for this State Institution, making a total selection of 82,326.14 acres.

INVESTMENTS

Bonds:

G.N.M.A. Pass-Through Certificates.....	\$ 52,986.03	
Federal Land Bank Bonds.....	17,000.00	
U.S. Treas. Bills.....	124,000.00	
Certificates of Deposit.....	458,000.00	\$ 651,986.03

Land Sold on Contract		
Grant Land.....	256,059.45	256,059.45

Cash Balance — Permanent Fund.....	1,245.50	1,245.50
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	Acres		
Acquired Land.....	160.00	*Value \$10.00 Per Acre.....	1,600.00
Unsold Grant Land.....	9,144.17	*Value \$10.00 Per Acre.....	91,441.70
Cancelled Contracts.....	<u>877.00</u>	*Value \$10.00 Per Acre.....	<u>8,770.00</u>
TOTAL ACRES.....	10,181.17	GRAND TOTAL.....	\$1,011,102.68

Total Permanent Fund Investment.....	1,011,102.68
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Cash Balance — Interest & Income Account.....	4,898.00
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Investments — Interest & Income Account.....	<u>746,000.00</u>
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TOTAL INVESTMENTS.....	\$1,762,000.68
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*Constitutional Minimum Value

SCHOOL FOR THE DEAF

Devils Lake

Under Section 17 of the Enabling Act admitting the State, there was granted 40,000 acres for the Deaf School. Of this grant 39,966.53 acres have been selected by the State for this Institution at Devils Lake.

INVESTMENTS

Bonds:

U.S. Treas. Bonds.....	\$ 26,000.00	
G.N.M.A. Pass-Through Certificates.....	89,072.27	\$115,072.27

Farm Loans.....	630,049.55	630,049.55
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Land Sold on Contract		
Grant Land.....	66,110.40	66,110.40

Cash Balance — Permanent Fund.....	27,950.32	27,950.32
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	Acres		
Acquired Land.....	1,192.70	*Value \$10.00 Per Acre.....	11,927.00
Unsold Grant Land.....	2,652.64	*Value \$10.00 Per Acre.....	26,526.40
Cancelled Contracts.....	<u>981.01</u>	*Value \$10.00 Per Acre.....	<u>9,810.10</u>
TOTAL ACRES.....	4,826.35	GRAND TOTAL.....	\$887,446.04

*Constitutional Minimum Value

STATE HOSPITAL

Jamestown

Under Section 17 of the Enabling Act admitting the State, there was granted for educational and charitable institutions 170,000 acres to be apportioned as the Legislature should determine. Of this grant 20,000.98 acres have been selected for the State Hospital at Jamestown.

INVESTMENTS

Bonds:

U.S. Treas. Bonds	\$ 3,000.00	
G.N.M.A. Pass-Through Certificates.....	153,701.20	
Federal Land Bank Bonds	24,000.00	\$180,701.20
Farm Loans.....	313,221.05	313,221.05
Land Sold on Contract		
Grant Land	23,597.10	23,597.10
Cash Balance — Permanent Fund.....	12,489.68	12,489.68

Acres

Acquired Land	311.16	*Value \$10.00 Per Acre	3,111.60
Unsold Grant Land	1,581.18	*Value \$10.00 Per Acre	15,811.80
Cancelled Contracts	<u>307.77</u>	*Value \$10.00 Per Acre	<u>3,077.70</u>
TOTAL ACRES	2,200.11	GRAND TOTAL	\$552,010.13

*Constitutional Minimum Value

ELLENDALE STATE TEACHERS COLLEGE

Ellendale

Under Section 17 of the Enabling Act admitting the State, there was granted for educational purposes 170,000 acres of which 40,000 acres have been apportioned and 39,997.24 acres have been selected by the State for the benefit of the State Teachers College at Ellendale.

INVESTMENTS

Bonds:

U.S. Treas. Bonds	\$ 11,500.00	
G.N.M.A. Pass-Through Certificates.....	216,821.79	
Federal Land Bank Bonds	8,000.00	
School District Bonds	48,000.00	\$284,321.79
Farm Loans.....	439,903.05	439,903.05
Land Sold on Contract		
Acquired Land	945.90	
Grant Land	54,201.90	55,147.80
Cash Balance — Permanent Fund.....	9,709.86	9,709.86

Acres

Acquired Land	1,462.71	*Value \$10.00 Per Acre	14,627.10
Unsold Grant Land	2,820.49	*Value \$10.00 Per Acre	28,204.90
Cancelled Contracts	<u>681.61</u>	*Value \$10.00 Per Acre	<u>6,816.10</u>
TOTAL ACRES	4,964.81	GRAND TOTAL	\$838,730.60

*Constitutional Minimum Value

NORMAL SCHOOLS

Valley City - Mayville

Under Section 17 of the Enabling Act admitting the State, there was granted for the State Normal Schools 80,000 acres. The Legislature of the State has apportioned 30,000 acres of this grant to the Mayville Normal and 50,000 acres of this grant to the Valley City Normal. In the selection of these lands, however, no division was made but the full 80,000 acres taken for Normal Schools, and in the division of receipts for such lands five-eighths is given to the Valley City institution and three-eighths to Mayville, being the proportion to which each is entitled according to the area of the grants to each. There was, however, an over-selection of 5.90 acres, making the total acres selected for the above Normal Schools 80,005.90.

INVESTMENTS — VALLEY CITY NORMAL

Bonds:

U.S. Treas. Bonds	\$ 50,000.00	
G.N.M.A. Pass-Through Certificates.	216,180.06	\$ 266,180.06
Farm Loans.	599,538.85	599,538.85
Land Sold on Contract Grant Land	125,701.72	125,701.72
Cash Balance — Permanent Fund	9,119.68	9,119.68
Acquired Land	Acres 640.00	*Value \$10.00 Per Acre
		6,400.00
Unsold Grant Land	3,087.20	*Value \$10.00 Per Acre
		30,872.00
Cancelled Contracts	<u>1,086.41</u>	*Value \$10.00 Per Acre
		<u>10,864.10</u>
TOTAL ACRES	4,813.61	GRAND TOTAL
		\$1,048,676.41

*Constitutional Minimum Value

INVESTMENTS — MAYVILLE

Bonds:

U.S. Treas. Bonds	\$ 47,000.00	
G.N.M.A. Pass-Through Certificates.	202,608.47	
School District Bonds	7.08	\$249,615.55
Farm Loans.	289,444.65	289,444.65
Land Sold on Contract Grant Land	75,421.03	75,421.03
Cash Balance — Permanent Fund	3,782.15	3,782.15
Acquired Land	Acres 640.00	*Value \$10.00 Per Acre
		6,400.00
Unsold Grant Land	1,852.32	*Value \$10.00 Per Acre
		18,523.20
Cancelled Contracts	<u>651.85</u>	*Value \$10.00 Per Acre
		<u>6,518.50</u>
TOTAL ACRES	3,144.17	GRAND TOTAL
		\$649,705.08

*Constitutional Minimum Value

NORTH DAKOTA INDUSTRIAL SCHOOL

Mandan

Under Section 17 of the Enabling Act admitting the State, there was granted by Congress to the State Industrial School 40,000 acres. An over-selection of 24.94 acres was made, making the total acres selected for this institution at Mandan 40,024.94 acres.

INVESTMENTS

Bonds:

U.S. Treas. Bonds	\$ 31,500.00	
G.N.M.A. Pass-Through Certificates	385,259.92	\$ 416,759.92
Farm Loans	431,185.90	431,185.90
Land Sold on Contract Grant Land	64,815.20	64,815.20
Cash Balance — Permanent Fund	89,912.57	89,912.57

Acres

Acquired Land	1,096.36	*Value \$10.00 Per Acre	10,963.60
Unsold Grant Land	1,964.36	*Value \$10.00 Per Acre	19,643.60
Cancelled Contracts	<u>717.34</u>	*Value \$10.00 Per Acre	<u>7,173.40</u>
TOTAL ACRES	3,778.06	GRAND TOTAL	\$1,040,454.19

*Constitutional Minimum Value

SCHOOL OF SCIENCE

Wahpeton

Of the 170,000 acres granted to the State under Section 17 of the Enabling Act for educational and charitable purposes, 40,000 acres have been given by the State Legislature to the School of Science at Wahpeton, and of which 39,997.16 acres have been selected.

INVESTMENTS

Bonds:

U.S. Treas. Bonds	\$ 71,000.00	
G.N.M.A. Pass-Through Certificates	244,483.70	
School District Bonds	5,850.00	\$321,333.70
Farm Loans	333,577.75	333,577.75
Land Sold on Contract Grant Land	65,205.40	65,205.40
Cash Balance — Permanent Fund	61,991.47	61,991.47

Acres

Acquired Land	1,609.01	*Value \$10.00 Per Acre	16,090.10
Unsold Grant Land	1,815.86	*Value \$10.00 Per Acre	18,158.60
Cancelled Contracts	<u>320.19</u>	*Value \$10.00 Per Acre	<u>3,201.90</u>
TOTAL ACRES	3,745.06	GRAND TOTAL	\$819,558.92

*Constitutional Minimum Value

SCHOOL OF MINES

Grand Forks

Under Section 17 of the Enabling Act admitting the State, there was granted for the School of Mines 40,000 acres. There was an over-selection of 3.51 acres by the State, making a total of 40,003.51 acres for this institution, which is located at Grand Forks in connection with the University.

INVESTMENTS

Bonds:

U.S. Treas. Bonds	\$ 39,000.00	
G.N.M.A. Pass-Through Certificates	276,471.47	\$ 315,471.47
Farm Loans	484,741.15	484,741.15
Land Sold on Contract		
Acquired Land	665.40	
Grant Land	111,052.00	111,717.40
Cash Balance — Permanent Fund	54,579.65	54,579.65

Acres

Acquired Land	1,347.54	*Value \$10.00 Per Acre	13,475.40
Unsold Grant Land	1,391.57	*Value \$10.00 Per Acre	13,915.70
Cancelled Contracts	<u>667.90</u>	*Value \$10.00 Per Acre	<u>6,679.00</u>
TOTAL ACRES	3,407.01	GRAND TOTAL	\$1,000,579.77

*Constitutional Minimum Value

SOLDIERS HOME

Lisbon

Of the 170,000 acres granted by Section 17 of the Enabling Act for educational and charitable purposes, the State Legislature apportioned 40,000 acres to the Soldiers Home at Lisbon, and 39,972.36 acres of this grant has been selected.

INVESTMENTS

Bonds:

U.S. Treas. Bonds	\$ 40,000.00	
G.N.M.A. Pass-Through Certificates	166,044.59	\$206,044.59
Farm Loans	471,811.30	471,811.30
Land Sold on Contract		
Acquired Land	763.20	
Grant Land	94,600.65	95,363.85
Cash Balance — Permanent Fund	23,986.08	23,986.08

Acres

Acquired Land	480.00	*Value \$10.00 Per Acre	4,800.00
Unsold Grant Land	2,033.69	*Value \$10.00 Per Acre	20,336.90
Cancelled Contracts	<u>400.00</u>	*Value \$10.00 Per Acre	<u>4,000.00</u>
TOTAL ACRES	2,913.69	GRAND TOTAL	\$826,342.72

*Constitutional Minimum Value

UNIVERSITY

Grand Forks

Under Section 14 of the Enabling Act admitting the State, there was granted Seventy-two sections, or 46,080 acres, and under Section 17 of said Act 40,000 acres, making a total of 86,080 acres for the University. Of this grant, 86,066 acres have been selected by the State for this institution at Grand Forks.

INVESTMENTS

Bonds:

U.S. Treas. Bonds	\$ 52,000.00	
G.N.M.A. Pass-Through Certificates	308,175.02	\$ 360,175.02
Farm Loans	1,193,711.80	1,193,711.80
Land Sold on Contract		
Acquired Land	711.35	
Grant Land	160,373.20	161,084.55
Cash Balance—Permanent Fund	45,572.30	45,572.30

Acres

Acquired Land	2,005.10	*Value \$10.00 Per Acre	20,051.00
Unsold Grant Land	5,001.08	*Value \$10.00 Per Acre	50,010.80
Cancelled Contracts	<u>2,870.06</u>	*Value \$10.00 Per Acre	<u>28,700.60</u>
TOTAL ACRES	9,876.24	GRAND TOTAL	\$1,859,306.07

*Constitutional Minimum Value

GRANT LAND SOLD ON CONTRACT

Land Contracts Held by the State June 30, 1977

	Acres	No. of Contracts	Principal
Common Schools	148,459.05	978	\$7,879,328.85
North Dakota State University	4,668.17	31	205,871.25
School for the Blind	1,108.49	11	54,643.15
Capitol Building	4,433.54	29	256,059.45
School for the Deaf	1,874.12	16	66,110.40
State Hospital	415.78	5	23,597.10
Ellendale College	861.99	8	54,201.90
Normal Schools:			
Mayville 3/8			75,421.03
Valley City 5/8	2,536.68	21	125,701.72
North Dakota Industrial School	1,673.59	17	64,815.20
School of Science	1,769.35	18	65,205.40
School of Mines	1,633.75	15	111,052.00
Soldiers Home	1,346.04	12	94,600.65
University of North Dakota	3,808.52	31	160,373.20
TOTAL	174,589.07	1,192	\$9,236,981.30

ACQUIRED LAND SOLD ON CONTRACT

June 30, 1977

	Acres	No. of Contracts	Principal
Common Schools	1,855.90	10	\$8,630.45
North Dakota State University	160.00	1	1,521.65
Ellendale College	160.00	1	945.90
School of Mines	160.00	1	665.40
Soldiers Home	160.00	1	763.20
University of North Dakota	160.00	1	711.35
TOTAL	2,655.90	15	\$13,237.95

LAND SELECTIONS AND ACRE DISTRIBUTION

	Acres Selected	Acres Sold On Contract	Cancelled Contract Acres	Acquired Lands	Unsold Grant Land	Total Acres Held June 30, 1977
Common Schools	2,523,383.78	1,938,516.38	21,353.45	29,196.91	584,867.40	635,417.76
N.D. State Univ.	129,999.98	121,648.06	2,855.26	4,237.84	8,351.92	15,445.03
School for Blind	30,025.76	27,994.42	238.00	1,139.47	2,031.34	3,408.81
Capitol Building	82,326.14	73,181.97	877.00	160.00	9,144.17	10,181.17
School for Deaf	39,966.53	37,313.89	981.01	1,192.70	2,652.64	4,826.35
State Hospital	20,000.98	18,419.80	307.77	311.16	1,581.18	2,200.11
Ellendale College	39,997.24	37,176.75	681.61	1,462.71	2,820.49	4,964.81
Valley City College	50,003.69	46,916.49	1,086.41	640.00	3,087.20	4,813.61
Mayville College	30,002.21	28,149.89	651.85	640.00	1,852.32	3,144.17
Industrial School	40,024.94	38,060.58	717.34	1,096.36	1,964.36	3,778.06
Science School	39,997.16	38,181.30	320.19	1,609.01	1,815.86	3,745.06
School of Mines	40,003.51	38,611.94	667.90	1,347.54	1,391.57	3,407.01
Soldiers Home	39,972.36	37,938.67	400.00	480.00	2,033.69	2,913.69
University of N.D.	86,066.00	81,064.92	2,870.06	2,005.10	5,001.08	9,876.24
TOTAL ACRES	3,191,770.28	2,563,175.06	34,007.85	45,518.80	628,595.22	708,121.88

STATE LAND DEPARTMENT UNIVERSITY AND SCHOOL LANDS LAND SALES: 7-1-57 to 7-1-77

Period	Number of Tracts	Number of Acres	Total Sale Price	Average Price Per Acre	Int. Rate
7-1-57 to 7-1-58	53	8,406.57	\$ 287,075.00	\$ 34.15	4%
7-1-58 to 7-1-59	137	20,351.35	909,535.00	44.69	4%
7-1-59 to 7-1-60	154	25,510.38	972,715.00	38.13	4%
7-1-60 to 7-1-61	120	19,600.80	814,975.00	42.21	4%
7-1-61 to 7-1-62	109	16,326.25	669,441.00	40.36	4%
7-1-62 to 7-1-63	76	11,079	583,425.00	52.66	4%
7-1-63 to 7-1-64	121	17,550.06	1,051,665.00	59.92	4%
7-1-64 to 7-1-65	87	13,629.95	695,900.00	51.05	4%
7-1-65 to 7-1-66	103	15,604.10	1,013,300.00	64.93	4%
7-1-66 to 7-1-67	129	19,661.61	1,456,820.00	74.09+	5%
7-1-67 to 7-1-68	83	12,316.61	955,620.00	77.58+	5%
7-1-68 to 7-1-69	73	11,325.18	820,772.00	72.47+	6%
7-1-69 to 7-1-70	76	11,253.70	808,285.00	71.82+	8%
7-1-70 to 7-1-71	57	8,401.03	567,620.00	67.56+	7¾%
7-1-71 to 7-1-72	87	13,085.67	1,063,101.00	81.24+	7%
7-1-72 to 7-1-73	25	3,836.81	400,400.00	104.35+	7%
7-1-73 to 7-1-74	301	45,392.41	7,358,844.00	162.11+	8%
7-1-74 to 7-1-75	none				
7-1-75 to 7-1-76	22	3,314.14	860,986.75	259.79	8½%
7-1-76 to 7-1-77	49	7,307.68	1,548,415.00	211.89	8½%
	1,862	283,953.30	22,838,894.75	80.43+	

STATE SCHOOL LAND ACREAGE

As of June 30, 1977

COUNTY	ACRES	NO. OF TRACTS
Adams	17,122.16	109
Barnes	2,799.58	18
Benson	11,067.63	101
Billings	31,241.48	200
Bottineau	3,394.15	22
Bowman	29,281.58	188
Burke	16,129.97	104
Burleigh	27,996.87	181
Cass	40.00	1
Cavalier	596.47	7
Dickey	3,663.77	24
Divide	21,133.13	136
Dunn	25,979.52	165
Eddy	10,913.19	85
Emmons	13,414.32	90
Foster	3,116.41	21
Golden Valley	29,048.24	187
Grand Forks	2,073.77	13
Grant	33,483.95	215
Griggs	1,741.24	13
Hettinger	9,914.40	64
Kidder	28,637.79	184
LaMoure	1,605.00	10
Logan	9,394.07	61
McHenry	22,310.32	145
McIntosh	6,397.50	46
McKenzie	63,479.13	404
McLean	21,047.53	148
Mercer	15,089.94	102
Morton	17,655.69	118
Mountrail	32,465.74	218
Nelson	2,853.66	31
Oliver	8,644.82	56
Pembina	0	0
Pierce	14,325.01	97
Ramsey	2,056.50	22
Ransom	1,120.00	7
Renville	1,911.00	12
Richland	513.68	4
Rolette	6,899.24	49
Sargent	1,128.79	8
Sheridan	25,658.64	171
Sioux	23,538.42	156
Slope	23,621.72	149
Stark	6,141.61	39
Steele	0	0
Stutsman	15,189.95	102
Towner	8,090.43	73
Traill	0	0
Walsh	201.02	3
Ward	11,039.06	71
Wells	5,095.39	40
Williams	38,496.39	251
TOTALS	708,121.87	4,718

INVESTMENTS
June 30, 1977

	U.S. Treas. Obligations	G.N.M.A. Certificates	Federal Land Bank Bonds	F.H.A. Notes	Export-Import Bank Debentures	U.S. Treas. Bills	School Districts	F.H.A. Loans	Farm Loans	Land Sold on Contract	Certificates of Deposit	TOTAL
Common Schools	\$7,893,045.03	\$5,126,511.09		\$1,001,139.32	\$2,915,422.00	\$750,000.00	\$298,600.00	\$251,928.22	\$32,288,188.85	\$7,887,959.30	\$8,950,000.00	\$67,362,793.81
N.D. State Univ.	50,000.00	750,132.71	120,000.00						1,862,041.70	207,392.90		2,989,567.31
School for Blind	33,000.00	210,546.40					2,000.00		372,844.55	54,643.15		690,034.10
Capitol Building		52,986.03	17,000.00			124,000.00				256,059.45	458,000.00	891,045.48
School for Deaf	26,000.00	89,072.27							630,049.55	66,110.40		811,232.22
State Hospital	3,000.00	153,701.20	24,000.00						313,221.05	23,597.10		517,519.35
Ellendale College	11,500.00	216,821.79	8,000.00				48,000.00		439,903.05	55,147.80		779,372.64
Valley City College	50,000.00	216,180.06							599,538.85	125,701.72		991,420.63
Mayville College	47,000.00	202,608.47					7.08		289,444.65	75,421.03		614,481.23
Industrial School	31,500.00	385,259.92							431,185.90	64,815.20		912,761.02
Science School	71,000.00	244,483.70					5,850.00		333,577.75	65,205.40		720,116.85
School of Mines	39,000.00	276,471.47							484,741.15	111,717.40		911,930.02
Soldiers Home	40,000.00	166,044.59							471,811.30	95,363.85		773,219.74
University of N.D.	52,000.00	308,175.02							1,193,711.80	161,084.55		1,714,971.37
TOTALS	\$8,347,045.03	\$8,398,994.72	\$169,000.00	\$1,001,139.32	\$2,915,422.00	\$874,000.00	\$354,457.08	\$251,928.22	\$39,710,260.15	\$9,250,219.25	\$9,408,000.00	\$80,680,465.77

Interest & Income												
Capitol Building				U.S. Treas. Bills							\$ 36,000.00	
				Certificates of Deposit							710,000.00	
				TOTAL							\$746,000.00	

**GRAND TOTAL OF PERMANENT FUND
AND INTEREST & INCOME INVESTMENTS** **\$81,426,465.77**

Depleted Natural Resources												
Investments				U.S. Treas. Bills							\$ 283,891.00	
				Certificates of Deposit							844,000.00	
				TOTAL							\$1,127,891.00	

PERMANENT FUND COLLECTIONS
July 1, 1975 to June 30, 1977

	Land Sold on Contract	Land Sold Cash Sales	Easements	Bonds & Investments	Farm Loans	Royalty on Coal & Gravel	Misc.	X-Contracts	F.H.A. Loans	Royalty on Oil & Gas	Certificates of Deposit	TOTAL
Common Schools	\$1,982,744.45	\$474,779.40	\$10,272.55	\$5,438,962.29	\$6,747,510.05	\$269,718.70	\$ 779.50	\$10,759.35	\$83,068.62	\$1,909,302.88	\$14,700,00.00	\$31,627,897.79
N.D. State Univ.	46,951.75	822.75	202.38	150,701.38	355,683.55			2,661.55		36,178.93	605,000.00	1,198,202.29
School for Blind	16,786.65			42,768.86	50,301.25					5,877.00	310,000.00	425,733.76
Capitol Building	30,542.05	127,000.00	7,050.00	18,698.28		19,075.92				2,821.19	869,500.00	1,074,687.44
School for Deaf	23,994.05	738.00	80.00	19,212.03	190,717.20	1,323.40					363,000.00	599,064.68
State Hospital	2,235.10	1,006.00		29,256.65	34,320.35	666.00				32,234.86	242,000.00	341,718.96
Ellendale College	7,689.70			58,300.66	61,193.15			607.50			363,000.00	490,791.01
Valley City College	22,610.17	321.25	351.70	43,676.35	47,802.30					6,817.38	235,000.00	356,579.15
Mayville College	13,566.23	192.75	211.02	40,950.56	53,936.45						261,000.00	369,857.01
Industrial School	15,270.55			77,241.85	106,075.15					9,312.22	437,000.00	644,899.77
Science School	19,206.55			49,005.35	30,298.20	665.75				7,097.00	288,000.00	394,272.85
School of Mines	19,958.55	92.00		60,074.43	126,948.40			456.05		21,735.49	323,000.00	552,264.92
Soldiers Home	17,928.20	166.40		33,768.02	57,069.05			489.00			322,000.00	431,420.67
University of N.D.	37,779.85	1,100.00	392.00	61,826.22	307,445.10	110.00		399.65		110.00	621,000.00	1,030,162.82
TOTALS	\$2,257,263.85	\$606,218.55	\$18,559.65	\$6,124,442.93	\$8,169,300.20	\$291,559.77	\$779.50	\$15,373.10	\$83,068.62	\$2,031,486.95	\$19,939,500.00	\$39,537,553.12

The above collected monies are placed in the Permanent Trust Fund for each of the above-listed schools and institutions. These permanent trust funds can never be diminished but must be invested. However, the earnings from the investments are distributed to the schools and institutions for their use.

COMPARATIVE SCHEDULE OF INTEREST AND INCOME FUND CASH RECEIPTS
For the Bienniums Ending June 30, 1975 and June 30, 1977

INSTITUTION	Interest on Contracts		Land Rentals		Interest on Securities		Interest on Loans		Easements, Permits & Penalties	
	1973-75	1975-77	1973-75	1975-77	1973-75	1975-77	1973-75	1975-77	1973-75	1975-77
Common Schools	\$726,266.53	\$1,054,570.86	\$1,826,050.02	\$2,160,153.82	\$2,008,674.46	\$2,509,297.18	\$4,275,845.58	\$4,607,800.53	\$31,387.50	\$4,055.00
N.D. State Univ.	19,656.30	20,752.65	73,361.95	94,689.00	154,995.50	128,284.89	190,244.51	219,358.82		
School for Blind	5,911.66	7,174.23	11,196.18	15,412.30	40,192.40	35,542.96	30,602.75	42,686.99	12.50	150.00
Capitol Building	30,305.83	38,755.40	33,864.25	37,486.75	94,554.27	148,659.27			25.00	
School for Deaf	9,196.15	11,198.53	22,450.33	27,646.98	20,128.73	21,488.70	70,855.20	86,580.74	37.50	
State Hospital	3,096.25	3,725.90	7,780.48	9,009.99	28,242.32	26,813.19	27,944.75	33,321.88		25.00
Ellendale College	2,999.05	7,727.70	18,284.22	21,924.15	48,634.91	42,843.85	44,860.34	45,438.90	62.50	
Valley City College	8,161.98	12,021.27	22,485.85	28,790.70	42,280.34	35,813.53	60,575.10	66,857.92		
Mayville College	4,897.27	7,318.98	13,901.12	17,907.81	39,918.53	35,278.02	24,933.00	34,153.76		
Industrial School	6,378.00	9,884.00	25,277.25	28,791.13	72,401.33	62,096.04	40,768.10	53,407.83		
Science School	4,708.28	5,297.26	16,646.35	17,804.70	50,486.02	43,589.83	30,539.31	46,105.73	25.00	
School of Mines	8,879.85	13,182.45	20,542.55	20,109.17	56,734.24	46,358.90	42,862.40	62,437.50	25.00	
Soldiers Home	6,568.45	8,800.10	15,434.17	17,966.15	32,142.15	29,914.70	56,493.38	53,871.76		25.00
University of N.D.	13,039.00	18,799.55	44,086.42	52,379.44	63,476.74	57,025.86	135,571.93	149,214.04		
TOTALS	\$850,064.60	\$1,219,208.88	\$2,151,361.14	\$2,550,072.09	\$2,752,861.94	\$3,223,006.92	\$5,032,096.35	\$5,501,236.40	\$31,575.00	\$4,255.00

COMPARATIVE SCHEDULE OF INTEREST AND INCOME FUND CASH RECEIPTS
For the Bienniums Ending June 30, 1975 and June 30, 1977

INSTITUTION	Oil & Gas Leases		Interest on Acquired Land Contracts		Interest on F.H.A. Loans		Interest on Abandoned Property		TOTALS	
	1973-75	1975-77	1973-75	1975-77	1973-75	1975-77	1975-77	1973-75	1975-77	
Common Schools.	\$2,203,159.17	\$2,082,342.12	\$2,734.75	\$1,318.62	\$90,145.06	\$51,518.01	\$21,933.80	\$11,164,263.07	\$12,492,989.94	
N.D. State Univ.	48,433.55	41,346.26	465.80	245.20				487,157.61	504,676.82	
School for Blind.	6,603.31	2,291.93	8.50					94,527.30	103,258.41	
Capitol Building.	20,554.83	23,588.35						179,304.18	248,489.77	
School for Deaf.	17,530.48	8,912.23	44.37					140,242.76	155,827.18	
State Hospital.	21,869.03	5,269.07						88,932.83	78,165.03	
Ellendale College.	15,555.17	12,097.43	158.20	112.50				130,554.39	130,144.53	
Valley City College.	14,905.93	9,980.44						148,409.20	153,463.86	
Mayville College.	33,681.26	8,041.55						117,331.18	102,700.12	
Industrial School.	11,125.58	13,244.67	6.65					155,956.91	167,423.67	
Science School.	9,943.10	8,004.13	152.05					112,500.11	120,801.65	
School of Mines.	14,025.71	14,472.33	115.70	83.95				143,185.45	156,644.30	
Soldiers Home.	5,583.48	2,540.97	127.45	87.00				116,349.08	113,180.68	
University of N.D.	27,161.36	14,959.52	112.05	80.35				283,447.50	292,483.76	
TOTALS	\$2,450,131.96	\$2,247,091.00	\$3,925.52	\$1,927.62	\$90,145.06	\$51,518.01	\$21,933.80	\$13,362,161.57	\$14,820,249.72	

INTEREST & INCOME COLLECTIONS

July 1, 1975 to June 30, 1977

	Interest on Contracts	Land Rentals	Interest on Investments	Interest on Loans	Misc.	Oil & Gas Leases	Interest on x-Contracts	Interest on F.H.A. Loans	Interest on Abandoned Property	TOTAL
Common Schools.	\$1,054,570.86	\$2,160,153.82	\$2,509,297.18	\$4,607,800.53	\$4,055.00	\$2,082,342.12	\$1,318.62	\$51,518.01	\$21,933.80	\$12,492,989.94
N.D. State Univ.	20,752.65	94,689.00	128,284.89	219,358.82		41,346.26	245.20			504,676.82
School for Blind.	7,174.23	15,412.30	35,542.96	42,686.99	150.00	2,291.93				103,258.41
Capitol Building.	38,755.40	37,486.75	148,659.27			23,588.35				248,489.77
School for Deaf.	11,198.53	27,646.98	21,488.70	86,580.74		8,912.23				155,827.18
State Hospital.	3,725.90	9,009.99	26,813.19	33,321.88	25.00	5,269.07				78,165.03
Ellendale College.	7,727.70	21,924.15	42,843.85	45,438.90		12,097.43	112.50			130,144.53
Valley City College.	12,021.27	28,790.70	35,813.53	66,857.92		9,980.44				153,463.86
Mayville College.	7,318.98	17,907.81	35,278.02	34,153.76		8,041.55				102,700.12
Industrial School.	9,884.00	28,791.13	62,096.04	53,407.83		13,244.67				167,423.67
Science School.	5,297.26	17,804.70	43,589.83	46,105.73		8,004.13				120,801.65
School of Mines.	13,182.45	20,109.17	46,358.90	62,437.50		14,472.33	83.95			156,644.30
Soldiers Home.	8,800.10	17,966.15	29,914.70	53,871.76		2,540.97	87.00			113,180.68
University of N.D..	18,799.55	52,379.44	57,025.86	149,214.04	25.00	14,959.52	80.35			292,483.76
TOTALS	\$1,219,208.88	\$2,550,072.09	\$3,223,006.92	\$5,501,236.40	\$4,255.00	\$2,247,091.00	\$1,927.62	\$51,518.01	\$21,933.80	\$14,820,249.72

Interest on Depleted Natural Resource

Investments credited to General Fund \$52,233.05

The above collected monies go to the various schools and institutions listed above and may be used by them. In the case of Common Schools the monies are apportioned quarterly to the School Districts on a per pupil basis.

COLLECTIONS DISTRIBUTED TO INSTITUTIONAL FUNDS

From July 1, 1975 to June 30, 1977

Land Contracts (Grant Land)	\$2,257,263.85
Land Sold (Cash)	606,218.55
Easements	18,559.65
Bonds & Investments	6,124,442.93
Farm Loans	8,169,300.20
Royalty — Coal, Gravel & Scoria	291,559.77
Misc. (Reserve Fund)	779.50
X Contracts (Acquired Land)	15,373.10
F.H.A. Loans	83,068.62
Royalty — Oil & Gas	2,031,486.95
Certificates of Deposit Paid	19,939,500.00
TOTAL (Credited to Permanent Fund — Common Schools & Institutions)	\$39,537,553.12
Interest on Contracts (Grant Land)	\$1,219,208.88
Land Rentals	2,550,072.09
Interest on Investments	3,223,006.92
Interest on Farm Loans	5,501,236.40
Misc. (Permits & Penalties)	4,255.00
Oil & Gas Leases	2,247,091.00
Interest on X Contracts (Acquired Land)	1,927.62
Interest on F.H.A. Loans	51,518.01
Interest on Abandoned Property	21,933.80
TOTAL (Credited to Interest & Income Fund — Common Schools & Institutions)	\$14,820,249.72

DEPARTMENT MAINTENANCE FUND

From July 1, 1975 to June 30, 1977

Salaries, Social Security, OASIS, Blue Cross, Retirement Fund & Workmen's Compensation	\$414,360.40
Fees & Services —	
Postage, Misc. Leasing Expense, Legal Notices, Appraisals, Travel, Rent, Telephone, Audit, Misc.	51,429.72
Grasshopper Control	3,764.34
Leafy Spurge Control	2,058.70
Water Management Surveys	3,246.79
	60,499.55
Supplies & Materials, Central Duplicating	6,874.70
Equipment and Furniture	4,637.43
Contingent	25,000.00
TOTAL	\$511,372.08

Fees collected for land sale costs, farm loan applications, agricultural leasing, oil leasing, patent and deed fees are credited to the Department Maintenance Fund. \$29,902.31 was credited in the 1975-77 Biennium.

This appropriation is not from the General Fund. The maintenance fund for the State Land Department was established by the North Dakota Legislature effective July 1, 1971. The law provides that the department may transfer 10% of its interest and income fund collections earned in the prior three months to a maintenance fund used for cost of operations.

The fund maximum balance shall not exceed \$40,000 and any excess must be apportioned back after expenses are deducted for the three month period.

GRANT LAND SOLD ON CONTRACT**From July 1, 1975 to June 30, 1977**

Number of Tracts	Number of Acres	Purchase Price
71	10,621.82	\$2,409,401.75

As of June 30, 1975, our land sale contracts are issued on a twenty year amortized basis, bearing an interest rate of 8½% per annum; these contracts require a 20% cash down payment.

DEEDS AND PATENTS ISSUED**From July 1, 1975 to June 30, 1977**

190 Patents covering 28,008.41 acres
9 Quitclaim Deeds covering 1,826.27 acres
24 Deeds covering 2,492.07 acres for purposes over which the right of eminent domain was exercised. Several easements were granted for parcels of land required for use in road construction.

223 TOTAL

38 Contracts were assigned during this period.

FARM LOAN INVESTMENTS COMPLETED**From July 1, 1975 to June 30, 1977**

Number of Loans	Amount
149	\$8,778,991.65

As of June 30, 1975, our farm loans are issued on a thirty year amortized basis, bearing an interest rate of 8½% per annum.

COAL LEASES IN EFFECT ON JUNE 30, 1977

MERCER COUNTY:

North American Coal Corporation					
All Sec. 1-143-89	10 Years	12-14-71	15¢	320 Acres	
S½ Sec. 16-144-88	10 Years	9-17-69	15¢	298 Acres	
All Sec. 36-144-89	10 Years	5-21-69	15¢	640 Acres	

MERCER & OLIVER COUNTIES:

Knife River Coal Company					
S½, S½NW¼, SW¼NE¼ Sec. 16-143-88;					
S½ Sec. 12-143-88;					
N½ Sec. 7-143-87	20 Years	11- 9-59	10¢	1080 Acres	

OLIVER COUNTY:

Lignite Electric Power Company					
All Sec. 36-142-84	10 Years	3-28-68	10¢	480 Acres	

STARK COUNTY:

Thomas J. Pearce & Lenus Volk, Assigned to Husky Industry Company, Cody, Wyoming					
S½NW¼NW¼, SW¼NW¼, E½NW¼,					
SW¼ Sec. 16-139-95	10 Years	11-10-70	15¢	300 Acres	

TOTAL ACRES..... 3118 Acres

LEASING DEPARTMENT

Leases for hay, grazing and other agricultural purposes were issued in 1976 on 3,670.96 cultivated acres and on 140,490.19 uncultivated acres. These tracts brought in \$319,175.00 in first year rentals.

Leases for the year 1977 were on 9,216.59 cultivated acres and on 202,469.19 uncultivated acres. These tracts brought in \$429,080.50 in first year rentals.

The above leases were issued under the minimum rental rates as established by our Board in July, 1974. The rate is \$2.65 per animal unit month where the carrying capacity has been established by the Soil Conservation Service or the Forest Service technicians and supplied to this office. Where the carrying capacity has not been supplied the rental will be \$1.65 per acre for uncultivated land and \$8.00 per acre for cultivated land.

Seven oil and gas leasing auctions were held in the period from July 1, 1975, to June 30, 1977. Leases were sold on 168,384.75 mineral acres bringing \$1,722,219.33 in bonuses and \$16,425.17 in first year rentals.

In June, 1975, the Board approved new rules and regulations for oil and gas leases, mineral leases and coal leases. The statute regarding minimum rental for oil and gas was changed from 25¢ per acre to read **not less than 25¢ per acre**.

LAND ANALYSIS DEPARTMENT

Land analyses were completed on eleven counties. Various other analyses were accomplished to assist the Board in its decision making (cultivation and irrigation potential, coal and other mineral deposits, etc.). Information on coal, sand and gravel, aquifers, and general topographical features are being included in the land analyses.

In addition the land analyst has been assigned to work with a group whose purpose is to provide an environmental impact statement on seven coal counties in North Dakota. The analyst has also assisted the Commissioner on an Outdoor Recreation Planning Task Force.

ABANDONED AND UNCLAIMED PROPERTY DEPARTMENT

The Abandoned and Unclaimed Property Act was passed by the 1975 Legislature and became effective July 1, 1975. The Land Commissioner was named as administrator of this Act. The purpose of this Act is to provide a vehicle through which unclaimed property which may be held by financial institutions, insurance companies, publicly owned business associations and government agencies can be transferred to the custody of the State Land Department to be held in trust. Any earnings accruing to this trust are used for the benefit of the Common Schools.

Statement, June 30, 1977

Collections & Transfers		\$535,222.80
Claims Paid	\$ 34,526.83	
Bank of N.D. Certificates	413,000.00	
Farm-Home Loan Bonds	85,000.00	
Cash Balance	<u>2,695.97</u>	
TOTAL	\$535,222.80	\$535,222.80

Other Items:

Jewelry & Old Coins of Undetermined Value	
Savings Stamps & Bonds	\$ 790.95
Scandia American Bank Shares	105 Shares
Provident Life Shares	31.328 Shares
Cities Service Shares	5 Shares

DEPLETED NATURAL RESOURCE TRUST

The 1975 Legislature passed a coal severance tax which became effective July 1, 1975. Thirty percent of the monies derived from this tax are to accrue to a permanent trust fund entitled "Depleted Natural Resource Trust." Income derived from this trust fund is credited to the General Fund. Under Chapter 4 of the 1975 Session Laws the State Land Department was mandated to make a loan to REAP in the amount of two million dollars which is to be repaid from REAP's earnings.

Statement June 30, 1977

Transfers		\$3,132,116.48
Loans to REAP	\$1,734,600.00	
Certificates of Deposit	844,000.00	
U.S. Treas. Bills	283,891.00	
Cash Balance	<u>269,625.48</u>	
TOTAL	\$3,132,116.48	\$3,132,116.48

STATE OF

BOARD
OF
UNIVERSITY
AND
SCHOOL LANDS

NORTH DAKOTA

Forty-Third
Biennial Report

July 1, 1977 to June 30, 1979



R.E. LOMMEN
Commissioner

FORTY-THIRD BIENNIAL REPORT
OF THE
BOARD OF UNIVERSITY
AND SCHOOL LANDS
Bismarck, North Dakota 58505

July 1, 1977 to June 30, 1979

The Governing Body created by Section 156 of Article IX of the Constitution of the State of North Dakota consists of the following officers:

HON. ARTHUR A. LINK, President-----	Governor
HON. BEN MEIER, Vice President-----	Secretary of State
HON. ROBERT PETERSON-----	State Auditor
HON. ALLEN I. OLSON-----	Attorney General
HON. HOWARD SNORTLAND-----	Superintendent of Public Instruction
HON. R.E. LOMMEN, Secretary-----	Commissioner of University and School Lands

Bismarck, North Dakota
July 1, 1979

The Honorable Arthur A. Link
Governor of North Dakota
President, Board of University
and School Lands
First Floor, Capitol Building
Bismarck, ND 58505

Dear Governor Link:

In accordance with Chapter 15-02-08 of the North Dakota Century Code, I am privileged to submit herewith the Forty-Third Biennial Report of the Department of University and School Lands for the period July 1, 1977 through June 30, 1979.

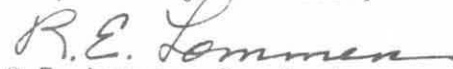
Earnings generated for our trusts from all sources during this biennium were \$16,867,213.75 compared to \$14,820,249.72 for the prior biennium. These earnings, derived mainly from investment income, approximate an increase of 14% for the biennium. In addition, our departments' administration of General Fund minerals generated a total of \$9,098,739.60 to "Land & Minerals Trust."

The permanent funds of our trusts increased to \$118,646,165.75 as compared to \$88,685,649.48 in 1977. This increase approximates 34% for the biennium and indicates the exceptional growth in oil and gas activity. These permanent fund increases should help offset present-day inflation with increased earnings for our trusts.

We are exceptionally pleased with the progress and performance of the Land Department as indicated in this report and look forward to continued progress as our mineral potential is continually developed. We have accomplished some major improvements in staff by hiring a qualified accountant and a Range & Soils Specialist. While the increased activity in our agency would indicate additional personnel, this is not the case, as we have four less employees on staff.

I would like to commend the Board and staff of the Department of University and School Lands for their dedication and support in helping to accomplish this exceptional growth, the most significant in the department's history.

Respectfully submitted,


R.E. Lommen, Commissioner
of University and School Lands

OFFICE STAFF

ADMINISTRATION

R.E. Lommen Land Commissioner
Owen L. Anderson Attorney
Brian R. Bjella Attorney
Cathy L. Hruby Secretary

ACCOUNTING & COLLECTIONS DEPARTMENT

Robert Peterson Accountant
Theresa Pfenning Cashier
Cindy Lee Assistant Cashier

ABANDONED PROPERTY DEPARTMENT

Ann Jaeger Manager

LAND SALES & TITLE DEPARTMENT

Margaret Pederson Sales Manager - Retired 11-1-79
Cari Halterman Sales & Title

LEASING & MINERALS DEPARTMENT

Otto Bervik Deputy Commissioner and Leasing Manager
Adolph Peterson Assistant Leasing Manager
Marvin Thompson Leasing Officer
Theona Little Typist

SURFACE MANAGEMENT

Mike Brand Range & Soils Specialist
E.A. Tough Fieldman
Paul Neidhardt Fieldman

STATEMENT OF LAND GRANT FUNDS

June 30, 1979

Investments:

U.S. Treas. Bills.	\$ 3,134,857.93
U.S. Treas. Notes.	19,716,146.88
U.S. Treas. Bonds.	14,304,857.54
Fed. Nat'l Mortgage Assoc.	2,848,789.06
Export-Import Debentures	2,915,422.00
F.H.A. Notes	998,620.20
G.N.M.A. Certificates.	8,272,186.33
School Bonds	292,350.00
Certificates of Deposit.	5,400,000.00
Judicial Wing & Office Bldg.	1,086,046.21 **

TOTAL. 58,969,276.15

F.H.A. Loans. 174,144.24

Farm Loans 45,000,000.00

Land Sold on Contract - Acquired Land 3,201.50

Land Sold on Contract - Grant Land 7,311,594.96

Cash Balance 112,777.50

Acquired Land. 45,352.89 * @ \$10.00/acre 453,528.90

Unsold Grant Land. 628,192.40 @ \$10.00/acre 6,281,924.00

Cancelled Contracts. 33,971.85 @ \$10.00/acre 339,718.50

TOTAL ACRES. 707,517.14 7,075,171.40

GRAND TOTAL. \$118,646,165.75

* Constitutional Minimum Value

** This amount represents the monies invested thus far in our efforts in building a new Judicial Wing & State Office Building, scheduled for completion April 1, 1981. Total investment will be 10.5 million.

STATEMENT OF LAND GRANT FUNDS

June 30, 1977

Investments:

U.S. Treas. Bonds		\$	8,347,045.03
G.N.M.A. Pass-Through Certificates.			8,398,994.72
Federal Land Bank Bonds.			169,000.00
U.S. Treas. Bills.			874,000.00
Export-Import Bank Debentures.			2,915,422.00
F.H.A. Notes.			1,001,139.32
School District Bonds			354,457.08
Certificates of Deposit			9,408,000.00
TOTAL			<u>31,468,058.15</u>
F.H.A. Loans			251,928.22
Farm Loans			39,710,260.15
Land Sold on Contract - Acquired Land.			13,237.95
Land Sold on Contract - Grant Land.			9,236,981.30
Cash Balance - Permanent Fund.			923,964.91
Acquired Land.	45,518.81	* @ \$10.00/acre.	455,188.10
Unsold Grant Land.	628,595.22	@ \$10.00/acre.	6,285,952.20
Cancelled Contracts.	<u>34,007.85</u>	@ \$10.00/acre.	<u>340,078.50</u>
TOTAL ACRES.	708,121.88		7,081,218.80
GRAND TOTAL.		\$	<u><u>88,685,649.48</u></u>

* Constitutional Minimum Value

STATEMENT OF LAND GRANT FUNDS IN
VARIOUS SUB-DIVISIONS TO JUNE 30, 1979

Common Schools

On admission to the Union, Congress granted to the State of North Dakota, for the support of common schools, sections 16 and 36 in every township in the State, and where these sections or parts thereof were omitted on account of being embraced in lakes, rivers or having been homesteaded prior to survey, the State was allowed to select land elsewhere from any public land in the State, as "Indemnity Lands", which are common school lands other than Section 16 and 36, the proceeds from indemnity lands also to go to the Common School Fund. Of this grant 2,523,383.78 acres have been selected.

INVESTMENTS:

U.S. Treas. Bills		\$ 3,134,857.93
U.S. Treas. Notes		18,144,318.75
U.S. Treas. Bonds		13,850,857.54
Federal Nat'l Mortgage Assoc.		2,848,789.06
Export-Import Debentures.		2,915,422.00
F.H.A. Notes.		998,620.20
G.N.M.A. Certificates		5,072,544.48
School Bonds		257,400.00
Certificates of Deposit		4,800,000.00
Judicial Wing & State Office Bldg.		1,086,046.21
	TOTAL	53,108,856.17
F.H.A. Loans		174,144.24
Farm Loans		36,288,793.90
Land Sold on Contract - Acquired Land		1,654.35
Land Sold on Contract - Grant Land		6,233,242.21
Cash Balance - Permanent Fund		48,962.82
Acquired Land 29,195.65	* @ \$10.00/acre	291,956.50
Unsold Grant Land 584,546.99	@ \$10.00/acre	5,845,469.90
Cancelled Contracts 21,508.57	@ \$10.00/acre	215,085.70
TOTAL ACRES 635,251.21		6,352,512.10
	GRAND TOTAL	\$102,208,165.79

*Constitutional Minimum Value

NORTH DAKOTA STATE UNIVERSITY
Fargo

Under Section 16 of the Enabling Act admitting this State, there were granted 90,000 acres, and under Section 17 an additional 40,000 acres, for the support of the North Dakota State University, making a total of 130,000 acres granted by Congress for this Institution at Fargo. Of this Grant, 129,999.98 acres have been selected.

INVESTMENTS

U.S. Treas. Notes	\$	381,423.75
U.S. Treas. Bonds		50,000.00
G.N.M.A. Certificates		<u>733,244.09</u>
TOTAL		1,164,667.84
Farm Loans		2,070,471.05
Land Sold on Contract - Acquired		850.30
Land Sold on Contract - Grant Land		<u>168,201.65</u>
Cash Balance - Permanent Fund		7,056.08
Acquired Land 4,077.84	* @ \$10.00/acre.	40,778.40
Unsold Grant Land . . 8,351.92	@ \$10.00/acre.	83,519.20
Cancelled Contracts . <u>2,855.26</u>	@ \$10.00/acre.	<u>28,552.60</u>
TOTAL ACRES 15,285.02		152,850.20
GRAND TOTAL		\$3,564,097.12

* Constitutional Minimum Value

SCHOOL FOR THE BLIND
Grand Forks

Under Section 17 of the Enabling Act, there were granted 170,000 acres for educational and charitable purposes to be determined by the State Legislature; 30,025.76 acres of this grant have been apportioned to and selected by the State for the benefit of the School for the Blind at Grand Forks.

INVESTMENTS

U.S. Treas. Notes		\$	61,740.32
U.S. Treas. Bonds			33,000.00
G.N.M.A. Certificates			<u>205,977.56</u>
	TOTAL		300,717.88
Farm Loans			427,868.80
Land Sold on Contract - Grant Land			45,558.75
Cash Balance - Permanent Fund			5,196.38
Acquired Land 1,139.47	* @ \$10.00/acre		11,394.70
Unsold Grant Land 2,031.34	@ \$10.00/acre		20,313.40
Cancelled Contracts <u>238.00</u>	@ \$10.00/acre		<u>2,380.00</u>
TOTAL ACRES 3,408.81			34,088.10
	GRAND TOTAL	\$	813,429.91

* Constitutional Minimum Value

CAPITOL BUILDING

Bismarck

Under Section 12 of the Enabling Act admitting the State, there were granted fifty sections, or 32,000 acres, and under Section 17 of the same Act 50,000 acres for public buildings at the Capital of the State, making 82,000 acres for the Capitol Building. However, there was an over-selection of 326.14 acres for this State Institution, making a total selection of 82,326.14 acres.

INVESTMENTS

U.S. Treas. Notes	\$	365,827.82
Certificate of Deposit		600,000.00
G.N.M.A. Certificates		<u>51,748.50</u>
TOTAL		1,017,576.32
Land Sold on Contract - Grant Land		176,629.25
Cash Balance - Permanent Fund		6,663.67
Acquired Land 160.00	* @ \$10.00/acre.	1,600.00
Unsold Grant Land . 9,144.17	@ \$10.00/acre.	91,441.70
Cancelled Contracts <u>877.00</u>	@ \$10.00/acre.	<u>8,770.00</u>
TOTAL ACRES 10,181.17		101,811.70
GRAND TOTAL	\$	1,302,680.94

* Constitutional Minimum Value

CAPITOL BUILDING - INTEREST & INCOME

U.S. Treas. Notes	\$	69,740.63
Certificate of Deposit.		<u>1,000,000.00</u>
TOTAL		1,069,740.63
Cash Balance		12,214.45
GRAND TOTAL.		<u>1,081,955.08</u>
COMBINED GRAND TOTAL.	\$	<u><u>2,384,636.02</u></u>

SCHOOL FOR THE DEAF

Devils Lake

Under Section 17 of the Enabling Act admitting this State, there were granted 40,000 acres for the Deaf School. Of this grant 39,966.53 acres have been selected by the State for this Institution at Devils Lake.

INVESTMENTS

U.S. Treas. Notes		\$ 78,488.44
U.S. Treas. Bonds		26,000.00
G.N.M.A. Certificate.		<u>86,919.26</u>
	TOTAL	191,407.70
Farm Loans		710,049.55
Land Sold on Contract - Grant Land		32,006.15
Cash Balance - Permanent Fund		4,198.85
Acquired Land.	1,192.70	* @ \$10.00/acre. 11,927.00
Unsold Grant Land	2,652.64	@ \$10.00/acre. 26,526.40
Cancelled Contracts	<u>981.01</u>	@ \$10.00/acre. <u>9,810.10</u>
TOTAL ACRES	4,826.35	48,263.50
	GRAND TOTAL.	\$ 985,925.75

* Constitutional Minimum Value

STATE HOSPITAL
Jamestown

Under Section 17 of the Enabling Act admitting the State, there were granted for educational and charitable institutions 170,000 acres to be apportioned as the Legislature should determine. Of this grant 20,000.98 acres have been selected for the State Hospital at Jamestown.

INVESTMENTS

U.S. Treas. Notes		\$ 98,622.82
U.S. Treas. Bonds		3,000.00
G.N.M.A. Certificates		<u>150,422.52</u>
	TOTAL	252,045.34
Farm Loans		374,221.05
Land Sold on Contract - Grant Land.		14,433.10
Cash Balance - Permanent Fund		854.23
Acquired Land 311.16	* @ \$10.00/acre.	3,111.60
Unsold Grant Land . . . 1,581.18	@ \$10.00/acre.	15,811.80
Cancelled Contracts . . . 307.77	@ \$10.00/acre.	<u>3,077.70</u>
TOTAL ACRES. 2,200.11		22,001.10
	GRAND TOTAL.	\$ 663,554.82

* Constitutional Minimum Value

ELLENDALE STATE TEACHERS COLLEGE
Ellendale

Under Section 17 of the Enabling Act admitting the State, there were granted for educational purposes 170,000 acres, of which 40,000 acres have been apportioned and 39,997.24 acres have been selected by the State for the benefit of the State Teachers College at Ellendale.

INVESTMENTS

U.S. Treas. Notes.		\$ 53,647.82
U.S. Treas. Bonds.		11,500.00
G.N.M.A. Certificates.		212,159.74
School Bonds		<u>30,000.00</u>
	TOTAL.	307,307.56
Farm Loans.		522,406.25
Land Sold on Contract - Acquired Land		288.80
Land Sold on Contract - Grant Land		<u>46,525.15</u>
Cash Balance - Permanent Fund		10,591.32
Acquired Land. 1,462.07	* @ \$10.00/acre.	14,620.70
Unsold Grant Land. 2,820.49	@ \$10.00/acre.	28,204.90
Cancelled Contracts. <u>681.61</u>	@ \$10.00/acre.	<u>6,816.10</u>
TOTAL ACRES. 4,964.17		49,641.70
	GRAND TOTAL.	\$ 936,760.78

* Constitutional Minimum Value

NORMAL SCHOOLS
Valley City-Mayville

Under Section 17 of the Enabling Act admitting the State, there were granted for the State Normal Schools 80,000 acres. The Legislature of the State has apportioned 30,000 acres of this grant to the Mayville Normal and 50,000 acres of this grant to the Valley City Normal. In the selection of these lands, however, no division was made but the full 80,000 acres taken for Normal Schools, and in the division of receipts for such lands five-eighths is given to the Valley City institution and three-eighths to Mayville, being the proportion to which each is entitled according to the area of the grants to each. There was, however, an over-selection of 5.90 acres, making the total acres selected for the above Normal Schools 80,005.90.

INVESTMENTS - VALLEY CITY NORMAL

U.S. Treas. Notes.		\$ 73,474.38
U.S. Treas. Bonds.		50,000.00
G.N.M.A. Certificates.		<u>211,509.51</u>
	TOTAL.	334,983.89
Farm Loans.		659,538.85
Land Sold on Contract - Grant Land.		113,225.78
Cash Balance - Permanent Fund.		1,298.01
Acquired Land. 640.00	* @ \$10.00/acre.	6,400.00
Unsold Grant Land. 3,082.91	@ \$10.00/acre.	30,829.10
Cancelled Contracts. <u>1,086.41</u>	@ \$10.00/acre.	<u>10,864.10</u>
TOTAL ACRES. 4,809.32		48,093.20
	GRAND TOTAL.	\$1,157,139.73

* Constitutional Minimum Value

INVESTMENTS - MAYVILLE

U.S. Treas. Notes.		\$ 24,817.19
U.S. Treas. Bonds.		47,000.00
G.N.M.A. Certificate		<u>198,068.49</u>
	TOTAL.	269,885.68
Farm Loans.		355,133.95
Land Sold on Contract - Grant Land.		67,935.47
Cash Balance - Permanent Fund.		4,991.16
Acquired Land. 640.00	* @ \$10.00/acre	6,400.00
Unsold Grant Land. 1,849.74	@ \$10.00/acre	18,497.40
Cancelled Contracts. <u>651.85</u>	@ \$10.00/acre	<u>6,518.50</u>
TOTAL ACRES. 3,141.59		31,415.90
	GRAND TOTAL.	\$ 729,362.16

* Constitutional Minimum Value

NORTH DAKOTA INDUSTRIAL SCHOOL
Mandan

Under Section 17 of the Enabling Act admitting the State, there were granted by Congress to the State Industrial School 40,000 acres. An over-selection of 24.94 acres was made, making the total acres selected for this Institution at Mandan 40,024.94 acres.

INVESTMENTS

U.S. Treas. Notes.			\$ 117,178.42
U.S. Treas. Bonds.			31,500.00
G.N.M.A. Certificates.			<u>376,603.71</u>
		TOTAL.	525,282.13
Farm Loans.			597,185.90
Land Sold on Contract - Grant Land.			52,501.60
Cash Balance - Permanent Fund.			3,566.02
Acquired Land	1,096.36	* @ \$10.00/acre	10,963.60
Unsold Grant Land	1,964.36	@ \$10.00/acre	19,643.60
Cancelled Contracts	<u>686.22</u>	@ \$10.00/acre	<u>6,862.20</u>
TOTAL ACRES.	3,746.94		37,469.40
		GRAND TOTAL.	\$1,216,005.05

* Constitutional Minimum Value

SCHOOL OF SCIENCE
Wahpeton

Of the 170,000 acres granted to the State under Section 17 of the Enabling Act for educational and charitable purposes, 40,000 acres have been given by the State Legislature to the School of Science at Wahpeton, of which 39,997.16 acres have been selected.

INVESTMENTS

U.S. Treas. Notes.		\$ 77,251.87
U.S. Treas. Bonds.		71,000.00
G.N.M.A. Certificates.		239,092.71
School Bonds		<u>4,950.00</u>
	TOTAL.	392,294.58
Farm Loans.		475,218.20
Land Sold on Contract - Grant Land.		54,518.65
Cash Balance - Permanent Fund		3,982.09
Acquired Land. 1,609.01	* @ \$10.00/acre.	16,090.10
Unsold Grant Land. 1,815.86	@ \$10.00/acre.	18,158.60
Cancelled Contracts. <u>320.19</u>	@ \$10.00/acre.	<u>3,201.90</u>
TOTAL ACRES. 3,745.06		37,450.60
	GRAND TOTAL.	\$ 963,464.12

* Constitutional Minimum Value

SCHOOL OF MINES
Grand Forks

Under Section 17 of the Enabling Act admitting the State, there were granted for the School of Mines 40,000 acres. There was an over-selection of 3.51 acres by the State, making a total of 40,003.51 acres for this Institution, which is located at Grand Forks in connection with the University.

INVESTMENTS

U.S. Treas. Notes.		\$ 89,360.94
U.S. Treas. Bonds.		39,000.00
G.N.M.A. Certificates.		<u>270,164.95</u>
TOTAL.		398,525.89
Farm Loans		621,058.75
Land Sold on Contract - Acquired Land.		168.60
Land Sold on Contract - Grant Land		<u>96,917.85</u>
Cash Balance - Permanent Fund		5,323.61
Acquired Land. 1,347.54	* @ \$10.00/acre.	13,475.40
Unsold Grant Land. 1,391.57	@ \$10.00/acre.	13,915.70
Cancelled Contracts. <u>667.90</u>	@ \$10.00/acre.	<u>6,679.00</u>
TOTAL ACRES 3,407.01		34,070.10
GRAND TOTAL.	\$ 1,156,064.80	

* Constitutional Minimum Value

SOLDIERS HOME
Lisbon

Of the 170,000 acres granted by Section 17 of the Enabling Act for educational and charitable purposes, the State Legislature apportioned 40,000 acres to the Soldiers Home at Lisbon and 39,972.36 acres of this grant have been selected.

INVESTMENTS

U.S. Treas. Notes.		\$ 32,762.79
U.S. Treas. Bonds.		40,000.00
G.N.M.A. Certificates.		<u>162,484.45</u>
TOTAL.		235,247.24
Farm Loans.		513,811.30
Land Sold on Contract - Acquired Land		239.45
Land Sold on Contract - Grant Land		<u>74,676.35</u>
Cash Balance - Permanent Fund.		3,775.43
Acquired Land 480.00	* @ \$10.00/acre	4,800.00
Unsold Grant Land 2,033.69	@ \$10.00/acre	20,336.90
Cancelled Contracts <u>400.00</u>	@ \$10.00/acre	<u>4,000.00</u>
TOTAL ACRES. 2,913.69		29,136.90
GRAND TOTAL	\$ 856,886.67	

* Constitutional Minimum Value

UNIVERSITY
Grand Forks

Under Section 14 of the Enabling Act admitting the State, there were granted seventy-two sections, or 46,080 acres, and under Section 17 of said Act 40,000 acres, making a total of 86,080 acres for the University. Of this grant, 86,066 acres have been selected by the State for this Institution at Grand Forks.

INVESTMENTS

U.S. Treas. Notes.		\$	117,231.57
U.S. Treas. Bonds.			52,000.00
G.N.M.A. Certificates.			<u>301,246.36</u>
	TOTAL.		470,477.93
Farm Loans.			1,384,242.45
Land Sold on Contract - Grant Land.			135,223.00
Cash Balance - Permanent Fund.			6,317.83
Acquired Land. 2,001.09	* @ \$10.00/acre		20,010.90
Unsold Grant Land. 4,925.54	@ \$10.00/acre		49,255.40
Cancelled Contracts. <u>2,710.06</u>	@ \$10.00/acre		<u>27,100.60</u>
TOTAL ACRES. 9,636.69			96,366.90
	GRAND TOTAL.	\$	2,092,628.11

* Constitutional Minimum Value

GRANT LAND SOLD ON CONTRACT
Land Contracts Held by the State
June 30, 1979

	Acres	No. of Contracts	Principal
Common Schools.	118,276.08	771	\$6,233,242.21
ND State University	4,188.17	28	168,201.65
Blind School.	1,028.49	9	45,558.75
Capitol Building.	3,724.89	24	176,629.25
School for the Deaf	995.26	9	32,006.15
State Hospital.	255.78	4	14,433.10
Ellendale College	663.58	6	46,525.15
Normal Schools:			
Valley City 5/8	2,330.81	19	181,161.25
Mayville 3/8			
ND Industrial School.	1,585.89	16	52,501.60
Science School.	1,130.68	12	54,518.65
School of Mines	1,393.75	13	96,917.85
Soldiers Home	1,106.04	10	74,676.35
University of ND.	3,285.04	27	135,223.00
TOTAL.	139,964.46	948	\$7,311,594.96

ACQUIRED LAND SOLD ON CONTRACT
June 30, 1979

	Acres	No. of Contracts	Principal
Common Schools.	520	3	\$1,654.35
ND State University	160	1	850.30
Ellendale College	160	1	288.80
School of Mines	160	1	168.60
Soldiers Home	160	1	239.45
TOTAL.	1,160	7	\$3,201.50

LAND SELECTIONS AND ACRE DISTRIBUTION

	Acres Selected	Acres Sold On Contract	Cancelled Contract Acres	Acquired Lands	Unsold Grant Land	Total Acres Held June 30, 1979
Common Schools.	2,523,383.78	1,938,836.79	21,508.57	29,195.65	584,546.99	635,221.21
ND State University	129,999.98	121,648.06	2,855.26	4,077.84	8,351.92	15,285.02
Blind School.	30,025.76	27,994.42	238.00	1,139.47	2,031.34	3,408.81
Capitol Building.	82,326.14	73,181.97	877.00	160.00	9,144.17	10,181.17
School for the Deaf	39,966.53	37,313.89	981.01	1,192.70	2,652.64	4,826.35
State Hospital	20,000.98	18,419.80	307.77	311.16	1,581.18	2,200.11
Ellendale College.	39,997.24	37,176.75	681.61	1,462.07	2,820.49	4,964.17
Valley City	50,003.69	46,920.78	1,086.41	640.00	3,082.91	4,809.32
Mayville.	30,002.21	28,152.47	651.85	640.00	1,849.74	3,141.59
ND Industrial School.	40,024.94	38,060.58	686.22	1,096.36	1,964.36	3,746.94
Science School	39,997.16	38,181.30	320.19	1,609.01	1,815.86	3,745.06
School of Mines.	40,003.51	38,611.94	667.90	1,347.54	1,391.57	3,407.01
Soldiers Home.	39,972.36	37,938.67	400.00	480.00	2,033.69	2,913.69
University of ND	86,066.00	81,140.46	2,710.06	2,001.09	4,925.54	9,636.67
TOTAL ACRES	3,191,770.28	2,563,577.88	33,971.85	45,352.89	628,192.40	707,517.14

STATE LAND DEPARTMENT
UNIVERSITY AND SCHOOL LANDS

LAND SALES: 7-1-59 to 7-1-79

PERIOD	NUMBER OF TRACTS	NUMBER OF ACRES	TOTAL SALE PRICE	AVERAGE PRICE PER ACRE	INT. RATE
7-1-59 to 7-1-60	154	25,510.38	\$ 972,715.00	\$ 38.13	4%
7-1-60 to 7-1-61	120	19,600.80	814,975.00	42.21	4%
7-1-61 to 7-1-62	109	16,326.25	669,441.00	40.36	4%
7-1-62 to 7-1-63	76	11,079.00	583,425.00	52.66	4%
7-1-63 to 7-1-64	121	17,550.06	1,051,665.00	59.92	4%
7-1-64 to 7-1-65	87	13,629.95	695,900.00	51.05	4%
7-1-65 to 7-1-66	103	15,604.10	1,013,300.00	64.93	4%
7-1-66 to 7-1-67	129	19,661.61	1,456,820.00	74.09+	5%
7-1-67 to 7-1-68	83	12,316.61	955,620.00	77.58+	5%
7-1-68 to 7-1-69	73	11,325.18	820,772.00	72.47+	6%
7-1-69 to 7-1-70	76	11,253.70	808,285.00	71.82+	8%
7-1-70 to 7-1-71	57	8,401.03	567,620.00	67.56+	7 3/4%
7-1-71 to 7-1-72	87	13,085.67	1,063,101.00	81.24+	7%
7-1-72 to 7-1-73	25	3,836.81	400,400.00	104.35+	7%
7-1-73 to 7-1-74	301	45,392.41	7,358,844.00	162.11+	8%
7-1-74 to 7-1-75	none				
7-1-75 to 7-1-76	22	3,314.14	860,986.75	259.79+	8½%
7-1-76 to 7-1-77	49	7,307.68	1,548,415.00	211.89+	8½%
7-1-77 to 7-1-78	3	351.12	46,050.00	131.15+	8½%
7-1-78 to 7-1-79	none				
Totals	1,675	255,546.50	21,688,334.75	84.87+	

STATE SCHOOL LAND ACREAGE

As of June 30, 1979

COUNTY	ACRES	NO. OF TRACTS
Adams	17,122.16	109
Barnes	2,798.09	18
Benson	10,992.09	100
Billings	31,241.48	200
Bottineau	2,754.15	18
Bowman	29,281.58	188
Burke	16,129.97	104
Burleigh	27,916.87	180
Cass	40.00	1
Cavalier	596.47	7
Dickey	3,663.77	24
Divide	21,133.13	136
Dunn	25,979.52	165
Eddy	10,913.19	85
Emmons	13,414.32	90
Foster	3,114.01	21
Golden Valley	29,043.21	187
Grand Forks	2,073.77	13
Grant	33,483.95	215
Griggs	1,741.24	13
Hettinger	9,914.40	64
Kidder	28,637.79	184
LaMoure	1,605.00	10
Logan	9,394.07	61
McHenry	22,144.94	144
McIntosh	6,397.50	46
McKenzie	63,319.13	403
McLean	21,015.69	147
Mercer	15,084.95	102
Morton	17,655.69	118
Mountrail	32,458.93	218
Nelson	2,853.66	31
Oliver	8,643.03	56
Pembina	0	0
Pierce	14,316.99	97
Ramsey	2,056.50	22
Ransom	1,120.00	7
Renville	1,911.00	12
Richland	513.68	4
Rolette	6,899.24	49
Sargent	1,128.79	8
Sheridan	25,658.64	171
Sioux	23,538.42	156
Slope	23,621.72	149
Stark	6,142.64	39
Steele	0	0
Stutsman	15,189.95	102
Towner	8,059.31	72
Traill	0	0
Walsh	201.02	3
Ward	11,039.06	71
Wells	5,088.63	40
Williams	38,473.80	251
TOTALS	707,517.14	4,707

INVESTMENTS
June 30, 1979

	U.S. Treas. Obligations	G.N.M.A. Certificates	F.H.A. Notes	Export-Import Debentures	School Districts	F.H.A. Loans	Farm Loans	Land Sold on Contract	Judicial Wing	F.H.A. Note	Certificates of Deposit	TOTAL
Common Schools	\$35,130,034.22	\$5,072,544.46	\$998,620.20	\$2,915,422.00	\$257,400.00	\$174,144.24	\$36,288,793.90	\$6,234,896.56	\$1,086,046.21	\$2,848,789.06	\$4,800,000.00	\$95,806,690.87
ND State Univ	431,423.75	733,244.09					2,070,471.05	169,051.95				3,404,190.84
Blind School	94,740.32	205,977.96					427,868.80	45,558.75				774,145.43
Capitol Building	365,827.82	51,748.50						176,629.25			600,000.00	1,194,205.57
School for the Deaf	104,488.44	86,919.26					710,049.55	32,006.15				933,463.40
State Hospital	101,622.82	150,422.52					374,221.05	14,433.10				640,699.49
Ellendale College	65,147.82	212,159.74			30,000.00		522,406.25	46,813.95				876,527.76
Valley City	123,474.38	211,509.51					659,538.85	113,225.78				1,107,748.52
Mayville	71,817.19	198,068.49					355,133.95	67,935.47				692,955.10
ND Industrial School	148,678.42	376,603.71					597,185.90	52,501.60				1,174,969.63
Science School	148,251.87	239,092.71			4,950.00		475,218.20	54,518.65				922,031.43
School of Mines	128,360.94	270,164.95					621,058.75	97,086.45				1,116,671.09
Soldiers Home	72,762.79	162,484.45					513,811.30	74,915.80				823,974.34
University of ND	169,231.57	301,246.36					1,384,242.45	135,223.00				1,989,943.38
TOTALS	\$37,155,862.35	\$8,272,186.33	\$998,620.20	\$2,915,422.00	\$292,350.00	\$174,144.24	\$45,000,000.00	\$7,314,796.46	\$1,086,046.21	\$2,848,789.06	\$5,400,000.00	\$111,458,216.85

PERMANENT FUND COLLECTIONS
July 1, 1977 to June 30, 1979

	Misc.	X-Contracts	Land Sold on Contract	Land Sold Cash Sales	Test Holes & Easements	Bonds & Investments	Farm Loans	Royalty on Coal & Gravel	F.H.A. Loans	Royalty & Bonus Oil & Gas	Certificates of Deposit	TOTAL
Common Schools	\$2,550.00	\$6,976.10	\$1,667,531.69	\$35,040.46	\$180,614.59	\$41,186,405.37	\$389,955.63	\$784,876.21	\$77,783.98	\$26,907,318.71	\$14,800,000.00	\$86,039,052.74
ND State Univ		671.35	37,669.60	4,000.00	2,641.77	136,888.62	28,570.65			408,180.88		618,622.87
Blind School			9,084.40		62.50	6,568.84	13,975.75			99,036.41		128,727.90
Capitol Building			79,430.20		12,160.00	694,372.84		73,911.81		206,116.51	1,284,000.00	2,349,991.36
School for the Deaf			34,104.25		31.25	2,153.01		1,782.00		95,666.46		134,736.97
State Hospital			9,164.00			27,278.68		891.00		110,653.69		147,987.37
Ellendale College		657.10	7,676.75	166.00		30,662.05	3,496.80			97,870.58		140,529.28
Valley City			12,950.41	1,120.31	100.00	4,670.55				107,286.24		126,127.51
Mayville			7,770.79	672.19	60.00	4,547.06	310.70			78,950.36		92,311.10
ND Industrial School			17,263.60		31.25	8,656.21				170,880.81		196,831.87
Science School			10,686.75			5,840.99	809.55	891.00		143,014.20		161,242.49
School of Mines		496.80	14,134.15			6,306.52	8,682.40	9.60		155,475.43		185,104.90
Soldiers Home		523.75	19,924.30		240.00	3,560.14				30,303.95		54,552.14
University of ND		711.35	25,150.20	13,749.50		6,928.65	27,469.35	4,556.16		217,411.89		295,977.10
TOTALS	\$2,550.00	\$10,036.45	\$1,952,541.09	\$54,748.46	\$195,941.36	\$42,124,839.53	\$473,270.83	\$866,917.78	\$77,783.98	\$28,829,166.12	\$16,084,000.00	\$90,671,795.60

COMPARATIVE SCHEDULE OF INTEREST & INCOME FUND CASH RECEIPTS
For the Bienniums Ending June 30, 1977 and June 30, 1979

	Interest on Contracts 1975-77 1977-79		Land Rentals 1975-77 1977-79		Interest on Securities 1975-77 1977-79		Interest on Loans 1975-77 1977-79		Test Holes, Easements & Permits 1975-77 1977-79	
Common Schools.	\$1,054,570.86	\$1,269,124.92	\$2,160,153.82	\$2,300,024.43	\$2,509,297.18	\$4,274,993.35	\$4,607,800.53	\$4,928,724.54	\$4,055.00	\$203.65
ND State Univ	20,752.65	35,002.29	94,689.00	97,920.75	128,284.89	109,992.40	219,358.82	281,275.51		
Blind School.	7,174.23	11,012.44	15,412.30	16,119.45	35,542.96	27,809.55	42,686.99	59,142.02	150.00	
Capitol Building.	38,755.40	37,100.78	37,486.75	41,469.48	148,659.27	251,627.42				
School for the Deaf	11,198.53	11,584.98	27,646.98	27,884.05	21,488.70	14,703.11	86,580.74	95,241.51		
State Hospital	3,725.90	5,566.31	9,009.99	9,358.80	26,813.19	21,429.46	33,321.88	50,263.26	25.00	
Ellendale College.	7,727.70	12,591.82	21,924.15	23,643.93	42,843.85	31,107.47	45,438.90	72,860.09		
Valley City.	12,021.27	22,545.50	28,790.70	28,451.83	35,813.53	28,730.79	66,857.92	89,536.44		
Mayville.	7,318.98	13,334.15	17,907.81	18,016.61	35,278.02	27,258.92	34,153.76	48,160.66		
ND Industrial School. . . .	9,884.00	11,592.62	28,791.13	33,373.43	62,096.04	50,296.20	53,407.83	81,667.34		
Science School.	5,297.26	11,102.95	17,804.70	19,993.49	43,589.93	34,087.26	46,105.73	63,610.82		
School of Mines	13,182.45	20,472.00	20,109.17	25,410.07	46,358.90	36,757.52	62,437.50	84,323.98		
Soldiers Home.	8,800.10	14,739.66	17,966.15	16,386.50	29,914.70	21,363.66	53,871.76	70,687.80	25.00	
University of ND	18,799.55	27,895.90	52,379.44	50,948.93	57,025.86	43,941.03	149,214.04	192,085.93		
TOTALS.	\$1,219,208.88	\$1,503,666.32	\$2,550,072.09	\$2,709,001.75	\$3,223,006.92	\$4,974,098.14	\$5,501,236.40	\$6,117,579.90	\$4,255.00	\$203.65

COMPARATIVE SCHEDULE OF INTEREST & INCOME FUND CASH RECEIPTS
For the Bienniums Ending June 30, 1977 and June 30, 1979

	Oil & Gas Leases 1975-77 1977-79		Interest on Acquired Land 1975-77 1977-79		Interest on FHA Loans 1975-77 1977-79		Interest on Aban. Prop. 1975-77 1977-79		Totals 1975-77 1977-79	
Common Schools.	\$2,082,342.12	\$1,262,419.85	\$1,318.62	\$537.27	\$51,518.01	\$34,901.09	\$21,933.80	\$75,394.55	\$12,492,989.94	\$14,146,323.65
ND State Univ	41,346.26	39,193.74	245.20	108.65					504,676.82	563,493.34
Blind School.	2,291.93	9,208.47							103,258.41	123,291.93
Capitol Building.	23,588.35	18,702.71							248,489.71	348,900.39
School for the Deaf	8,912.23	11,439.02							155,827.18	160,852.67
State Hospital.	5,269.07	6,791.26							78,165.03	93,409.09
Ellendale College	12,097.43	14,658.53	112.50	62.90					130,144.53	154,924.74
Valley City	9,980.44	11,144.49							153,463.86	180,409.05
Mayville.	8,041.55	8,022.19							102,700.12	114,792.53
ND Industrial School. . . .	13,244.67	15,308.86							167,423.67	192,238.45
Science School.	8,004.13	10,824.11							120,801.65	139,618.63
School of Mines	14,472.33	16,113.49	83.95	43.20					156,644.30	183,120.26
Soldiers Home	2,540.97	4,888.28	87.00	52.25					113,180.68	128,118.15
University of ND.	14,959.52	22,800.33	80.35	48.75					292,483.76	337,720.87
TOTALS.	\$2,247,091.00	\$1,451,515.33	\$1,927.62	\$853.02	\$51,518.01	\$34,901.09	\$21,933.80	\$75,394.55	\$14,820,249.72	\$16,867,213.75

COLLECTIONS DISTRIBUTED TO INSTITUTIONAL FUNDS

July 1, 1977 to June 30, 1979

Land Contracts(Grant Land).	\$ 1,952,541.09
Land Sold (Cash).	54,748.46
Easements & Test Holes.	195,941.36
Bonds & Investments	42,124,839.53
Farm Loans.	473,270.83
Royalty - Coal, Scoria & Gravel	866,917.78
Misc..	2,550.00
X-Contracts (Acquired Land).	10,036.45
F.H.A. Loans.	77,783.98
Royalty - Oil & Gas	28,829,166.12
Certificates of Deposit Paid.	<u>16,084,000.00</u>
TOTAL (Credited to Permanent Fund).	\$ 90,671,795.60

Interest on Contracts (Grant Land).	1,503,666.32
Land Rentals.	2,709,001.75
Interest on Investments	4,974,098.14
Interest on Farm Loans	6,117,579.90
Misc..	203.65
Oil & Gas Leases	1,451,515.33
Interest on X-Contracts (Acquired Land).	853.02
Interest on F.H.A. Loans.	34,901.09
Interest on Abandoned Property.	<u>75,394.55</u>
TOTAL (Credited to Interest and Income Fund). . .	\$ 16,867,213.75

DEPARTMENT MAINTENANCE FUND

July 1, 1977 to June 30, 1979

Salaries, Social Security, OASIS, Blue Cross, Retirement Fund & Workmen's Compensation.	\$ 451,244.00
Fees & Services- Postage, Misc. Leasing Expense, Legal Notices, Appraisals, Travel, Rent, Telephone, Audit, Misc..	125,222.00
Supplies & Materials.	10,127.00
Equipment.	1,289.00
Grants, Benefits & Claims.	<u>10,224.00</u>
TOTAL	\$ 598,106.00

Fees collected for land sale costs, agricultural leasing, oil leasing, patent and deed fees are credited to the Department Maintenance Fund.
\$89,257.95 was credited in the 1977-79 Biennium.

This appropriation is not from the General Fund. The maintenance fund for the State Land Department was established by the North Dakota Legislature effective July 1, 1971. The law provides that the department may transfer 10% of its interest and income fund collections earned in the prior three months to a maintenance fund used for cost of operations.

The fund maximum balance shall not exceed \$40,000.00 and any excess must be apportioned back after expenses are deducted for the three month period.

INTEREST & INCOME COLLECTIONS
July 1, 1977 to June 30, 1979

	Interest on Contracts	Land Rentals	Interest on Investments	Interest on Loans	Misc.
Common Schools.	\$1,269,124.92	\$2,300,024.43	\$4,274,993.35	\$4,928,724.54	\$203.65
ND State Univ	35,002.29	97,920.75	109,992.40	281,275.51	
Blind School.	11,012.44	16,119.45	27,809.55	59,142.02	
Capitol Building.	37,100.78	41,469.48	251,627.42		
School for the Deaf . . .	11,584.98	27,884.05	14,703.11	95,241.51	
State Hospital.	5,566.31	9,358.80	21,429.46	50,263.26	
Ellendale College	12,591.82	23,643.93	31,107.47	72,860.09	
Valley City.	22,545.50	28,451.83	28,730.79	89,536.44	
Mayville.	13,334.15	18,016.61	27,258.92	48,160.66	
Industrial School	11,592.62	33,373.43	50,296.20	81,667.34	
Science School.	11,102.95	19,993.49	34,087.26	63,610.82	
School of Mines	20,472.00	25,410.07	36,757.52	84,323.98	
Soldiers Home	14,739.66	16,386.50	21,363.66	70,687.80	
University of ND.	27,895.90	50,948.93	43,941.03	192,085.93	
TOTALS.	\$1,503,666.32	\$2,709,001.75	\$4,974,098.14	\$6,117,579.90	\$203.65

INTEREST & INCOME COLLECTIONS
July 1, 1977 to June 30, 1979

	Oil and Gas Leases	Interest on X-Contracts	Interest on F.H.A. Loans	Interest on Abandoned Prop.	TOTAL
Common Schools.	\$1,262,419.85	\$537.27	\$34,901.09	\$75,394.55	\$14,146,323.65
ND State Univ	39,193.74	108.65			563,493.34
Blind School.	9,208.47				123,291.93
Capitol Building.	18,702.71				348,900.39
School for the Deaf	11,439.02				160,852.67
State Hospital.	6,791.26				93,409.09
Ellendale College	14,658.53	62.90			154,924.74
Valley City	11,144.49				180,409.05
Mayville.	8,022.19				114,792.53
Industrial School	15,308.86				192,238.45
Science School.	10,824.11				139,618.63
School of Mines	16,113.49	43.20			183,120.26
Soldiers Home	4,888.28	52.25			128,118.15
University of ND.	22,800.33	48.75			337,720.87
TOTALS.	\$1,451,515.33	\$853.02	\$34,901.09	\$75,394.55	\$16,867,213.75

COLLECTIONS DISTRIBUTED TO INSTITUTIONS

July 1, 1977 to June 30, 1979

These collections from the Interest and Income Funds were distributed to the various institutions for their use in the maintenance and operations of their respective institution.

Common Schools.	\$ 12,926,114.13
ND State University	467,200.00
Blind School	95,900.00
Capitol Building	None
Deaf School.	135,400.00
State Hospital	72,400.00
*Ellendale.	100,500.00
Valley City.	154,400.00
Mayville.	95,900.00
ND Industrial School.	160,500.00
Science School.	117,200.00
School of Mines.	148,800.00
Soldiers Home.	103,300.00
University.	281,000.00
TOTAL.	\$ 14,858,614.13

* Note: House Bill #1052 of the 1973 Session stated that the Ellendale Interest & Income fund be divided equally among these institutions:
Each receives 1/7 of the distribution (1) NDSU - Bottineau Branch,
(2) State School of Science, (3) Minot State College, (4) Dickinson
State College, (5) Soldiers Home, (6) State Hospital, (7) School for the
Blind.

GRANT LAND SOLD ON CONTRACT
July 1, 1977 to June 30, 1979

Number of Tracts	Number of Acres	Purchase Price
3	351.12	\$46,050.00

Our land sale contracts are issued on a twenty year amortized basis, bearing an interest rate of 9½% per annum; effective July 1, 1979. These contracts require a 20% cash down payment.

DEEDS AND PATENTS ISSUED
July 1, 1977 to June 30, 1979

224 Patents, covering 33,141.58 acres

8 Quit Claim Deeds, covering 1,492.70 acres

14 Deeds covering 190.13 acres, for purposes over which the right of eminent domain was exercised.

246 Total

38 Contracts were assigned during this period.

56.72 acres were condemned by the Federal Government in McLean, Mountrail and Williams County. (Garrison Dam/Lake Sakakawea Project)

6.76 acres were condemned by the Federal Government in Wells County (Lone Tree Reservoir)

FARM LOAN POOL

Increase of Farm Loan Pool. \$ 5,762,140.60

*Total of Farm Loan Pool. 45,000,000.00

* These funds are administered through the Bank of North Dakota to be invested in first mortgage farm real estate loans on North Dakota farm lands.

COMMON SCHOOL INTEREST & INCOME BONUS

Statement June 30, 1979

U.S. Treas. Bills.	\$ 3,401,317.53
Certificates of Deposit.	<u>1,001,722.28</u>
	4,403,039.81
Cash Balance.	None
GRAND TOTAL	\$ 4,403,039.81

Note: The 1979 Legislative Session established this fund thru Senate Bill No. 2439.....Section 2: Fifty percent of the oil & gas bonus payments on common school lands received by the board of university and school lands shall be apportioned and distributed among the common schools for their maintenance and support based upon the student population.
Section 3:Applies to all oil & gas bonus payments received by the board of university and school lands after December 31, 1978..... during the period beginning January 1, 1979, and ending June 30, 1979, shall be apportioned and distributed as provided by Section 2 of this Act to the school districts after June 30, 1979.

COAL LEASES IN EFFECT ON JUNE 30, 1979

Sealed Bid Basis By Applicant

	<u>Term</u>	<u>Dated</u>	<u>Rental</u>	<u>Royalty</u>	<u>Acreage</u>
MERCER COUNTY:					
North American Coal					
All Sec. 1-143-89-----	10 years-----	12-14-71----	In Production -----	15¢ per ton-----	320 acres
STARK COUNTY:					
Husky Industry Company, Cody, Wyoming					
S $\frac{1}{2}$ NW $\frac{1}{4}$ NW $\frac{1}{4}$, SW $\frac{1}{4}$ NW $\frac{1}{4}$, E $\frac{1}{2}$ NW $\frac{1}{4}$,					
SW $\frac{1}{4}$ Sec. 16-139-95-----	10 years-----	11-10-70----	In Production -----	15¢ per ton-----	300 acres

INTERIM COAL LEASES IN FORCE

Oral Negotiated Bid Basis - No Opposition

BURKE COUNTY:					
Baukol-Noonan					
NE $\frac{1}{4}$ Sec. 16-162-94-----	10 years-----	12-21-77----	In Production -----	30¢ or 10%-----	160 acres
NW $\frac{1}{4}$ Sec. 16-162-94-----	10 years-----	12-21-77----	In Production -----	30¢ or 10%-----	80 acres
S $\frac{1}{2}$ Sec. 16-162-94-----	10 years-----	12-21-77----	In Production -----	30¢ or 10%-----	160 acres

MERCER COUNTY:					
Consolidation Coal					
E $\frac{1}{2}$ Sec. 16-144-85-----	10 years-----	12-21-77----	In Production -----	30¢ or 10%-----	320 acres

MERCER COUNTY:					
North American Coal Corporation					
S $\frac{1}{2}$ Sec. 16-144-88-----	10 years-----	8-28-79----	\$3.00 per acre-----	35¢ or 12 $\frac{1}{2}$ %-----	320 acres

MERCER COUNTY:					
North American Coal Corporation -- <u>Extended Lease</u>					
NW $\frac{1}{4}$ & SW $\frac{1}{4}$ of					
Sec. 36-144-89 - As long as coal is being mined-----		1-1-79----	In Production-----	35¢ or 12 $\frac{1}{2}$ %-----	320 acres

MERCER COUNTY:					
Knife River Coal Mining Company -- <u>Extended Lease</u>					
S $\frac{1}{2}$ Sec. 16; All of 12-143-88;					
N $\frac{1}{2}$ Sec. 7-143-87 - As long as coal is being mined-----		1-1-78----	In Production -----	35¢ or 12 $\frac{1}{2}$ %-----	640 acres

OLIVER COUNTY:					
Baukol-Noonan -- <u>Extended Lease</u>					
S $\frac{1}{2}$ & N $\frac{1}{2}$ Sec. 36-142-84 - As long as coal is being mined--		3-13-79----	In Production -----	35¢ or 12 $\frac{1}{2}$ %-----	640 acres

TOTAL 3,260 acres

LAND MANAGEMENT DEPARTMENT

Recent developments in the energy industry in North Dakota and the demand for the use of state lands has resulted in a need for an improved and coordinated approach to land management. Therefore, the Land Management Department was established in July, 1979, within the State Land Department to develop and conduct an integrated management program on state school lands. The initial phase consists of a multiple use range inventory and analysis plan which was developed in 1979 and is in the preliminary mapping stage. This department will also provide appraisals of state land, conduct environmental assessments of state school lands and coordinate the use of state school lands with the objective of ensuring the long-term quality and productivity of the lands.

LEASING DEPARTMENT

Leases for hay, grazing and other agricultural purposes were issued in 1978 on 7,512.34 cultivated acres and on 153,760.32 uncultivated acres. These tracts brought in \$366,685.60 in first year rentals.

Leases for the year 1979 were on 4,240.06 cultivated acres and on 75,049.32 uncultivated acres. These tracts brought in \$157,954.15.

The above leases were issued under the minimum rental rates as established by our Board in July, 1974. The rate is \$2.65 per animal unit month where the carrying capacity has been established by the Soil Conservation Service or the Forest Service technicians and supplied to this office. Where the carrying capacity has not been supplied, the rental will be \$1.65 per acre for uncultivated land and \$8.00 per acre for cultivated land.

Seven oil and gas leasing auctions were held in the period from July 1, 1977 to June 30, 1979. Leases were sold on 1,053,544.22 mineral acres bringing \$37,351,425.56 in bonuses and \$835,623.40 in first year rentals.

Effective on January 1, 1979, the Board increased the royalty rate from 1/8 to 1/6 on all oil and gas leases.

ABANDONED AND UNCLAIMED PROPERTY DEPARTMENT

The Abandoned and Unclaimed Property Act was passed by the 1975 Legislature and became effective July 1, 1975. The Land Commissioner was named as administrator of this Act. The purpose of this Act is to provide a vehicle through which unclaimed property which may be held by financial institutions, insurance companies, publicly owned business associations and government agencies can be transferred to the custody of the State Land Department to be held in trust. Any earnings accruing to this trust are used for the benefit of the Common Schools.

Statement June 30, 1978

U.S. Treas. Notes.	\$ 679,054.69
Cash Balance.	<u>46,317.47</u>
GRAND TOTAL.	\$ 725,372.16

Statement June 30, 1979

U.S. Treas. Notes.	813,903.13
Cash Balance.	<u>124,384.39</u>
GRAND TOTAL.	\$ 938,287.52

Note: Interest Income from this fund's investments goes to Common School Interest and Income funds. Interest credited from 7/1/77-6/30/79 \$ 75,394.55

TOTAL COLLECTIONS	7-1-77 to 6-30-79	\$ 485,360.08
TOTAL CLAIMS	7-1-77 to 6-30-79	\$ 47,768.53

DEPLETED NATURAL RESOURCE TRUST

The 1975 Legislature passed a coal severance tax which became effective July 1, 1975. Thirty percent of the monies derived from this tax were to accrue to a permanent trust fund entitled "Depleted Natural Resource Trust." Income derived from this trust fund is credited to the General Fund. Under Chapter 4 of the 1975 Session Laws the State Land Department was mandated to make an appropriation to REAP in the amount of two million dollars. The 1977 Session changed the formula and designated 15% of the coal severance tax be credited to this trust and mandated these funds to be used for coal impact loans, when applicable.

Statement June 30, 1979

Certificate of Deposit.	\$ 950,000.00
U.S. Treas. Note.	139,606.25
Warrant - City of Underwood	350,000.00
" - Underwood School District #8.	40,000.00
" - Beulah School District #27.	700,000.00
" - Hazen School District #3.	700,000.00
" - City of Hazen.	508,000.00
" - City of Washburn	345,000.00
" - City of Center.	337,500.00
" - City of Zap.	25,000.00
	<u>4,095,106.25</u>
Cash Balance.	19,451.96
GRAND TOTAL	<u>\$ 4,114,558.21</u>
June 30, 1977 - Balance Carry Over.	\$1,140,615.25
Transfers - July 1, 1977 to June 30, 1979	<u>2,973,942.96</u>
TOTAL RECEIPTS	<u><u>\$4,114,558.21</u></u>
Interest Income - July 1, 1977 to June 30, 1978	\$ 49,270.30
Interest Income - July 1, 1978 to June 30, 1979	<u>177,337.43</u>
Total Credited to General Fund.	<u>\$ 226,607.73</u>

LAND & MINERALS TRUST (15-08.1-08)

All income derived from the sale, lease, and management of the lands acquired by the Board of University and School Lands pursuant to this chapter and not belonging to other trust funds shall be deposited in a fund to be known as the Land and Minerals Trust. The corpus and interest of such trust may be expended as the Legislative Assembly may provide. (Source S.L. 1977, Chapter 138 §10.)

Statement June 30, 1978

U.S. Treas. Bills.	\$ 525,859.20
Certificates of Deposit	<u>3,839,000.00</u>
	4,364,859.20
Cash Balance	3,052.71
GRAND TOTAL	\$ 4,367,911.91

Statement June 30, 1979

U.S. Treas. Notes.	\$ 1,498,359.38
Certificates of Deposit	<u>6,300,000.00</u>
	7,798,359.38
* Cash Balance	1,300,380.22
GRAND TOTAL	\$ 9,098,739.60

* NOTE: The 46th Legislative Assembly appropriated the following amounts from this trust, effective 7-1-79:

S.B. 2030 - Geological Survey	\$1,275,829.00
S.B. 2031 - State Water Comm.	223,949.00
S.B. 2310 - State Water Comm.	40,000.00

Earnings credited to fund 7-1-77 to 6-30-79	\$ 595,301.32
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COMPARATIVE STATEMENT
STATEMENT OF LAND GRANT FUNDS

	June 30, 1974	June 30, 1975	June 30, 1976
U.S. Treas. Bonds.....	8,347,045.03.....	8,347,045.03.....	8,347,045.03
G.N.M.A. Certificates.....	9,590,107.62.....	9,530,539.18.....	8,456,928.89
Federal Land Bank Bonds.....	169,000.00.....	999,000.00.....	169,000.00
F.H.A. Notes.....	1,002,819.70.....	1,002,750.06.....	1,001,303.82
School Bonds.....	484,535.05.....	422,496.08.....	386,545.00
U.S. Treas. Bills.....	1,320,416.44.....	1,744,431.88.....	899,089.77
Export-Import Debentures.....	2,915,422.00.....	2,915,422.00.....	2,915,422.00
Certificates of Deposit.....	842,300.00.....	1,668,000.00.....	6,485,000.00
U.S. Treas. Notes.....	530,875.00.....	00.00.....	874,000.00
Federal Nat'l Mortg. Assn. Notes.....	00.00.....	745,727.08.....	00.00
Federal Bonds.....	494,843.75.....	00.00.....	00.00
Judicial Wing & Office Bldg.....	00.00.....	00.00.....	00.00
	<u>25,697,364.59</u>	<u>27,375,411.31</u>	
F.H.A. Loans.....	459,029.59.....	334,996.84.....	283,071.94
Farm Loans.....	<u>38,577,395.89</u>	<u>39,098,563.20</u>	<u>39,178,163.90</u>
	39,036,425.48	39,433,560.04	
Land Sold on Contract Acquired Land.....	40,934.95.....	29,390.55.....	20,376.60
Land Sold on Contract Grant Land.....	<u>10,026,274.26</u>	<u>9,054,343.40</u>	<u>8,863,636.21</u>
	10,067,209.21	9,083,733.95	
Cash balance - Permanent Fund.....	369,774.32.....	324,088.56.....	559,314.87
Cash balance - Reserve Fund.....	<u>12,899.86</u>	<u>00.00</u>	<u>400.00</u>
	382,674.18	324,088.56	
Acquired Land.....	<u>45,521.32</u>	455,213.20.....	455,188.00
Unsold Grant Land.....	642,899.39.....	6,417,295.00.....	6,356,090.20
Cancelled Contracts.....	<u>36,093.40</u>	<u>356,911.90</u>	<u>350,503.80</u>
Total Acres	724,514.11	7,245,141.10	7,229,420.10
GRAND TOTAL	<u>82,428,814.56</u>	<u>83,446,213.96</u>	

** constitutional minimum value of \$10.00 per acre

(Note: the acres shown are for year 1974 only, the dollar value is only shown for the next five (5) years.)

	June 30, 1976
ABANDONED PROPERTY	
Investments.....	387,979.90
Cash balance.....	3,676.80
DEPLETED NATURAL RESOURCES	
Investments.....	1,058,303.41
Cash balance.....	82,848.90
Warrants.....	00.00
LAND & MINERALS TRUST	
Investments.....	00.00
Cash balance.....	00.00

COMPARATIVE STATEMENT
STATEMENT OF LAND GRANT FUNDS

	June 30, 1977	June 30, 1978	June 30, 1979
.....	8,347,045.03.....	8,347,045.03.....	14,304,857.54
.....	8,398,994.72.....	8,337,507.37.....	8,272,186.33
.....	169,000.00.....	169,000.00.....	00.00
.....	1,001,139.32.....	999,040.28.....	998,620.20
.....	354,457.08.....	323,400.00.....	292,350.00
.....	874,000.00.....	6,786,189.65.....	3,134,857.93
.....	2,915,422.00.....	2,915,422.00.....	2,915,422.00
.....	9,408,000.00.....	4,971,000.00.....	5,400,000.00
.....	00.00.....	9,041,850.00.....	19,716,146.88
.....	00.00.....	1,300,000.00.....	2,848,789.06
.....	00.00.....	00.00.....	00.00
.....	00.00.....	146,337.60.....	1,086,046.21
29,534,334.51	31,468,058.15	43,336,791.93	58,969,276.15
.....	251,928.22.....	192,780.24.....	174,144.24
39,461,235.84	39,710,260.15	45,000,000.00	45,000,000.00
	39,962,188.37	45,192,780.24	45,174,144.24
.....	13,237.95.....	7,699.85.....	3,201.50
.....	9,236,981.30.....	8,127,515.30.....	7,311,594.96
8,884,012.81	9,250,219.25	8,135,215.15	7,314,796.46
.....	923,964.91.....	115,705.06.....	112,777.50
.....	00.00.....	00.00.....	00.00
599,714.87	923,964.91	115,705.06	112,777.50
.....	455,188.00.....	453,588.00.....	453,528.90
.....	6,285,952.20.....	6,282,039.70.....	6,281,924.00
.....	340,078.50.....	339,742.50.....	339,718.50
7,161,782.00	7,081,218.70	7,075,370.20	7,075,171.40
<u>85,641,080.03</u>	<u>88,685,649.38</u>	<u>103,855,862.58</u>	<u>118,646,165.75</u>
	June 30, 1977	June 30, 1978	June 30, 1979
.....	498,000.00.....	679,054.69.....	813,903.13
.....	2,695.97.....	46,317.47.....	124,384.39
.....	1,127,891.00.....	1,344,740.25.....	1,089,606.25
.....	269,625.48.....	623,895.26.....	12,451.26
.....	00.00.....	350,000.00.....	3,005,500.00
.....	00.00.....	4,364,859.20.....	7,798,359.38
.....	00.00.....	3,052.71.....	1,300,380.22

STATE OF

DEPARTMENT
OF UNIVERSITY
AND SCHOOL
LANDS

NORTH DAKOTA

FORTY-FOURTH
BIENNIAL
REPORT

July 1, 1979 to June 30, 1981



R. E. Lommen
Commissioner

FORTY-FOURTH BIENNIAL REPORT
OF THE
BOARD OF UNIVERSITY
AND SCHOOL LANDS

Bismarck, North Dakota 58505

July 1, 1979 to June 30, 1981

The Governing Body created by Section 156 of Article IX of the Constitution of the State of North Dakota consists of the following officers:

HON. ALLEN I. OLSON, President	Governor
HON. BEN MEIER, Vice-President	Secretary of State
HON. ROBERT PETERSON	State Auditor
HON. ROBERT WEFALD	Attorney General
HON. JOSEPH CRAWFORD	Superintendent of Public Instruction
HON. R.E. LOMMEN, Secretary	Commissioner of University & School Lands

October 30, 1981

The Honorable Allen I. Olson
Governor of North Dakota
President, Board of University
and School Lands
First Floor, Capitol Building
Bismarck, North Dakota 58505

Dear Governor Olson:

In accordance with Chapter 15-02-08 of the North Dakota Century Code, I am privileged to submit herewith the Forty-Fourth Biennial Report of the Department of University and School Lands for the period July 1, 1979 through June 30, 1981.

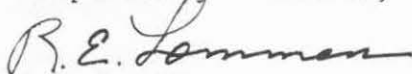
Income generated from our activities this biennium totalled \$138,409,458.00 and was distributed as follows:

Permanent Trust Funds-----	\$52,844,253.00
Disbursed to our trust beneficiaries-----	57,174,800.00
General Fund (Lands & Minerals Trust)----	28,390,405.40

Of these exceptional revenue receipts our oil and gas activity created 110 million dollars. Our revenues were by far the highest in this department's history. Our report reveals the explosive growth of activity and, with these increased permanent fund investments, we expect a continued growth in investment income exceeding 60% for the next biennium, as well as increased earnings for many generations to come.

I would like to commend a dedicated staff for carrying out our department's activities and the Board of University and School Lands whose foresight and support allowed this significant growth to take place.

Respectfully submitted,


R.E. Lommen
Land Commissioner

STATE LAND DEPARTMENT

OFFICE STAFF

ADMINISTRATION

R.E. Lommen	Land Commissioner
Doug Johnson	Attorney
Cathy Hraby	Secretary

ACCOUNTING DIVISION

Bob Peterson	Auditor
Theresa Pfenning	Cashier
Judy Laub	Accountant
Suzanne Witkowski	Account Clerk

ABANDONED PROPERTY DIVISION

Ann Jaeger	Manager
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ARCHIVES/RECORDS MANAGEMENT DIVISION

Carolyn Halterman	Coordinator/Analyst
Theona Little	Typist

LEASING DIVISION

Otto Bervik	Deputy Commissioner & Leasing Manager
Adolph Peterson	Assistant Leasing Manager
Marvin Thompson	Leasing Officer
E.A. Tough	Fieldman
Paul Neidhardt	Fieldman

LAND MANAGEMENT DIVISION

Mike Brand	Range & Soils Specialist
Shelly Doyle	Land Analyst

STATE LAND DEPARTMENT

BIENNIAL REPORT

1979-1981

STATUTORY AUTHORITY:

Article 9 of the North Dakota Constitution and Chapters 1501-1509 of the North Dakota Century Code.

AGENCY FUNCTION:

Charge and supervision of all state school lands. Charge and supervision of all investments of the permanent funds. Charge of all sales of state school lands, abandoned property and all maps, books, papers and records relating to state lands under the jurisdiction of the Land Department. Direct all appraisements, sales & leases, and execute all contracts of sale, lease, and permits of state school lands. Supervision as the mineral leasing agency for the State of North Dakota and formulation of rules and regulations for all mineral leasing.

MAJOR GOALS:

Development of a more comprehensive land management ability. Update the rules and regulations governing the management of sovereign lands. Resolve differences with the Federal Government concerning land and mineral ownership. Formulating guidelines for land and mineral leases, and for abandoned property reporting. Continued development of a computer program to meet new demands in the energy field. Management of the school lands to the best interests of the various trusts, including maximizing returns on investments. Develop a complete and comprehensive land analysis record and coal resource record.

RECORDS:

All minutes of Board meetings and records (except contracts) are available to the public for an in-office review.

ADMINISTRATION DIVISION

MAJOR LITIGATION

State of North Dakota, ex rel. Board of University and School Lands v.
James G. Watt, Secretary of the Interior, et al

The State instituted this case to establish the navigability of the Little Missouri River, and the ownership of the bed of this river. The Federal District Court ruled that the Little Missouri River was navigable at the time North Dakota was admitted to the Union, and therefore, the bed of the river is sovereign land belonging to the State. The Secretary of the Interior has appealed the decision to the Eighth Circuit Court of Appeals.

The State of North Dakota ex rel. Board of University and School Lands v.
Billings County, North Dakota

This case involved ownership of the minerals under a county road in Billings County. The State granted the land to Billings County in 1917 for county road purposes pursuant to the "in lieu of condemnation" provisions of Chapter 15-09, N.D.C.C. Billings County claimed they were granted a fee title to the land, while the State maintained that only a right of way easement was granted. The District Court of the Southwest Judicial District ruled in favor of the State. Billings County did not appeal.

Gulf Oil Company-Gas Royalty-Deductions

During the past two years the Land Department has been negotiating with Gulf Oil concerning certain deductions that Gulf Oil has been making from the State's royalty payments on gas produced in the Little Knife Field. The Land Department and Gulf Oil have not been able to settle the matter.

(In lieu of new developments, the State and other affected mineral owners plan to file suit against Gulf Oil before the end of 1981.)

LAND MANAGEMENT DIVISION

The Land Management Division of the State Land Department has been performing three basic functions during the 1979-1981 biennium: (1) range management and improvement; (2) surface disturbance analysis; and (3) interaction with other State and Federal agencies. These functions have been a short-term response to the most urgent needs of the State Land Department and will be developed into long-term programs designed to improve and maintain the condition of land administered by the Board of University and School Lands.

Range management and improvement during the past biennium has consisted primarily of the development of a multiple use range inventory and analysis plan and its implementation. During 1980, North Dakota State University, under a contract with the State Land Department, completed the field work for an inventory of 67,966.49 acres in Burleigh, Emmons, Morton and Oliver counties. This inventory pointed out that although range abuse on State owned land is not as widespread as commonly believed, a significant amount of land is in need of improvement. The inventory was continued in 1981 on 68,266.50 acres in Benson, Bottineau, Eddy, McHenry, Pierce, Ramsey and Wells counties as part of an on-going inventory program designed to provide basic land management information on all of the State owned land. Two range improvement plans were implemented on overgrazed ranges during the past biennium and numerous other plans will be implemented during the next biennium on overgrazed ranges which were identified by the range inventory. In addition to overgrazing, the problems of leafy spurge control and revegetating marginal lands with grass will be addressed.

The second function of the Land Management Division, surface disturbance analysis, has been a response to a large increase in applications for such activities as pipeline, road and electrical transmission and distribution line construction on State owned lands in addition to the regular sand, gravel, scoria and coal lease applications. These activities require coordinated routing and mitigation procedures to minimize their impact on State owned land while providing the necessary access for the development of the surrounding land. The Land Management Division has been providing routing and mitigation analyses of proposed surface disturbing activities and will initiate a field monitoring program during the next biennium to ensure compliance with good land management practices.

The third function, interacting with other State and Federal agencies, provides a means of coordinating land management programs with other interested and/or affected agencies. Reviews of various programs and plans have been developed in response to formal requests for comments by other agencies. The Land Management Division also regularly requests comments from these agencies concerning mutual management concerns. Such inter-agency communication will continue in an attempt to improve the coordination of the State Land Department management programs with other State and Federal agencies.

The previously discussed functions of the Land Management Division has provided the basis for the development of ecologically sound land management practices during the past biennium. However, the continued development of this division during the next biennium should significantly improve the quality of management on State owned lands.

LEASING DIVISION

Surface leases were sold on 8,803 acres of cultivated and 229,100 acres of pasture land in 1980. In 1981, 5,810 acres of cultivated land and 135,395 acres of pasture were leased. All surface leases are sold at public auction to the highest bidder. Surface leases are sold for either a three or a five year term basis. The Board of University & School Lands established a minimum bid of \$3.50 per animal unit, where the carrying capacity has been established. Where no established carrying capacity is found, a minimum bid of \$2.25 per acre and \$15.00 per acre on cultivated lands. Surface rentals for the biennium were \$2,913,347.

Seven oil & gas leasing sales were held during the biennium. Leases are awarded on the basis of highest bonus bid, with an established \$1.00 per acre annual delay rental. These leases are issued on a five year term, and command 1/6 of production royalty. During the biennium, leases sold totaled 630,150 mineral acres; that generated \$90,259,682 in bonuses and \$630,150 in first year rentals.

ARCHIVES/RECORDS MANAGEMENT DIVISION

Pertinent responsibilities in this division include processing applications for purchase of state school lands and execution of titles for lands previously sold; co-ordinating use and development of the agency's computer program(s); and examining and analysing information pursuant to developing a comprehensive program for managing agency records.

In 1979 computer program co-ordination, coding to master file, was completed for all tracts with surface acres. In 1980, the master file (system 1) was produced and special reports (viz., surface settlements & leases) were printed by computer for the first time. Projected activities include completion of coding to master for all file records; mechanical compilation of report statistics; verification of production records; and development of system 2 to account for royalties.

Responsibility for using and providing information relating to agency functions grew markedly in this biennium, suggesting the need for a definitive records management program. Goals and objectives for such a program will be outlined before an encompassing review of agency records is made. In the analysis, specific attention will be given to forms control, files & correspondence, and information organized in the form of reports, rules, regulations and directives. Procedures for the protection of vital records and disposition of others will be identified. Suggestions will also be advanced for integrating the technologies of data processing, word processing, and micrographics into the agency's overall information system.

FUNDING FOR STATE LAND DEPARTMENT

July 1, 1979 to June 30, 1981

DIVISION	SALARY	OPER. EXPENSE	CDP	SUPPLY	EQUIP.	DIVISION TOTAL
Administration	188,737	96,375	13,860	11,024	3,572	313,568
Accounting	134,721	809		191		135,721
Archives/Records	41,540	4,003		262		45,805
Abandoned Property	29,833	1,023				30,856
Leasing	94,103	25,775		542		120,420
Land Management	<u>46,508</u>	<u>2,958</u>	<u> </u>	<u>361</u>	<u> </u>	<u>49,827</u>
Totals.....	535,442	130,943	13,860	12,380	3,572	696,197

Payment for range inventory & analysis; contract with NDSU + 26,467

Total funding spent for the biennium 7/1/79 to 6/30/81..... 722,664

Fees collected for land sale costs, agricultural leasing, oil leasing, patent and deed fees are credited to the departments' maintenance fund; off-setting funding costs. During the 1979-1981 biennium \$76,792 was credited to the fund in fees.

The funding for the State Land Department is not General funded or Federal funded. Funding was established by the North Dakota Legislature effective July 1, 1971. The law provides that the department may transfer 10% of its interest & income fund collections earned in the prior three months to the departments' maintenance fund. The fund maximum balance shall not exceed forty thousand dollars and any excess must be apportioned back after expenses are deducted for the three month period.

COMPARATIVE SCHEDULE OF PERMANENT FUND CASH RECEIPTS
For the Bienniums ending June 30, 1979 and June 30, 1981

June 30, 1981	Land Sold	Misc. Receipts	Test Holes & Easements	Gravel, Coal, Scoria Royalty	Oil & Gas Royalty & Bonus	Total
COMMON SCHOOLS	17,035	26,350	257,378	1,041,393	44,865,487	46,207,643
ND STATE UNIV.	-0-		100	8,286	1,047,157	1,055,543
SCH. FOR BLIND	1,400		-0-	-0-	294,588	295,988
CAPITOL BLDG.	-0-	442	325	44,051	1,036,825	1,081,643
SCH. FOR DEAF	-0-		-0-	-0-	497,076	497,076
STATE HOSPITAL	-0-		-0-	-0-	571,673	571,673
ELLENDALE	-0-		25	-0-	262,388	262,413
VALLEY CITY	1,013		766	-0-	271,619	273,398
MAYVILLE	607		459	-0-	223,530	224,596
INDUSTRIAL SCH.	-0-		-0-	-0-	556,120	556,120
SCIENCE SCH.	-0-		7,455	-0-	349,709	357,164
SCH. OF MINES	-0-		75	-0-	392,608	392,683
SOLDIERS HOME	-0-		160	-0-	300,248	300,408
UNIVERSITY ND	-0-		25	-0-	767,880	767,905
Totals	20,055	26,792	266,768	1,093,730	51,436,908	52,844,253

June 30, 1979	Land Sold	Misc. Receipts	Test Holes & Easements	Gravel Coal, Scoria Royalty	Oil & Gas Royalty & Bonus	Total
COMMON SCHOOLS	35,040	2,550	180,615	784,876	26,907,319	27,910,400
ND STATE UNIV.	4,000		2,642	-0-	408,181	414,823
SCH. FOR BLIND	-0-		63	-0-	99,036	99,099
CAPITOL BLDG.	-0-		12,160	73,912	206,117	292,189
SCH. FOR DEAF	-0-		31	1,782	96,666	98,479
STATE HOSPITAL	-0-		-0-	891	110,654	111,545
ELLENDALE	166		-0-	-0-	97,871	98,037
VALLEY CITY	1,120		100	-0-	107,286	108,506
MAYVILLE	672		60	-0-	78,950	79,682
INDUSTRIAL SCH.	-0-		31	-0-	170,881	170,912
SCIENCE SCH.	-0-		-0-	891	143,014	143,905
SCH. OF MINES	-0-		-0-	10	155,475	155,485
SOLDIERS HOME	-0-		240	-0-	30,304	30,544
UNIVERSITY ND	13,750		-0-	4,556	217,412	235,718
Totals	54,748	2,550	195,942	866,918	28,829,166	29,949,324

COMPARATIVE SCHEDULE OF INTEREST & INCOME FUND CASH RECEIPTS
For the Bienniums ending June 30, 1979 and June 30, 1981

10

June 30, 1981	Int. on Contracts	Surface Rentals	Int. on Securities	Interest on Loans	Oil & Gas Rentals	Interest on Aband. Prop.	Totals
COMMON SCHOOLS	874,870	2,466,812	11,484,343	6,126,544	902,400	185,887	22,040,856
ND STATE UNIV.	22,462	105,418	270,395	335,246	47,637		781,158
SCH. FOR BLIND	6,186	13,716	63,056	69,236	11,255		163,449
CAPITOL BLDG.	23,871	46,079	447,439	-0-	26,456		543,845
SCH. FOR DEAF	4,061	28,138	83,883	115,150	17,601		248,833
STATE HOSPITAL	2,040	10,538	89,548	60,490	10,065		172,681
ELLENDALE	3,087	26,230	63,928	84,540	14,816		192,601
VALLEY CITY	11,164	32,212	98,432	101,949	17,819		261,576
MAYVILLE	9,775	21,417	54,583	57,574	10,957		154,306
INDUSTRIAL SCH.	6,039	35,830	110,761	96,930	20,486		270,046
SCIENCE SCH.	7,717	19,153	77,754	76,523	14,744		195,891
SCH. OF MINES	13,962	32,026	92,187	100,573	19,288		258,036
SOLDIERS HOME	10,835	18,472	48,123	83,083	7,466		167,979
UNIVERSITY ND	19,497	57,306	132,827	224,468	29,497		463,595
Totals	1,015,566	2,913,347	13,117,259	7,532,306	1,150,487	185,887	25,914,852

June 30, 1979	Int. on Contracts	Surface Rentals	Int. on Securities	Interest on Loans	Oil & Gas Rentals	Interest on Aband. Prop.	Totals
COMMON SCHOOLS	1,269,662	2,300,024	4,274,993	4,963,626	1,262,420	75,395	14,146,120
ND STATE UNIV.	35,111	97,921	109,992	281,276	39,194		563,494
SCH. FOR BLIND	11,012	16,119	27,810	59,142	9,208		123,291
CAPITOL BLDG.	37,101	41,469	251,627	-0-	18,703		348,900
SCH. FOR DEAF	11,585	27,884	14,703	95,242	11,439		160,853
STATE HOSPITAL	5,566	9,359	21,429	50,263	6,791		93,408
ELLENDALE	12,655	23,644	31,107	72,860	14,659		154,925
VALLEY CITY	22,546	28,452	28,731	89,536	11,144		180,409
MAYVILLE	13,334	18,017	27,259	48,161	8,022		114,793
INDUSTRIAL SCH.	11,593	33,373	50,296	81,667	15,309		192,238
SCIENCE SCH.	11,103	19,993	34,087	63,611	10,824		139,618
SCH. OF MINES	20,515	25,410	36,758	84,324	16,113		183,120
SOLDIERS HOME	14,792	16,387	21,364	70,688	4,888		128,119
UNIVERSITY ND	27,945	50,949	43,941	192,086	22,800		337,721
Totals	1,504,520	2,709,001	4,974,097	6,152,482	1,451,514	75,395	16,867,009

COMPARATIVE STATEMENT OF
COLLECTIONS DISTRIBUTED TO INSTITUTIONS

July 1, 1977 thru June 30, 1981

Collections to the Interest and Income Funds were distributed to the various institutions for their use in the maintenance and operations of their respective institution.

	7-01-77 to <u>6-30-79</u>	7-01-79 to <u>6-30-81</u>
Common Schools	12,926,114	** 54,356,300
ND State University	467,200	683,000
School for the Blind	95,900	137,200
Capitol Building	none	none
School for the Deaf	135,400	210,800
State Hospital	72,400	119,600
* Ellendale	100,500	168,000
Valley City State College	154,400	211,100
Mayville State College	95,900	133,400
ND Industrial School	160,500	227,100
ND Science School	117,200	163,300
School of Mines	148,800	218,000
Soldiers Home	103,300	149,300
University of ND	<u>281,000</u>	<u>397,700</u>
Totals	<u>14,858,614</u>	<u>57,174,800</u>

*Note) House Bill #1052 of the 1973 session laws stated that the Ellendale Interest & Income fund be divided equally among these institutions; each receives 1/7: (1) NDSU-Bottineau Branch, (2) State School of Science, (3) Minot State College, (4) Dickinson State College, (5) Soldiers Home, (6) State Hospital, (7) School for the Blind.

** Note) Of the 54,356,300 distributed to Common Schools; 32,351,951 was from the Common School I&I Bonus fund.

ABANDONED AND UNCLAIMED PROPERTY DEPARTMENT

The Abandoned and Unclaimed Property Act was passed by the 1975 Legislature and became effective July 1, 1975. The Land Department Commissioner was named as administrator of this act. The purpose of this act is to provide a vehicle through which unclaimed property which may be held by financial institutions, insurance companies, publicly owned business associations and government agencies can be transferred to the custody of the State Land Department to be held in trust. Any earnings accruing to this trust are used for the benefit of the Common Schools.

Statement June 30, 1981

U.S. Treasury Notes	1,068,390.63
Cash Balance	<u>14,672.41</u>
Total	<u>1,083,063.04</u>
Total collections from 7/1/79 to 6/30/81	194,155.89
Total claims paid from 7/1/79 to 6/30/81	49,422.56
Interest from investments from 7/1/79 to 6/30/81 (Credited to Common Schools)	185,886.60

COMMON SCHOOL INTEREST & INCOME BONUS

The 1979 Legislative session established this fund thru Senate Bill #2439 stating "Fifty percent of the oil & gas bonus payments on common school lands received by the Board of University and School Lands shall be apportioned and distributed among the common schools for their maintenance and support....."

The 1981 Legislative session amended this with House Bill #1092, Chapter 199, Section 7, stating "...no more than \$16,000,000 of oil & gas bonus payments on common school lands shall be apportioned and distributed during the biennium of 1981 through 1983....."

Statement June 30, 1981

Certificate of Deposit	3,290,000.00
Cash Balance	<u>23,187.23</u>
Total	<u>3,313,187.23</u>

Funds distributed to the Common Schools for 7/1/79 to 6/30/81= \$32,351,951.03

LAND AND MINERALS TRUST

All income derived from the sale, lease, and management of the lands acquired by the Board of University and School Lands pursuant to this chapter and not belonging to other trust funds shall be deposited in a fund to be known as the Land and Minerals Trust. The corpus and interest of such trust may be expended as the Legislative Assembly may provide. (Chapter 138, 1977 session laws.)

Statement June 30, 1981

Cash Balance	<u>\$37,489,145.82</u>
--------------	------------------------

Earnings from investments from 7/1/79 to 6/30/81 = \$4,318,091.65

Note) The 47th Legislative Assembly appropriated the following amounts from this trust to apply to the 1979-1981 biennium:

S.B. 2003; Geological Survey	27,002
S.B. 2021; Geological Survey	<u>60,000</u>
Total	<u>87,002</u>

Note) The 47th Legislative Assembly appropriated the following amounts from this trust, effective July 1, 1981:

H.B. 1006; purchase Judicial Wing & Office Bldg.	11,750,000
H.B. 1030; Geological Survey	4,430,687
H.B. 1049; disabled facility loan program	4,000,000
S.B. 2092; school construction	3,000,000
S.B. 2432; loans for beginning farmers	2,000,000
S.B. 2374; fuel production facility loan program	10,000,000
S.B. 2033; Industrial Commission	<u>104,358</u>
Total	<u>35,285,045</u>

COAL SEVERANCE TAX TRUST

The 1975 Legislature passed a coal severance tax which became effective July 1, 1975. Thirty percent of the monies derived from this tax were to accrue to a trust fund entitled "Depleted Natural Resource Trust". Income derived from this fund is credited to the General Fund. Under Chapter 4 of the 1975 session laws the State Land Department was mandated to make an appropriation to REAP in the amount of two million dollars. The 1977 session changed the formula and designated fifteen percent of the coal severance tax be credited to this trust and mandated these funds to be used for coal impact loans, when applicable.

Initiated measure #5 was passed by general election ballot on November 4, 1980 and is a constitutional amendment that creates a permanent trust fund to be administered by the Board of University and School Lands. The name of the trust was changed from Depleted Natural Resource Trust to Coal Severance Tax Trust. (Reference S.B. #2190 Chap. 622 and H.B. #1502 Chap. 621 of the 1981 session laws.)

Statement June 30, 1981

1975-1977 receipts	3,132,116.48
1977-1979 receipts	2,973,942.96
1979-1981 receipts	4,510,486.22
REAP appropriation	(2,000,000.00)
REAP fees	8,541.77
Capital gain on investments	393.75
Total	<u>8,625,481.18</u>

U.S. Treasury Notes	3,518,906.35
Certificate of Deposit	840,000.00
Cash Balance	<u>49,327.18</u>
	4,408,233.53

Warrant-City of Underwood	341,678.22
Warrant-Underwood School District #8	35,407.58
Warrant-Beulah School District #27	700,000.00
Warrant-Hazen School District #3	700,000.00
Warrant Center School District #18	233,292.29
Warrant-City of Hazen	508,000.00
Warrant-City of Washburn	338,831.53
Warrant-City of Center(1)	318,857.97
Warrant City of Center(2)	467,582.93
Warrant-City of Zap	23,597.13
Warrant-City of Max	80,000.00
Warrant-Mercer County	<u>470,000.00</u>
	4,217,247.65
Total	<u>8,625,481.18</u>

Interest income credited to the General Fund for 7/1/79 to 6/30/81 = \$843,501.99

MINERAL ACREAGE DISTRIBUTION BY TRUST FUND AND RESERVATION PERCENTAGE

as of June 30, 1981

TRUST FUNDS	5%	33 1/3%	50%	100%	Totals
Common Schools	594.10		675,590.23	847,492.57	1,523,676.90
ND State University	103.99		43,515.37	22,291.98	65,911.34
School for the Blind	42.00		9,651.42	5,530.42	15,223.84
Capitol Building			10,529.48	17,124.90	27,654.38
School for the Deaf	16.00		13,127.39	7,454.18	20,597.57
State Hospital	7.50		6,794.49	2,902.47	9,704.46
Ellendale	16.00		5,621.72	4,912.56	10,550.28
ND Industrial School	28.00		24,963.12	8,212.52	33,203.64
ND Science School	16.00		12,595.51	5,899.15	18,510.66
School of Mines			15,057.64	5,880.53	20,938.17
Soldiers Home	15.82		7,911.91	5,355.29	13,283.02
University of ND			26,888.66	14,963.21	41,851.87
* Normals	28.00		24,443.86	12,132.87	36,604.73
General Fund of ND	<u>11,484.21</u>	<u>53.33</u>	<u>646,023.72</u>	<u>3,645.46</u>	<u>661,206.72</u>
TOTALS	<u>12,351.62</u>	<u>53.33</u>	<u>1,522,714.52</u>	<u>963,798.11</u>	<u>2,498,917.58</u>

* Note) Percentage apportionment of receipts to Normals is 62.5% to Valley City, and 37.5% to Mayville.

SURFACE ACREAGE DISTRIBUTION BY TRUST FUND AND ACQUISITION SOURCE

June 30, 1981

TRUST FUNDS	ACQUIRED LAND	GRANT LAND	* GENERAL FUND	TOTALS
Common Schools	31,915.41	603,804.66		635,720.07
ND State University	3,918.45	11,366.58		15,285.03
School for the Blind	1,015.21	2,393.60		3,408.81
Capitol Building	798.08	9,183.09		9,981.17
School for the Deaf	1,348.66	3,477.69		4,826.35
State Hospital	311.16	1,877.75		2,188.91
Ellendale	1,346.45	3,226.37		4,572.82
Valley City State College	640.00	none		640.00
Mayville State College	640.00	none		640.00
ND Industrial School	1,447.71	2,890.56		4,338.27
ND Science School	1,449.01	2,136.05		3,585.06
School of Mines	1,228.79	2,029.44		3,258.23
Soldiers Home	480.00	2,433.69		2,913.69
University of ND	1,881.09	7,755.60		9,636.69
** Normals	160.00	6,470.91		6,630.91
General Fund			388.20	
TOTAL ACRES	<u>48,580.02</u>	<u>659,045.99</u>	<u>388.20</u>	<u>708,014.21</u>

* Note) General Fund surface acres are distributed over three tracts in Williams Co.

** Note) Percentage apportionment of receipts to Normals is 62.5% is Valley City;
and 37.5% is Mayville State College.

STATE SCHOOL LAND SURFACE ACREAGE

As of June 30, 1981

COUNTY	SURFACE ACRES	TRACTS	LEASES
Adams	17,122.16	109	109
Barnes	2,798.09	18	17
Benson	10,992.09	101	98
Billings	31,281.47	200	200
Bottineau	2,754.15	18	17
Bowman	29,281.58	188	188
Burke	16,129.97	111	105
Burleigh	27,916.87	182	175
Cass	40.00	1	none
Cavalier	596.47	6	3
Dickey	3,663.77	24	24
Divide	21,133.13	139	138
Dunn	25,979.53	165	165
Eddy	10,913.19	89	89
Emmons	13,734.32	94	93
Foster	3,116.41	21	21
Golden Valley	29,043.21	188	188
Grand Forks	2,073.77	13	10
Grant	33,465.95	221	221
Griggs	1,741.24	13	13
Hettinger	9,914.40	65	65
Kidder	28,637.79	184	184
LaMoure	1,605.00	10	9
Logan	9,394.07	62	61
McHenry	22,144.94	144	144
McIntosh	6,357.50	46	46
McKenzie	63,316.68	404	404
McLean	20,875.84	147	143
Mercer	15,084.95	103	96
Morton	17,672.27	118	112
Mountrail	32,453.89	218	214
Nelson	2,853.66	31	28
Oliver	8,643.03	55	54
Pembina	none	none	none
Pierce	14,317.00	103	103
Ramsey	2,056.50	23	21
Ransom	1,120.00	7	7
Renville	1,911.00	12	12
Richland	513.68	4	4
Rolette	6,855.92	53	45
Sargent	1,128.79	8	8
Sheridan	25,658.64	179	178
Sioux	23,538.42	156	144
Slope	23,621.72	149	149
Stark	6,142.64	39	39
Steele	none	none	none
Stutsman	15,189.95	104	104
Towner	8,059.31	78	72
Traill	none	none	none
Walsh	201.02	3	2
Ward	11,039.06	71	71
Wells	5,088.63	41	41
Williams	38,840.54	254	253
TOTALS	708,014.21	4,772	4,686

REPORT OF SALES & TITLES ACTIVITY

July 1, 1979 thru June 30, 1981

TITLES ISSUED:

For the biennium, 193 patents were issued on completed contracts and 29,023.54 acres were conveyed.

A total of seven quit claims were issued on 1,160.00 acres.

Sixteen deeds were issued on ROW acres of 89.58; and 39 assignments of contracts were approved.

FARM LOAN POOL
STATEMENT

Beginning Balance July 1, 1979	\$45,000,000
Increase balance of pool	5,000,000
Ending Balance June 30, 1981	<u>\$50,000,000</u>

Interest earned for the biennium from the pool. \$7,532,306.00

Note) These funds are administered through the Bank of North Dakota, to be invested in first mortgage farm real estate loans on North Dakota farm lands.

COAL LEASES IN EFFECT AS OF JUNE 30, 1981

Sealed Bid Basis By Applicant

	<u>TERM</u>	<u>DATED</u>	<u>RENTAL</u>	<u>ROYALTY</u>	<u>ACREAGE</u>
MERCER COUNTY:					
North American Coal Corporation					
All Sec. 1-143-89-----	10 years-----	12-14-71----	In Production-----	15¢ per ton-----	320 acres

INTERIM COAL LEASES IN FORCE

Oral Negotiated Bid Basis - No Opposition

BURKE COUNTY:					
Baukol-Noonan					
All Sec. 16-162-94-----	10 years-----	12-21-77----	In Production-----	30¢ or 10%-----	400 acres

McLEAN COUNTY:					
The Falkirk Mining Company					
All Sec. 36-146-83-----	10 years-----	3-27-80----	\$3.00 per acre----	35¢ or 12½%-----	640 acres

MERCER COUNTY:					
Knife River Coal Mining Company					
All Sec. 16-143-88-----	10 years-----	3-27-80----	\$3.00 per acre----	35¢ or 12½%-----	480 acres

MERCER COUNTY:					
Consolidation Coal					
E½ Sec. 16-144-85-----	10 years-----	12-21-77----	In Production-----	30¢ or 10%-----	320 acres

MERCER COUNTY:					
North American Coal Corporation					
S½ Sec. 16-144-88-----	10 years-----	8-28-79----	\$3.00 per acre----	35¢ or 12½%-----	320 acres
NE¼ Sec. 21-144-88-----	10 years-----	3-27-80----	\$3.00 per acre----	35¢ or 12½%-----	160 acres

OLIVER COUNTY:					
Baukol-Noonan, Inc.					
N½NW¼, SE¼NW¼, SW¼NE¼ 22-142-84-----	10 years-----	10-12-81----	\$3.00 per acre----	12.5%-----	80 acres
SE¼NW¼, N½SW¼, SE¼SW¼ 2-141-84-----	10 years-----	10-12-81----	\$3.00 per acre----	12.5%-----	80 acres

STARK COUNTY:					
Husky Industries					
NW¼ & SW¼ Sec. 16-139-95--As long as coal is being mined-----	4-30-81----	\$3.00 per acre----	12.5%-----		320 acres

EXTENDED COAL LEASES

MERCER COUNTY:

	<u>TERM</u>	<u>DATED</u>	<u>RENTAL</u>	<u>ROYALTY</u>	<u>ACREAGE</u>
North American Coal Corporation NW $\frac{1}{2}$ & SW $\frac{1}{2}$ Sec. 36-144-89 - As long as coal is being mined-----	1-1-79----	In Production-----	35¢ or 12 $\frac{1}{2}$ %-----	320 acres	

MERCER COUNTY:

Knife River Coal Mining Company All Sec. 12-143-88; N $\frac{1}{2}$ Sec. 7-143-87 - As long as coal is being mined-----	1-1-78----	In Production-----	35¢ or 12 $\frac{1}{2}$ %-----	480 acres
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OLIVER COUNTY:

Baukol-Noonan, Inc. N $\frac{1}{2}$ & S $\frac{1}{2}$ Sec. 36-142-84 - As long as coal is being mined-----	3-13-79----	In Production-----	35¢ or 12 $\frac{1}{2}$ %-----	640 acres
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BANK OF NORTH DAKOTA LEASES

20

McLEAN COUNTY:

The Falkirk Mining Company W $\frac{1}{2}$ Sec. 4-145-82---- 20 Year Lease----- (w/right to renew)	10-13-76----	In Production-----	25¢ per ton---- (Annual Royalty of \$7,162.50)	159.57 acres
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TOTAL ACREAGE UNDER LEASE-----4,719.57

STATE LAND DEPARTMENT
UNIVERSITY AND SCHOOL LANDS

LAND SALES: 7-1-59 to 7-1-81

PERIOD	NUMBER OF TRACTS	NUMBER OF ACRES	TOTAL SALE PRICE	AVERAGE PRICE PER ACRE	INT. RATE
7-1-59 to 7-1-60	154	25,510.38	\$ 972,715.00	\$ 38.13	4%
7-1-60 to 7-1-61	120	19,600.80	814,975.00	42.21	4%
7-1-61 to 7-1-62	109	16,326.25	669,441.00	40.36	4%
7-1-62 to 7-1-63	76	11,079.00	583,425.00	52.66	4%
7-1-63 to 7-1-64	121	17,550.06	1,051,665.00	59.92	4%
7-1-64 to 7-1-65	87	13,629.95	695,900.00	51.05	4%
7-1-65 to 7-1-66	103	15,604.10	1,013,300.00	64.93	4%
7-1-66 to 7-1-67	129	19,661.61	1,456,820.00	74.09+	5%
7-1-67 to 7-1-68	83	12,316.61	955,620.00	77.58+	5%
7-1-68 to 7-1-69	73	11,325.18	820,772.00	72.47+	6%
7-1-69 to 7-1-70	76	11,253.70	808,285.00	71.82+	8%
7-1-70 to 7-1-71	57	8,401.03	567,620.00	67.56+	7-3/4%
7-1-71 to 7-1-72	87	13,085.67	1,063,101.00	81.24+	7%
7-1-72 to 7-1-73	25	3,836.81	400,400.00	104.35+	7%
7-1-73 to 7-1-74	301	45,392.41	7,358,844.00	162.11+	8%
7-1-74 to 7-1-75	none				
7-1-75 to 7-1-76	22	3,314.14	860,986.75	259.79+	8½%
7-1-76 to 7-1-77	49	7,307.68	1,548,415.00	211.89+	8½%
7-1-77 to 7-1-78	3	351.12	46,050.00	131.15+	8½%
7-1-78 to 7-1-79	none				
7-1-79 to 7-1-81	none				
Totals	1,675	255,546.50	21,688,334.75	84.87+	

COMPARATIVE STATEMENT PER BIENNIUM
OF LAND GRANT FUNDS

	<u>6-30-1975</u>	<u>6-30-1977</u>	<u>6-30-1979</u>	<u>6-30-1981</u>
U.S. Treas. Notes	-0-	-0-	19,716,147	63,107,884
U.S. Treas. Bonds	8,347,045	8,347,045	14,304,858	12,825,028
U.S. Treas. Bills	1,744,432	874,000	3,134,858	-0-
Fed. Land Bank	999,000	169,000	-0-	-0-
Fed. Farm Credits	-0-	-0-	-0-	3,494,531
Fed. Nat'l. Mortg.	745,727	-0-	2,848,789	2,848,789
G.N.M.A. Certificate	9,530,539	8,398,995	8,272,186	8,129,253
Export-Import Note	2,915,422	2,915,422	2,915,422	2,915,422
F.H.A. Notes	1,002,750	1,001,139	998,620	997,178
School Bonds	422,496	354,457	292,350	236,250
Certificates of Deposit	1,668,000	9,408,000	5,400,000	900,000
** Judicial Wing & Bldg.	-0-	-0-	1,086,046	10,158,827
* Dickinson Station	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>1,947,460</u>
	27,375,411	31,468,058	58,969,276	107,560,622
F.H.A. Loans	334,997	251,928	174,144	74,296
Farm Loans	39,098,563	39,710,260	45,000,000	50,000,000
Land Sold on Contract:				
Acquired Land	29,391	13,238	3,202	-0-
Grant Land	9,054,343	9,236,981	7,311,595	5,897,648
Cash Balance	<u>324,089</u>	<u>923,965</u>	<u>112,778</u>	<u>561,750</u>
Total Land Grant Funds	<u>76,216,794</u>	<u>81,604,430</u>	<u>111,570,995</u>	<u>164,094,316</u>
OTHER FUNDS MANAGED BY THE LAND DEPARTMENT:				
Abandoned Property	-0-	500,696	938,287	1,083,063
Coal Severance Tax Trust	-0-	1,397,516	4,114,558	8,625,481
Land & Minerals Trust	<u>-0-</u>	<u>-0-</u>	<u>9,098,739</u>	<u>37,489,146</u>
GRAND TOTAL	<u>76,216,794</u>	<u>83,502,642</u>	<u>125,722,579</u>	<u>211,292,006</u>

**Note) This amount represents the monies invested to build a Judicial Wing & Office Bldg. (reference House Bill #1006, 1981 session)

*Note) This amount represents a loan for the purchase of a new experiment station at Dickinson. (reference Senate Bill #2327, 1979 session & Senate Bill #2412, 1981 session.)

STATEMENT OF LAND GRANT FUNDS

June 30, 1981

Investments:

U.S. Treasury Notes	63,107,884.47
U.S. Treasury Bonds	12,825,027.55
Federal Farm Credits	3,494,531.25
Federal National Mortgage Assoc.	2,848,789.06
G.N.M.A. Certificates	8,129,253.01
Export-Import Debentures	2,915,422.00
F.H.A. Notes	997,178.35
School Bonds	236,250.00
Certificate of Deposit	900,000.00
Dickinson Experiment Station	1,947,459.90
Judicial Wing & State Office Bldg.	<u>10,158,827.26</u>
Total	<u>107,560,622.85</u>

F.H.A. Loans	74,296.04
Farm Loans	50,000,000.00
Land Sold on Contract-Grant Land	5,897,647.54
Cash Balance	<u>561,750.48</u>
Grand Total	<u>164,094,316.91</u>

STATEMENT OF LAND GRANT FUNDS IN
VARIOUS SUB-DIVISIONS TO JUNE 30, 1981

Common Schools

On admission to the Union, Congress granted to the State of North Dakota, for the support of common schools, sections 16 & 36 in every township in the State, and where these sections or parts thereof were omitted on account of being embraced in lakes, rivers or having been homesteaded prior to survey, the State was allowed to select land elsewhere from any public land in the State, as "Indemnity Lands", which are common school lands other than section 16 & 36, the proceeds from indemnity lands also to go to the Common School fund. Of this grant 2,523,383.78 acres have been selected.

Investments:

U.S. Treasury Notes	54,275,162.50
U.S. Treasury Bonds	12,371,027.55
Federal Farm Credit	3,494,531.25
Federal National Mortgage Assoc.	2,848,789.06
G.N.M.A. Certificates	5,011,715.49
F.H.A. Notes	997,178.35
Export-Import Debentures	2,915,422.00
School Bonds	206,200.00
Certificate of Deposit	900,000.00
Dickinson Experiment Station	1,947,459.90
Judicial Wing & State Office Bldg.	<u>10,158,827.26</u>
Total	<u><u>95,126,313.36</u></u>
 F.H.A. Loans	 74,296.04
Farm Loans	41,120,000.00
Land Sold on Contract-Grant Land	5,012,562.54
Cash Balance	<u>505,010.11</u>
Grand Total	<u><u>141,838,182.05</u></u>

NORTH DAKOTA STATE UNIVERSITY
Fargo

Under Section 16 of the Enabling Act admitting this State, there were granted 90,000 acres, and under Section 17 an additional 40,000 acres, for the support of the North Dakota State University, making a total of 130,000 acres granted by Congress for this institution at Fargo. Of this grant, 129,999.98 acres have been selected.

Investments:

U.S. Treasury Notes	1,468,058.13
U.S. Treasury Bonds	50,000.00
G.N.M.A. Certificates	<u>714,207.93</u>
Total	<u>2,232,266.06</u>
 Farm Loans	 2,100,000.00
Land Sold on Contract-Grant Land	140,012.60
Cash Balance	<u>10,510.82</u>
Grand Total	<u>4,482,789.48</u>

SCHOOL FOR THE BLIND
Grand Forks

Under Section 17 of the Enabling Act, there were granted 170,000 acres for educational & charitable purposes to be determined by the State Legislature; 30,025.76 acres of this grant have been apportioned to selected by the State of the benefit of the School for the Blind at Grand Forks.

Investments:

U.S. Treasury Notes	351,713.76
U.S. Treasury Bonds	33,000.00
G.N.M.A. Certificates	<u>200,827.76</u>
Total	<u>585,541.52</u>
 Farm Loans	 450,000.00
Land Sold on Contract-Grant Land	37,710.40
Cash Balance	<u>2,077.26</u>
Grand Total	<u>1,075,329.18</u>

CAPITOL BUILDING

Bismarck

Under Section 12 of the Enabling Act admitting the State, there were granted fifty sections, or 32,000 acres, and under Section 14 of the same Act 50,000 acres for public buildings at the Capital of the State, making 82,000 acres for the Capitol Building. However, there was an over-selection of 326.14 acres for this State Institution, making a total selection of 82,326.14 acres.

Investments:

U. S. Treasury Notes	1,959,207.51
G.N.M.A. Certificates	<u>50,353.59</u>
Total	<u>2,009,561.10</u>
Land Sold on Contract - Grant Land	146,438.20
Cash Balance	<u>8,216.86</u>
Grand Total	<u>2,164,216.16</u>

CAPITOL BUILDING - INTEREST & INCOME

Investments:

U. S. Treasury Notes	171,609.38
Certificate of Deposit	<u>700,000.00</u>
Total	<u>871,609.38</u>
Cash Balance	<u>655,481.15</u>
Grand Total	<u>1,527,090.53</u>

SCHOOL FOR THE DEAF

Devils Lake

Under Section 17 of the Enabling Act admitting this State, there were granted 40,000 acres for the Deaf School. Of this grant 39,966.53 acres have been selected by the State for this Institution at Devils Lake.

Investments:

U. S. Treasury Notes	578,075.95
U. S. Treasury Bonds	26,000.00
G.N.M.A. Certificates	<u>84,492.49</u>
TOTAL	<u><u>688,568.44</u></u>
Farm Loans	720,000.00
Land Sold On Contract - Grant Land	24,300.20
Cash Balance	<u>1,870.05</u>
Grand Total	<u><u>1,434,738.69</u></u>

STATE HOSPITAL

Jamestown

Under Section 17 of the Enabling Act admitting the State, there were granted for educational and charitable institutions 170,000 acres to be apportioned as the Legislature should determine. Of this grant 20,000.98 acres have been selected for the State Hospital at Jamestown.

Investments:

U. S. Treasury Notes	646,191.58
U. S. Treasury Bonds	3,000.00
G.N.M.A. Certificates	<u>146,726.91</u>
TOTAL	<u><u>795,918.49</u></u>
Farm Loans	400,000.00
Land Sold on Contract - Grant Land	12,585.90
Cash Balance	<u>4,722.09</u>
Grand Total	<u><u>1,213,226.48</u></u>

ELLENDALE STATE TEACHERS COLLEGE

Ellendale

Under Section 17 of the Enabling Act admitting the State, there were granted for educational purposes 170,000 acres, of which 40,000 acres have been apportioned and 39,997.24 acres have been selected by the State for the benefit of the State Teachers College at Ellendale.

Investments:

U. S. Treasury Notes	323,519.71
U. S. Treasury Bonds	11,500.00
G.N.M.A. Certificates	206,904.84
School Bonds	<u>26,000.00</u>
Total	<u>567,924.55</u>
Farm Loans	540,000.00
Land Sold On Contract - Grant Land	39,249.45
Cash Balance	<u>2,357.90</u>
Grand Total	<u>1,149,531.90</u>

(NOTE: House Bill #1052 from the 1973 Session divides the income from this fund to Soldiers: Home, School for the Blind, School of Science, State Hospital, Forestry School, Minot State College and Dickinson State College.)

NORMAL SCHOOLS

Valley City - Mayville

Under Section 17 of the Enabling Act admitting the State, there were granted for the State Normal Schools 80,000 acres. The Legislature of the State has apportioned 30,000 acres of this grant to the Mayville Normal and 50,000 acres of this grant to the Valley City Normal. In the selection of these lands, however, no division was made but the full 80,000 acres taken for Normal Schools, and in the division of receipts for such lands five-eighths is given to the Valley City institution and three-eighths to Mayville, being the proportion to which each is entitled according to the area of the grants to each. There was, however, an over-selection of 5.90 acres, making the total acres selected for the above Normal Schools, 80,005.90.

VALLEY CITY NORMAL

Investments:

U. S. Treasury Notes	373,321.26
U. S. Treasury Bonds	50,000.00
G.N.M.A. Certificates	<u>206,245.05</u>
Total	<u>629,566.31</u>
Farm Loans	660,000.00
Land Sold on Contract - Grant Land	96,315.28
Cash Balance	<u>611.96</u>
Grand Total	<u>1,386,493.55</u>

MAYVILLE

Investments:

U. S. Treasury Notes	264,662.51
U. S. Treasury Bonds	47,000.00
G.N.M.A. Certificates	<u>192,951.21</u>
Total	<u>504,613.72</u>
Farm Loans	360,000.00
Land Sold on Contract - Grant Land	57,789.17
Cash Balance	<u>2,570.03</u>
Grand Total	<u>924,972.92</u>

NORTH DAKOTA INDUSTRIAL SCHOOL

Mandan

Under Section 17 of the Enabling Act admitting the State, there were granted by Congress to the State Industrial School 40,000 acres. An over-selection of 24.94 acres was made, making the total acres selected for this Institution at Mandan 40,024.94 acres.

Investments:

U. S. Treasury Notes	675,436.24
U. S. Treasury Bonds	31,500.00
G.N.M.A. Certificates	366,846.76
TOTAL	<u>1,073,783.00</u>

Farm Loans	620,000.00
Land Sold on Contract - Grant Land	38,943.40
Cash Balance	<u>1,929.27</u>
Grand Total	<u>1,734,655.67</u>

SCHOOL OF SCIENCE

Wahpeton

Of the 170,000 acres granted to the State under Section 17 of the Enabling Act for educational and charitable purposes, 40,000 acres have been given by the State Legislature to the School of Science at Wahpeton, of which 39,997.16 acres have been selected.

Investments:

U. S. Treasury Notes	451,990.94
U. S. Treasury Bonds	71,000.00
G.N.M.A. Certificates	233,016.20
School Bonds	4,050.00
Total	<u>760,057.14</u>

Farm Loans	480,000.00
Land Sold on Contract - Grant Lands	41,455.65
Cash Balance	<u>1,665.13</u>
Grand Total	<u>1,283,177.92</u>

SCHOOL OF MINES

Grand Forks

Under Section 17 of the Enabling Act admitting the State, there were granted for the School of Mines 40,000 acres. There was an over-selection of 3.51 acres by the State, making a total of 40,003.51 acres for this Institution, which is located at Grand Forks in connection with the University.

Investments:

U. S. Treasury Notes	493,073.45
U. S. Treasury Bonds	39,000.00
G.N.M.A. Certificates	<u>263,056.54</u>
Total	<u>795,129.99</u>
Farm Loans	630,000.00
Land Sold on Contract - Grant Land	82,389.80
Cash Balance	<u>7,157.89</u>
Grand Total	<u>1,514,677.68</u>

SOLDIERS HOME

Lisbon

Of the 170,000 acres granted by Section 17 of the Enabling Act for educational and charitable purposes, the State Legislature apportioned 40,000 acres to the Soldiers Home at Lisbon and 39,972.36 acres of this grant have been selected.

Investments:

U. S. Treasury Notes	341,064.35
U. S. Treasury Bonds	40,000.00
G.N.M.A. Certificates	<u>158,471.59</u>
Total	<u>539,535.94</u>
Farm Loans	520,000.00
Land Sold on Contract - Grant Land	58,804.70
Cash Balance	<u>9,816.83</u>
Grand Total	<u>1,128,157.47</u>

UNIVERSITY OF NORTH DAKOTA

Grand Forks

Under Section 14 of the Enabling Act admitting the State, there were granted seventy-two section, or 46,080 acres, and under Section 17 of said Act 40,000 acres, making a total of 86,080 acres for the University. Of this grant, 86,066 acres have been selected by the State for this Institution at Grand Forks.

Investments:

U. S. Treasury Notes	906,406.58
U. S. Treasury Bonds	52,000.00
G.N.M.A. Certificates	<u>293,436.65</u>
Total	<u><u>1,251,843.23</u></u>
Farm Loans	1,400,000.00
Land Sold on Contract - Grant Land	109,090.25
Cash Balance	<u>3,234.28</u>
Grand Total	<u><u>2,764,167.76</u></u>

STATE OF

DEPARTMENT
OF UNIVERSITY
AND SCHOOL
LANDS

NORTH DAKOTA

FORTY-FIFTH
BIENNIAL
REPORT

July 1, 1981 to June 30, 1983



R.E. Lommen
Commissioner

FORTY-FIFTH BIENNIAL REPORT
OF THE
BOARD OF UNIVERSITY
AND SCHOOL LANDS

Bismarck, North Dakota

July 1, 1981 to June 30, 1983

The Governing Body created by Section 156 of Article IX of the Constitution of the State of North Dakota consists of the following officers:

HON. ALLEN I. OLSON, President	Governor
HON. BEN MEIER, Vice-President	Secretary of State
HON. ROBERT W. PETERSON	State Auditor
HON. ROBERT WEFALD	Attorney General
HON. JOSEPH CRAWFORD	Superintendent of Public Instruction
HON. R.E. LOMMEN, Secretary	Commissioner of University & School Lands

November 30, 1983

The Honorable Allen I. Olson
Governor of North Dakota
President, Board of University
and School Lands
First Floor, Capitol Building
Bismarck, North Dakota

Dear Governor Olson:

In accordance with Chapter 15-02-08 of the North Dakota Century Code, I am privileged to submit herewith the Forty-Fifth Biennial Report of the Department of University and School Lands for the period July 1, 1981 through June 30, 1983.

Income generated from our activities this biennium totaled \$94,915,751 and was distributed as follows:

Permanent Trust Funds-----	\$34,970,901
Disbursed to our trust beneficiaries-----	\$42,852,982
General Fund (Land & Minerals)-----	\$17,091,868

The exceptional growth of our Trust Fund balances;

June 30, <u>1973</u>	\$ 61,166,135
June 30, <u>1983</u>	\$200,576,300

and the tremendous earnings increase resulting therefrom, indicates the wisdom of the trust fund concept and its sustained earnings.
(Note: see pages 9, 10 & 11)

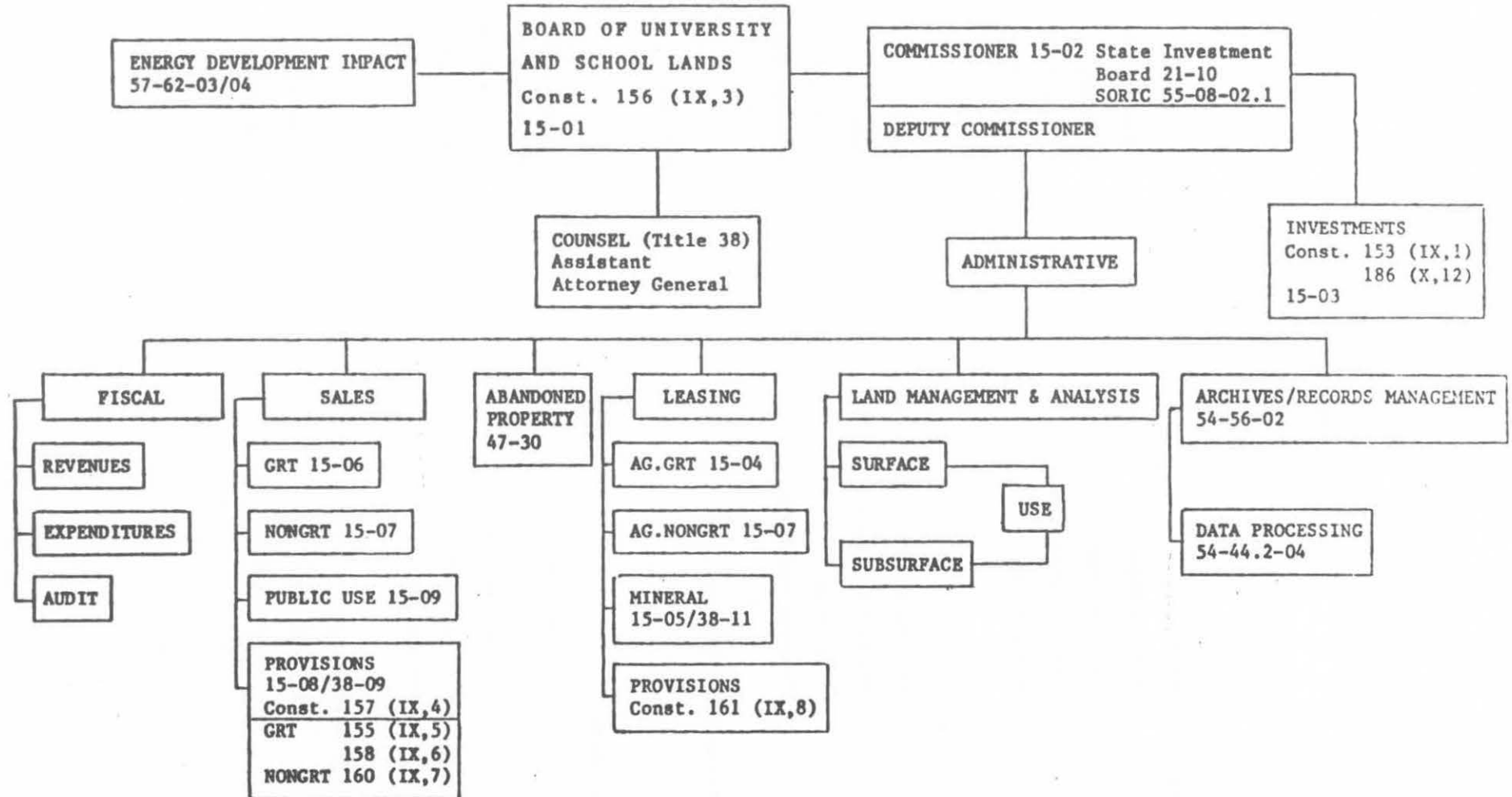
I would like to commend a dedicated staff for carrying out our departments' activities and the Board of University and School Lands whose foresight and support allowed this significant growth to take place.

Respectfully submitted,


R.E. Lommen
Land Commissioner

ORGANIZATIONAL CHART FOR THE DEPARTMENT OF UNIVERSITY AND SCHOOL LANDS

STATE OF NORTH DAKOTA



STATE LAND DEPARTMENT

OFFICE STAFF

ADMINISTRATION

R.E. Lommen	Commissioner
Doug Johnson	Attorney
Carolyn Halterman	Administrative Officer
Cathy Hruby	Secretary

ACCOUNTING

Bob Peterson	Auditor
Theresia Fischer	Cashier
Judy Laub	Accountant
Suzanne Witkowski	Account Clerk

ABANDONED PROPERTY

Ann Jaeger	Manager
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LEASING

Otto Bervik	Deputy Commissioner & Leasing Manager
Adolph Peterson	Assistant Leasing Manager
Marvin Thompson	Leasing Officer
Theona Little	Typist

LAND MANAGEMENT

Mike Brand	Range & Soils Analyst
Shelly Doyle	Land Analyst

STATE LAND DEPARTMENT

BIENNIAL REPORT

1981-1983

STATUTORY AUTHORITY:

Article 9 of the North Dakota Constitution and Chapters 1501-1509 of the North Dakota Century Code.

AGENCY FUNCTION:

Charge and supervision of all state school lands. Charge and supervision of all investments of the permanent funds. Charge of all sales of state school lands, abandoned property and all maps, books, papers and records relating to state lands under the jurisdiction of the Land Department. Direct all appraisements, sales & leases, and execute all contracts of sale, lease, and permits of state school lands. Supervision as the mineral leasing agency for the State of North Dakota and formulation of rules and regulations for all mineral leasing.

MAJOR GOALS:

Development of a more comprehensive land management ability. Update the rules and regulations governing the management of sovereign lands. Resolve differences with the Federal Government concerning land and mineral ownership. Formulate guidelines for land and mineral leases, and for abandoned property reporting. Management of the school lands to the best interests of the various trusts, including maximizing returns of investments. Develop a complete and comprehensive land analysis record and coal resource record.

RECORDS:

All minutes of Board meetings and records (except contracts) are available to the public for an in-office review.

ADMINISTRATION DIVISION
MAJOR LITIGATION

State of North Dakota, ex rel. Board of University and School Lands v.
John Block, Secretary of Agriculture, et. al

The State instituted this case to establish the navigability of the Little Missouri River and thus ownership of the bed of the river. The Federal District Court ruled that the Little Missouri River was navigable at the time North Dakota was admitted to the Union, and therefore, that the bed of the river was sovereign land belonging to the State. The Eighth Circuit Court of Appeals upheld the District Court decision. However, the case was overturned by the United States Supreme Court. The Supreme Court ruled that the suit was barred by the 12 year statute of limitations contained in the Quiet Title Act of 1972. The Supreme Court did not rule on the merits of the case, so the ownership of the bed of the river is still unresolved.

Negotiations are presently proceeding with the Federal government in an attempt to settle the case. A bill has also been introduced in Congress that would exempt States from the Quiet Title Act of 1972.

State of North Dakota, et. al v. Gulf Oil et. al

In late 1981, the State of North Dakota, together with Little Knife Mineral Owners Association, filed suit against Gulf Oil Company and several other oil companies, over the amount of royalty paid on gas produced in the Little Knife Field. The State and other royalty owners objected to certain deductions that Gulf was making to gas royalty payments. After considerable discovery and lengthy negotiations, the case was settled out of court. Gulf has agreed to eliminate or reduce the deductions. The royalty owners will receive approximately two million dollars in additional royalties from past production, and gas royalties in the future will be paid at a higher rate. The State of North Dakota received approximately \$175,000 as its share of the settlement.

LAND MANAGEMENT DIVISION

The Land Management Division of the State Land Department has changed significantly since the previous biennium. Applications for pipelines, roads, electric transmission lines and construction aggregate leases on State school lands have decreased substantially with the decline in oil and gas development. This has allowed an increased emphasis on the long-term maintenance and improvement of State school lands while maintaining the capacity to respond to short term needs.

The long-term maintenance and improvement of State school lands has been carried out through 1) range inventory and analysis, 2) range improvement, 3) noxious weed control and 4) reclamation of past surface disturbances. Basic management information of 96,904 acres of land in Benson, Bottineau, Eddy, Kidder, McHenry, Pierce, Ramsey and Wells counties was obtained under a contract with North Dakota State University. Such information is now available on 23% of all State school lands and six (6) range improvement projects have been initiated in response to the management problems found during this inventory. Leafy spurge control on State school lands has also been a high priority with approximately 10,500 acres or 1.5% of State school lands in need of spraying. We have participated with our lessees in leafy spurge control on 96 management units during 1981-83 biennium through a cost share program.

With the decline in oil and gas development, we were able to increase our activities on inadequately reclaimed pipelines, roads and aggregate mine sites. Several reclamation projects were initiated with the cooperation of industry both to control erosion and to increase productivity. We also cooperated with the Federal Office of Surface Mining and The State Public Service Commission in the reclamation of a 40 acre abandoned open pit uranium mine on State school land. This project provided heavy equipment training for Dickinson State College students, served as a site for refining reclamation techniques on abandoned mines and functions as a demonstration project.

The Land Management Division is continuing to coordinate routing and mitigation procedures for surface disturbing activities on State school lands. The fees for easements, construction aggregate mining and coal mining have been re-evaluated while our easement, lease and permit documents have been updated. A field monitoring program has also been initiated to ensure compliance with good land management practices during construction aggregate mining and the installation and maintenance of pipelines, roads, electric lines and other projects.

Communication with the surface lessees of State school land was improved during the 1981-83 biennium with the publication of a biannual newsletter. This newsletter provides information on procedures, policies, current land management techniques and direct notification of future lease auctions to each lessee.

The goal of the Land Management Division is to preserve and enhance the capabilities of State school lands based on principles of good land management.

ARCHIVES/RECORDS MANAGEMENT

Archives/records management includes processing applications for the purchase of State school lands and execution of titles for lands previously sold; co-ordinating use and development of the agency's computer programs; and examining/analyzing information pursuant to developing a comprehensive program for managing agency records.

In response to development of the on-line royalties system, and in anticipation of partial conversion to on-line entry from batch entry in the existing lease system, data processing hardware was purchased and installed this biennium. Microform readers have replaced over 100 cubic feet of hard copy computer reports, and make accessing and managing this information easier and faster.

LEASING DIVISION

Surface leases were sold on 4,819 acres of cultivated land and 186,641 acres of pasture land for the first half of the biennium. During the second half of the biennium, 9,514 acres of cultivated land and 158,040 acres of pasture land were leased. All leases were sold at public auction to the highest bidder. Surface lease sales are held in October, in every county where the department has land to be leased.

Surface leases are issued for a three year term on cultivated acres and for five years on non-cultivated acres. The Board of University and School Lands established a minimum bid of \$3.50 per animal unit. This minimum bid is in effect where the carrying capacity has been established by the Soil Conservation Service or the U.S. Forestry Service and supplied to the department. On acreage where the carrying capacity has not been established, the minimum rental is \$2.25 per acre on pasture land and \$15.00 per acre on cultivated lands. Surface rentals for the biennium totaled \$3,497,877.

Eight oil and gas leasing sales were held during this biennium. Leases are awarded on the basis of highest bonus bid, with an annual rental of one dollar per acre. These leases are issued for a five year term, and have either a 1/6 or a 1/8 royalty rate depending upon the location of the lease. During this biennium, leases were sold on 407,809 mineral acres, as opposed to 630,150 mineral acres sold in the last biennium. Total bonuses received for the biennium are \$24,455,999.

FUNDING FOR STATE LAND DEPARTMENT

July 1, 1981 to June 30, 1983

DIVISION	SALARY	OPERATING EXPENSE	CDP	EQUIP.	DIVISION TOTAL
Administration	302,254	90,098	64	1,255	393,671
Accounting	142,819	5,154	1,806	2,489	152,268
Abandoned Property	35,746	2,861	34	117	38,758
Leasing	112,987	40,385	19,607	1,996	174,975
Land Management	<u>96,560</u>	<u>10,843</u>	<u>460</u>	<u>9,693</u>	<u>117,556</u>
Totals.....	690,366	149,341	21,971	15,550	877,228

Payment for range inventory & analysis; contract with NDSU..... + 30,545

Total funding spent for the biennium 7/1/81 to 6/30/83... 907,773

Fees collected for land sale costs, agricultural leasing, oil leasing, patent and deed fees are credited to the departments' maintenance fund; off-setting funding costs. During the 1981-83 biennium \$86,586 was credited to the fund.

Funding for the State Land Department is not General fund or Federal funds. Funding was established by the North Dakota Legislature effective July 1, 1971. The law provides that the department may transfer 10% of its interest and income fund collections earned in the prior three months to the departments' maintenance fund. The fund minimum shall not be less than forty thousand dollars and any excess must be apportioned back after expenses are deducted for the three month period.

COMPARATIVE STATEMENT OF
COLLECTIONS DISTRIBUTED TO INSTITUTIONS

Collections to the Interest & Income Funds are distributed to the various Institutions for their use in the maintenance & support of their respective operations.

	July-77 to June-79	July-79 to June-81	July-81 to June-83
Common Schools	12,926,114	* 54,356,300	** 38,403,282
ND State University	467,200	683,000	1,009,000
School for the Blind	95,900	137,200	217,900
School for the Deaf	135,400	210,800	337,800
State Hospital	72,400	119,600	278,100
Ellendale	100,500	168,000	252,700
Valley City State College	154,400	211,100	309,400
Mayville State College	95,900	133,400	200,900
ND Industrial School	160,500	227,100	418,300
ND Science School	117,200	163,300	264,900
School of Mines	148,800	218,000	327,700
Soldiers Home	103,300	149,300	219,600
University of North Dakota	281,000	397,700	613,400
TOTALS	<u>14,858,614</u>	<u>57,174,800</u>	<u>42,852,982</u>

¶Note) House Bill #1052 of the 1973 session laws stated that the Ellendale Interest & Income fund be divided equally among these institutions; each receives one-seventh: 1) NDSU-Bottineau Branch, 2) State School of Science, 3) Minot State College, 4) Dickinson State College, 5) Soldiers Home, 6) State Hospital, 7) School for the Blind.

*Note) Of the 54,356,300 distributed to Common Schools; 32,351,951 was from the Common School I&I Bonus fund. (see Senate Bill #2439-79 S.L.)

**Note) Of the 38,403,282 distributed to Common Schools; 8,207,540 was from the Common School I&I Bonus fund. (see House Bill #1092-81 S.L.)

(Note: see page 12 for background on Common School Interest & Income Bonus)

COMPARATIVE SCHEDULE OF PERMANENT FUND CASH RECEIPTS
For the past four bienniums

	July-75 to <u>June-77</u>	July-77 to <u>June-79</u>	July-79 to <u>June-81</u>	July-81 to <u>June-83</u>
Oil & Gas Royalty	309,268	3,171,681	19,130,299	21,581,280
Oil & Gas Bonus	1,722,219	25,657,485	32,306,609	12,063,169
Coal Royalty	274,702	788,680	1,002,084	890,150
Gravel & Scoria Royalty	16,858	78,238	91,646	30,053
Test Holes & Easements	18,560	195,942	266,768	380,176
Land Sold	606,218	54,748	20,055	17,715
Misc. Receipts	<u>780</u>	<u>2,550</u>	<u>26,792</u>	<u>8,358</u>
TOTALS	<u>2,948,605</u>	<u>29,949,324</u>	<u>52,844,253</u>	<u>34,970,901</u>

COMPARATIVE SCHEDULE OF INTEREST & INCOME CASH RECEIPTS
For the past four bienniums

	July-75 to <u>June-77</u>	July-77 to <u>June-79</u>	July-79 to <u>June-81</u>	July-81 to <u>June-83</u>
Interest on Securities	3,223,007	4,974,097	13,117,259	27,000,482
Interest on Loans	5,552,754	6,152,482	7,532,306	8,044,741
Interest on Contracts	1,221,137	1,504,520	1,015,566	875,982
Oil & Gas Lease Rentals	2,247,091	1,451,514	1,150,487	1,733,807
Surface Rentals	2,554,327	2,709,001	2,913,347	3,497,877
* Common School I&I Bonus	-0-	4,403,040	31,262,098	4,894,353
Interest on Abandoned Property Investments	<u>21,934</u>	<u>75,395</u>	<u>185,887</u>	<u>281,789</u>
TOTALS	<u>14,820,250</u>	<u>21,270,049</u>	<u>57,176,950</u>	<u>46,329,031</u>

(* Note: see page 12 for background on Common School I&I Bonus.)

COMPARATIVE STATEMENT PER BIENNIUM
OF GRANT LAND PERMANENT FUND BALANCES

	July-75 to June-77	July-77 to June-79	July-79 to June-81	July-81 to June-83
Common Schools	67,932,354	95,855,654	141,838,182	176,248,794
ND State University	2,996,424	3,411,247	4,482,789	5,116,238
School for the Blind	680,243	779,342	1,075,329	1,240,440
Capitol Building	909,290	1,200,869	2,164,216	2,231,395
School for the Deaf	839,183	937,662	1,434,739	1,474,655
State Hospital	530,009	641,554	1,213,226	1,506,103
Ellendale	789,082	887,119	1,149,532	1,222,208
Valley City State College	1,000,540	1,109,047	1,386,494	1,498,421
Mayville State College	618,263	697,946	924,973	967,502
ND Industrial School	1,002,674	1,178,536	1,734,656	2,094,272
ND Science School	782,108	926,013	1,283,178	1,336,533
School of Mines	966,510	1,121,995	1,514,678	1,570,613
Soldiers Home	797,206	827,750	1,128,157	1,142,738
University of North Dakota	<u>1,760,544</u>	<u>1,996,261</u>	<u>2,764,168</u>	<u>2,926,388</u>
TOTALS.....	81,604,430	111,570,995	164,094,316	200,576,300
<u>OTHER FUNDS:</u>				
Abandoned Property	500,696	938,287	1,083,063	1,272,060
Coal Severance Tax Trust	1,397,516	4,114,558	8,625,481	13,906,445
Land & Minerals Trust	<u>-0-</u>	<u>9,098,739</u>	<u>37,489,146</u>	<u>4,108,687</u>
GRAND TOTAL.....	<u>83,502,642</u>	<u>125,722,579</u>	<u>211,292,006</u>	<u>219,863,492</u>

ABANDONED AND UNCLAIMED PROPERTY

The Abandoned and Unclaimed Property Act was passed by the 1975 Legislature and became effective July 1, 1975. The Land Department Commissioner was named as administrator of this act. The purpose of this act is to provide a vehicle through which unclaimed property held by financial institutions, insurance companies, publicly owned business associations and government agencies can be transferred to the custody of the State Land Department and held in trust. Any earnings accruing to this trust are used for the benefit of the Common Schools.

Statement June 30, 1983

Investments	1,263,391
Cash balance	<u>8,669</u>
Total	<u><u>1,272,060</u></u>

Total collections: July-81 to June-83 = \$216,055

Total claims paid: July-81 to June-83 = \$ 27,060

Interest income on investments= \$281,789

COMMON SCHOOL INTEREST & INCOME BONUS

The 1979 Legislative session established this fund thru Senate Bill #2439 stating "Fifty percent of the oil & gas bonus payments on common school lands received by the Board of University and School Lands shall be apportioned and distributed among the common schools for their maintenance and support....."

The 1981 Legislative session amended this with House Bill #1092, Chapter 199, Section 7, stating "...no more than \$16,000,000 of oil & gas bonus payments on common school lands shall be apportioned and distributed during the biennium of 1981 thru 1983....."

On June 8, 1982, Measure No. 3 was approved by the people of North Dakota at the primary election and amended Section 1 of Article IX of the Constitution of the State of North Dakota to provide that all bonus payments received from the leasing of minerals on common school grant lands be deposited in the permanent trust fund.

Funds distributed to the Common Schools for the biennium = \$8,207,540

LAND AND MINERALS TRUST

All income derived from the sale, lease, and management of the lands acquired by the Board of University and School Lands pursuant to Chapter 138 of the 1977 session laws and not belonging to other trust funds shall be deposited in this trust fund. The corpus and interest may be expended as the Legislative Assembly may provide.

Statement June 30, 1983

Beginning balance on 7-01-81	\$ 37,489,146
Royalty, Bonus & Rental receipts for the biennium	11,838,267
Earnings from investments for the biennium	4,837,585
Capital gains on investments for the biennium	416,016
Total receipts for the biennium	17,091,868
<u>LESS:</u> Fund maintenance & expenses	(103,847)

The 47th Legislative Assembly appropriated the following amounts from this trust for the 1979-1981 biennium:

Senate Bill #2003; Geological Survey	(27,002)
Senate Bill #2021; Geological Survey	(60,000)

The 47th Legislative Assembly appropriated the following amounts from this trust for the 1981-1983 biennium:

House Bill #1006; purchase Judicial Wing & Office Bldg.	(11,746,433)
House Bill #1030; Geological Survey	(4,430,687)
House Bill #1049; disabled facility loan program	(4,000,000)
Senate Bill #2033; Industrial Commission	(104,358)
Senate Bill #2092; school construction	(3,000,000)
Senate Bill #2432; loans for beginning farmers	(2,000,000)

The 48th Legislative Assembly appropriated the following amounts from this trust for the 1981-1983 biennium:

Senate Bill #2225; emergency State school aid	<u>(25,000,000)</u>
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Ending balance on 6-30-83	\$ <u>4,108,687</u>
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The 48th Legislative Assembly appropriated the following amounts from this trust for the 1983-1985 biennium:

Senate Bill #2020; principal & interest payments on the disabled facility loan program	1,144,300
Senate Bill #2030; Geological Survey	1,798,288
Senate Bill #2039; Energy Development Impact Office	5,000,000
House Bill #1033; Industrial Commission	2,393,156
Total appropriated for the 1983-1985 biennium \$	<u>10,335,744</u>

CAPITOL BUILDING INTEREST & INCOME FUND

Section 48-10 of the North Dakota Century Code, states, "The capitol grounds planning commission shall have general powers to superintend the administration of the capitol building fund, its interest and income fund, and its investments."

During the 1979-1981 biennium, the Commission spent \$48,220 for Capitol Grounds improvements.

Statement June 30, 1983

Beginning cash balance on 7-01-81	655,481	
Beginning investment balance on 7-01-81	871,609	
Total	<u>1,527,090</u>	
Collections for the 1981-83 biennium	<u>911,839</u>	2,438,929
Senate Bill #2002; Legislative space renovation		(1,200,000)
Senate Bill #2259; Capitol Building security system		(99,009)
Capitol grounds improvements		(2,000)
Fund maintenance for the 1981-83 biennium		(15,813)
Ending Balance		<u><u>1,122,107</u></u>
Ending cash balance on 6-30-83	212,107	
Ending investment balance on 6-30-83	910,000	
Total	<u><u>1,122,107</u></u>	

COAL SEVERANCE TAX TRUST

In 1975, the Legislature passed a coal severance tax which became effective July 1, 1975. Thirty percent of the monies derived from this tax were to accrue to a trust fund entitled "Depleted Natural Resource Trust". Income from this fund is credited to the General Fund. Under Chapter 4 of the 1975 session laws, the State Land Department was mandated to make an appropriation to REAP in the amount of two million dollars. The 1977 session changed the formula from thirty percent to fifteen percent of the tax to be credited to this trust and mandated these funds be used for coal impact loans, when applicable.

Initiated Measure No. 5 was passed by a general election ballot on November 4, 1980 and is a constitutional amendment that creates a permanent trust fund to be administered by the Board of University and School Lands. The name of the trust was changed from Depleted Natural Resource Trust to Coal Severance Tax Trust. (Reference Senate Bill #2190, and House Bill #1502, 1981 session laws.)

Statement June 30, 1983

1975-1977 receipts	3,132,116
1977-1979 receipts	2,973,943
1979-1981 receipts	4,510,486
1981-1983 receipts	5,280,964
REAP appropriation	(2,000,000)
REAP fees	8,542
Capital gains on investments	394
TOTAL RECEIPTS.....	<u>13,906,445</u>
Coal Impact Loans	8,026,740
Investments	5,818,906
Cash Balance	61,799
TOTAL ASSESTS.....	<u>13,906,445</u>

Interest income credited to the General Fund for the biennium= \$1,761,656

FARM LOAN POOL Statement June 30, 1983

Ending Balance	<u>50,000,000</u>
Interest earned for the biennium=	\$8,044,741

These funds are administered thru the Bank of North Dakota for the Board of University and School Lands. These funds are to be invested in first mortgage farm real estate loans on North Dakota farm lands.

COAL LEASES

County/Company	Description	Date Leased	Term	Per Acre		Royalty ** per Ton	Status
				Bonus	Rental		
<u>Burke</u> Baukol-Noonan, Inc.	162-94-16 (400 acres)	12-21-77	10 yrs. (interim)	1.00	1.00	30¢ or 10%	Producing
<u>McLean</u> Falkirk Mining Co.	145-82-04* (160 acres)	10-13-76	22 yrs.	10.00	.50	25¢ or 6%	Undeveloped
	146-83-36 (640 acres)	3-10-81	10 yrs. (interim)	25.00	3.00	35¢ or 12.5%	Undeveloped
<u>Mercer</u> Knife River Coal Mining Company	143-88-16 (480 acres)	6-27-80	10 yrs. (interim)	25.00	3.00	35¢ or 12.5%	Undeveloped
	143-88-12 (160 acres)	11-01-78	extended	none	none	35¢	Producing
Basin Cooperative Services	144-85-16 (320 acres)	12-21-77	10 yrs. (interim)	1.00	1.00	30¢ or 10%	Reclaiming
North Amer. Coal Corp.	144-88-16 (320 acres)	8-28-79	10 yrs. (interim)	25.00	3.00	65¢ ***	Producing
	144-88-21* (160 acres)	3-25-81	10 yrs. (interim)	25.00	3.00	65¢ ***	Undeveloped
	144-89-36 (320 acres)	1-03-79	extended	none	none	35¢	Reclaiming
<u>Oliver</u> Baukol-Noonan, Inc.	141-84-2 (80 acres)	6-02-82	10 yrs. (interim)	25.00	3.00	12.5%	Undeveloped
	142-84-22 (80 acres)	6-02-82	10 yrs. (interim)	25.00	3.00	12.5%	Undeveloped
	142-84-36 (480 acres)	4-06-78	extended	none	none	35¢	Producing
Basin Cooperative Services	143-84-16 (320 acres)	7-15-83	10 yrs. (interim)	25.00	3.00	12.5%	Undeveloped
Knife River Coal Mining Co.	143-87-7 (160 acres)	11-01-78	extended	none	none	35¢	Producing
<u>Stark</u> Husky Industries Inc.	139-95-16 (320 acres)	9-08-81	10 yrs. (interim)	none	3.00	12.5%	Producing

(Note *, leases managed for the Land & Minerals Trust)

(Note **, whichever is the greater royalty)

(Note ***, to be re-evaluated five yrs. from June 20, 1983)

Interim leases have an escalating delay rental, while extended leases remain in effect as long as coal is being mined.

STATE SCHOOL LAND SURFACE ACREAGE

As of June 30, 1983*

COUNTY	SURFACE ACRES	TRACTS	LEASES
Adams	17,122.16	109	109
Barnes	2,798.09	18	17
Benson	10,992.09	101	98
Billings	31,221.52	200	199
Bottineau	2,754.15	18	17
Bowman	29,281.58	188	186
Burke	16,128.17	111	103
Burleigh	27,916.87	182	170
Cass	40.00	1	none
Cavalier	596.47	6	3
Dickey	3,663.77	24	23
Divide	21,116.45	139	138
Dunn	25,977.14	165	164
Eddy	10,913.19	85	83
Emmons	13,734.32	94	92
Foster	3,116.41	21	21
Golden Valley	29,033.55	188	185
Grand Forks	2,073.77	13	9
Grant	33,465.95	221	216
Griggs	1,741.24	13	11
Hettinger	9,914.40	65	65
Kidder	28,637.79	184	182
LaMoure	1,605.00	10	8
Logan	9,394.07	62	62
McHenry	22,144.94	144	142
McIntosh	6,357.50	47	47
McKenzie	64,868.40*	409	402
McLean	21,035.84	147	143
Mercer	15,069.09	103	98
Morton	17,672.27	118	112
Mountrail	32,453.89	218	213
Nelson	2,853.66	31	27
Oliver	7,839.62*	50	48
Pembina	none	none	none
Pierce	14,317.00	103	102
Ramsey	2,056.50	23	21
Ransom	1,120.00	7	7
Renville	1,911.00	12	12
Richland	513.68	4	4
Rolette	6,845.92	53	40
Sargent	1,128.79	8	8
Sheridan	25,658.64	179	179
Sioux	23,538.42	156	154
Slope	23,621.72	149	149
Stark	6,142.64	39	39
Steele	none	none	none
Stutsman	15,189.95	104	104
Towner	8,059.31	78	71
Traill	none	none	none
Walsh	201.02	3	2
Ward	11,039.06	71	71
Wells	5,088.63	41	41
Williams	38,840.54	254	248
TOTALS	<u>708,806.18</u>	<u>4,769</u>	<u>4,645</u>

*Figures reflect acres added and deleted pursuant to the exchange authorized by the 48th Legislative Assembly and in effect 1 July 1983.

DISPOSITION AND CONVEYANCES OF STATE LAND

1 July 1981 - 30 June 1983

- 20 assignments of original grant land contracts were approved.
- 1 cancellation of original grant land contract was processed;
160 McLean County acres reverted to the Land department.
- 149 patents were issued on paid contracts for sale of original grant
land and conveyed 21,420.91 acres.
- No quit claim deeds were issued on contracts for sale of acquired land
during this period.
- 14 deeds were issued pursuant to NDCC Chapter 15-09, primarily for road
and highway rights-of-way, and conveyed 96.93 acres.

EXCHANGE OF LAND AUTHORIZED

1 July 1983

On 30 December 1982 a proposal to exchange lands of substantially equal value with North Dakota parks and recreation department was unanimously approved by the Board of University and School Lands. The 48th Legislative Assembly (1983 N.D. Sess. Laws § 184) subsequently authorized the board of university and school lands and the North Dakota parks and recreation department to exchange certain lands in Oliver and McKenzie Counties.

State Land Department patented to ND Parks and Recreation Department 800 surface acres in Oliver County, reserving 100% of the minerals, which tracts are described as follows:

143-82-36-SE $\frac{1}{4}$
143-82-36-SW $\frac{1}{4}$
144-82-36-NE $\frac{1}{4}$
144-82-36-NW $\frac{1}{4}$
144-82-36-SE $\frac{1}{4}$

ND Parks and Recreation Department quit claimed to State Land Department 1600 surface acres in McKenzie County, reserving 50% of the minerals, which tracts are described as follows:

148-99-6-S $\frac{1}{2}$
148-99-7-All of Section
148-99-18-N $\frac{1}{2}$ N $\frac{1}{2}$
148-100-12-S $\frac{1}{2}$
148-100-13-N $\frac{1}{2}$ N $\frac{1}{2}$

A reasonable transfer of management responsibilities was accomplished with this action. The exchange also created the potential for substantial income to the schools and institutions from the McKenzie County minerals. Oliver County tracts contain unique archeological, wildlife habitat, scenic and recreational values best administered by the parks and recreation department but inconsistent with State land department responsibilities. McKenzie County tracts, on the other hand, are best suited for grazing and mineral development and are adjacent to 960 acres of State school land with already established management programs.

MINERAL ACREAGE DISTRIBUTION BY TRUST FUND AND RESERVATION PERCENTAGE

as of June 30, 1983¹

TRUST FUNDS	5%	33-1/3%	50%	100%	Totals
Common Schools	665.70		676,755.68 ¹	846,283.34	1,523,704.72
ND State University	103.99		43,295.37	22,291.98	65,691.34
School for the Blind	42.00		9,651.42	5,530.42	15,223.84
Capitol Building	-		10,529.26	17,124.90	27,654.16
School for the Deaf	16.00		13,127.39	7,454.18	20,597.57
State Hospital	15.50		6,794.49	2,902.47	9,712.46
Ellendale	16.00		5,661.72	4,872.56	10,550.28
ND Industrial School	28.00		24,963.12	8,212.52	33,203.64
ND Science School	16.00		12,595.51	5,899.15	18,510.66
School of Mines	8.00		14,977.64	5,880.53	20,866.17
Soldiers Home	15.82		7,911.91	5,355.29	13,283.02
University of ND	-		26,888.66	14,963.21	41,851.87
Normals ²	44.00		24,443.86	12,132.87	36,620.73
General Fund of ND	<u>11,516.20</u>	<u>53.33</u>	<u>647,834.08</u>	<u>3,594.81</u> ³	<u>662,998.42</u>
TOTALS	<u>12,487.21</u>	<u>53.33</u>	<u>1,525,510.11</u>	<u>962,498.23</u>	<u>2,500,548.88</u>

¹ Mineral acres added pursuant to the exchange authorized by the 48th Legislative Assembly and in effect 1 July 1983 are included in this distribution statement.

² Percentage apportionment of receipts to Normals is 62.5% to Valley City and 37.5% to Mayville State College.

³ Percentage of minerals reserved on sovereign lands is 100, allotted to Lands and Mineral Trust Fund; acreage is unsubstantiated and, therefore, is not included in this distribution statement.

SURFACE ACREAGE DISTRIBUTION BY TRUST FUND AND ACQUISITION SOURCE

June 30, 1983¹

TRUST FUNDS	ACQUIRED LAND	GRANT LAND	GENERAL FUND ²	TOTALS
Common Schools	33,503.33	603,053.07		636,556.40
ND State University	3,918.45	11,366.58		15,285.03
School for the Blind	1,010.85	2,393.60		3,404.45
Capitol Building	798.08	9,183.09		9,981.17
School for the Deaf	1,348.66	3,477.69		4,826.35
State Hospital	311.16	1,877.75		2,188.91
Ellendale	1,306.45	3,226.37		4,532.82
Valley City State College	640.00	none		640.00
Mayville State College	640.00	none		640.00
ND Industrial School	1,447.71	2,890.56		4,338.27
ND Science School	1,449.01	2,136.05		3,585.06
School of Mines	1,228.79	2,029.44		3,258.23
Soldiers Home	480.00	2,433.69		2,913.69
University of ND	1,881.09	7,755.60		9,636.69
Normals ³	160.00	6,470.91		6,630.91
General Fund			388.20	
TOTAL ACRES	50,123.58	658,294.40	388.20	708,806.18

¹Surface acres added and deleted pursuant to the exchange authorized by the 48th Legislative Assembly and in effect 1 July 1983 are included in this distribution statement.

²General Fund surface acres are distributed over three tracts in Williams County.

³Percentage apportionment of receipts to Normals is 62.5% to Valley City and 37.5% to Mayville State College.

COMBINED STATEMENT OF GRANT LAND FUNDS IN
VARIOUS SUB-DIVISIONS TO JUNE 30, 1983

U.S. Treasury Notes	94,023,308	
U.S. Treasury Bonds	6,076,813	
Federal Farm Credits	3,494,531	
G.N.M.A. Pass-Thru Certificates	636,041	
Federal National Mortgage Association	1,300,000	
G.N.M.A. Certificates	4,724,276	
School Bonds	176,750	
Certificates of Deposit	<u>32,075,000</u>	
		142,506,719
* Dickinson Experiment Station	3,165,460	
** Judicial Wing & State Office Building	<u>(5,000)</u>	
		3,160,460
F.H.A. Loans	35,614	
Farm Loans	50,000,000	
Land Sold on Contract-Grant Land	4,634,980	
Cash Balance	<u>238,527</u>	
GRAND TOTAL.....		<u><u>200,576,300</u></u>

*Note) This amount represents a loan for the purchase of a new experiment station at Dickinson. (reference Senate Bill #2327, 1979 session, & Senate Bill #2412, 1981 session laws.)

**Note) Reference House Bill #1006, 1981 session laws.

COMMON SCHOOLS

On admission to the Union, Congress granted to the State of North Dakota, for the support of common schools, sections 16 and 36 in every township in the State, and where these sections or parts thereof were omitted on account of being embraced in lakes, rivers or having been homesteaded prior to survey, the State was allowed to select land elsewhere from any public land in the State, as "Indemnity Lands", which are common school lands other than section 16 and 36. The proceeds from indemnity lands also go to the Common School fund. Of this grant, 2,523,383.78 acres have been selected.

U.S. Treasury Notes	83,507,922	
U.S. Treasury Bonds	5,957,813	
Federal Farm Credits	3,494,531	
G.N.M.A. Pass-Thru Certificates	636,041	
Federal National Mortgage Association	1,300,000	
G.N.M.A. Certificates	1,962,374	
School Bonds	151,600	
Certificates of Deposit	<u>30,800,000</u>	
		127,810,281
Dickinson Experiment Station	3,165,460	
Judicial Wing & Office Bldg.	<u>(5,000)</u>	
		3,160,460
F.H.A. Loans	35,614	
Farm Loans	41,120,000	
Land Sold on Contract-Grant Land	3,925,560	
Cash Balance	<u>196,879</u>	
GRAND TOTAL.....		<u>176,248,794</u>

NORTH DAKOTA STATE UNIVERSITY Fargo

Under Section 16 of the Enabling Act admitting the State, there were granted 90,000 acres, and under Section 17, an additional 40,000 acres, for the support of this institution. Of the total 130,000 acres, 129,999.98 have been selected.

U.S. Treasury Notes	1,904,475	
G.N.M.A. Certificates	631,753	
Certificates of Deposit	<u>370,000</u>	
		2,906,228
Farm Loans	2,100,000	
Land Sold on Contract-Grant Land	104,786	
Cash Balance	<u>5,224</u>	
GRAND TOTAL.....		<u>5,116,238</u>

SCHOOL FOR THE BLIND
Grand Forks

Under Section 17, there were granted 170,000 acres for educational and charitable purposes to be determined by the State Legislature. Of this grant, 30,025.76 acres have been selected.

U.S. Treasury Notes	449,474	
G.N.M.A. Certificates	178,521	
Certificates of Deposit	<u>125,000</u>	752,995
Farm Loans	450,000	
Land Sold on Contract-Grant Land	30,695	
Cash Balance	<u>6,750</u>	
GRAND TOTAL.....		<u><u>1,240,440</u></u>

CAPITOL BUILDING
Bismarck

Under Section 12 of the Enabling Act, there were granted 32,000 acres, and under Section 17, 50,000 acres were granted. An over-selection of 326.14 acres made a total of 82,326.14 acres granted.

U.S. Treasury Notes	2,017,036	
G.N.M.A. Certificates	44,312	
Certificates of Deposit	<u>50,000</u>	2,111,348
Land Sold on Contract-Grant Land	118,024	
Cash Balance	<u>2,023</u>	
GRAND TOTAL.....		<u><u>2,231,395</u></u>

SCHOOL FOR THE DEAF
Devils Lake

Under Section 17, there were granted 40,000 acres. Of this grant, 39,966.53 acres have been selected.

U.S. Treasury Notes	614,236	
G.N.M.A. Certificates	73,981	
Certificates of Deposit	<u>45,000</u>	733,217
Farm Loans	720,000	
Land Sold on Contract-Grant Land	18,476	
Cash Balance	<u>2,962</u>	
GRAND TOTAL.....		<u><u>1,474,655</u></u>

STATE HOSPITAL
Jamestown

Under Section 17, there were granted 20,000.98 acres to this institution.

U.S. Treasury Notes	841,780	
G.N.M.A. Certificates	130,719	
Certificates of Deposit	<u>125,000</u>	1,097,499
Farm Loans	400,000	
Land Sold on Contract-Grant Land	6,912	
Cash Balance	<u>1,692</u>	
GRAND TOTAL.....		<u><u>1,506,103</u></u>

ELLENDALE STATE TEACHERS COLLEGE
Ellendale

Under Section 17, there were granted 39,997.24 acres to this institution.

U.S. Treasury Notes	414,311	
G.N.M.A. Certificates	184,143	
School Bonds	22,000	
Certificates of Deposit	<u>30,000</u>	650,454
Farm Loans	540,000	
Land Sold on Contract-Grant Land	29,895	
Cash Balance	<u>1,859</u>	
GRAND TOTAL.....		<u><u>1,222,208</u></u>

(Note: House Bill #1052, 1973 session laws, divides the income from this fund among seven other institutions.)

VALLEY CITY STATE COLLEGE
Valley City

Under Section 17, there were granted 50,003.69 acres to this institution.

U.S. Treasury Notes	499,206	
G.N.M.A. Certificates	183,442	
Certificates of Deposit	<u>70,000</u>	752,648
Farm Loans	660,000	
Land Sold on Contract-Grant Land	82,432	
Cash Balance	<u>3,341</u>	
GRAND TOTAL.....		<u><u>1,498,421</u></u>

MAYVILLE STATE COLLEGE
Mayville

Under Section 17, there were granted 30,002.21 acres to this institution.

U.S. Treasury Notes	324,663	
U.S. Treasury Bonds	29,000	
G.N.M.A. Certificates	170,786	
Certificates of Deposit	<u>30,000</u>	554,449
Farm Loans	360,000	
Land Sold on Contract-Grant Land	49,459	
Cash Balance	<u>3,594</u>	
GRAND TOTAL.....		<u>967,502</u>

NORTH DAKOTA INDUSTRIAL SCHOOL
Mandan

Under Section 17, there were granted 40,024.94 acres to this institution.

U.S. Treasury Notes	972,216	
U.S. Treasury Bonds	21,000	
G.N.M.A. Certificates	324,584	
Certificates of Deposit	<u>125,000</u>	1,442,800
Farm Loans	620,000	
Land Sold on Contract-Grant Land	29,655	
Cash Balance	<u>1,817</u>	
GRAND TOTAL.....		<u>2,094,272</u>

SCHOOL OF SCIENCE
Wahpeton

Under Section 17, there were granted 39,997.16 acres to this institution.

U.S. Treasury Notes	508,839	
U.S. Treasury Bonds	42,000	
G.N.M.A. Certificates	206,696	
School Bonds	3,150	
Certificates of Deposit	<u>55,000</u>	815,685
Farm Loans	480,000	
Land Sold on Contract-Grant Land	35,805	
Cash Balance	<u>5,043</u>	
GRAND TOTAL.....		<u>1,336,533</u>

SCHOOL OF MINES
Grand Forks

Under Section 17, there were granted 40,003.51 acres to this institution.

U.S. Treasury Notes	552,936	
G.N.M.A. Certificates	232,266	
Certificates of Deposit	<u>85,000</u>	870,202
Farm Loans	630,000	
Land Sold on Contract-Grant Land	69,119	
Cash Balance	<u>1,292</u>	
GRAND TOTAL.....		<u>1,570,613</u>

SOLDIERS HOME
Lisbon

Under Section 17, there were granted 39,972.36 acres to this institution.

U.S. Treasury Notes	373,084	
G.N.M.A. Certificates	141,090	
Certificates of Deposit	<u>55,000</u>	569,174
Farm Loans	520,000	
Land Sold on Contract-Grant Land	50,294	
Cash Balance	<u>3,270</u>	
GRAND TOTAL.....		<u>1,142,738</u>

UNIVERSITY OF NORTH DAKOTA
Grand Forks

Under Section 14, there were granted 46,080 acres, and under Section 17, there were granted 40,000 acres. Of these two grants, a total of 86,066 acres were selected.

U.S. Treasury Notes	1,043,130	
U.S. Treasury Bonds	27,000	
G.N.M.A. Certificates	259,609	
Certificates of Deposit	<u>110,000</u>	1,439,739
Farm Loans	1,400,000	
Land Sold on Contract-Grant Land	83,868	
Cash Balance	<u>2,781</u>	
GRAND TOTAL.....		<u>2,926,388</u>

STATE OF
DEPARTMENT
OF UNIVERSITY
AND SCHOOL
LANDS
NORTH DAKOTA

FORTY SIXTH
BIENNIAL
REPORT

July 1, 1983 to June 30, 1985



R. E. Lommen

Commissioner

August 16, 1985

The Honorable George A. Sinner
Governor of North Dakota
President, Board of University
and School Lands
First Floor, Capitol Building
Bismarck, North Dakota

Dear Governor Sinner,

In accordance with Chapter 15-02-08 of the North Dakota Century Code, I am privileged to submit herewith the Forty-Sixth Biennial Report of the Department of University and School Lands for the period July 1, 1983 through June 30, 1985.

Income generated from our activities this biennium totaled \$102,054,491 and was distributed as follows:

Permanent Trust Funds.....	\$42,239,843
Disbursed to our trust beneficiaries..	\$49,086,883
General Fund (Land & Minerals).....	\$10,727,765

The exceptional growth of our Trust Fund balances;

June 30, 1973.....	\$ 61,166,135
June 30, 1985.....	\$242,816,143

and the tremendous earnings increase resulting therefrom, indicates the wisdom of the trust fund concept and its sustained earnings.

I would like to commend a dedicated staff for carrying out our departments' activities and the Board of University and School Lands whose foresight and support allowed this significant growth to take place.

Respectfully submitted,


R.E. Lommen
Land Commissioner

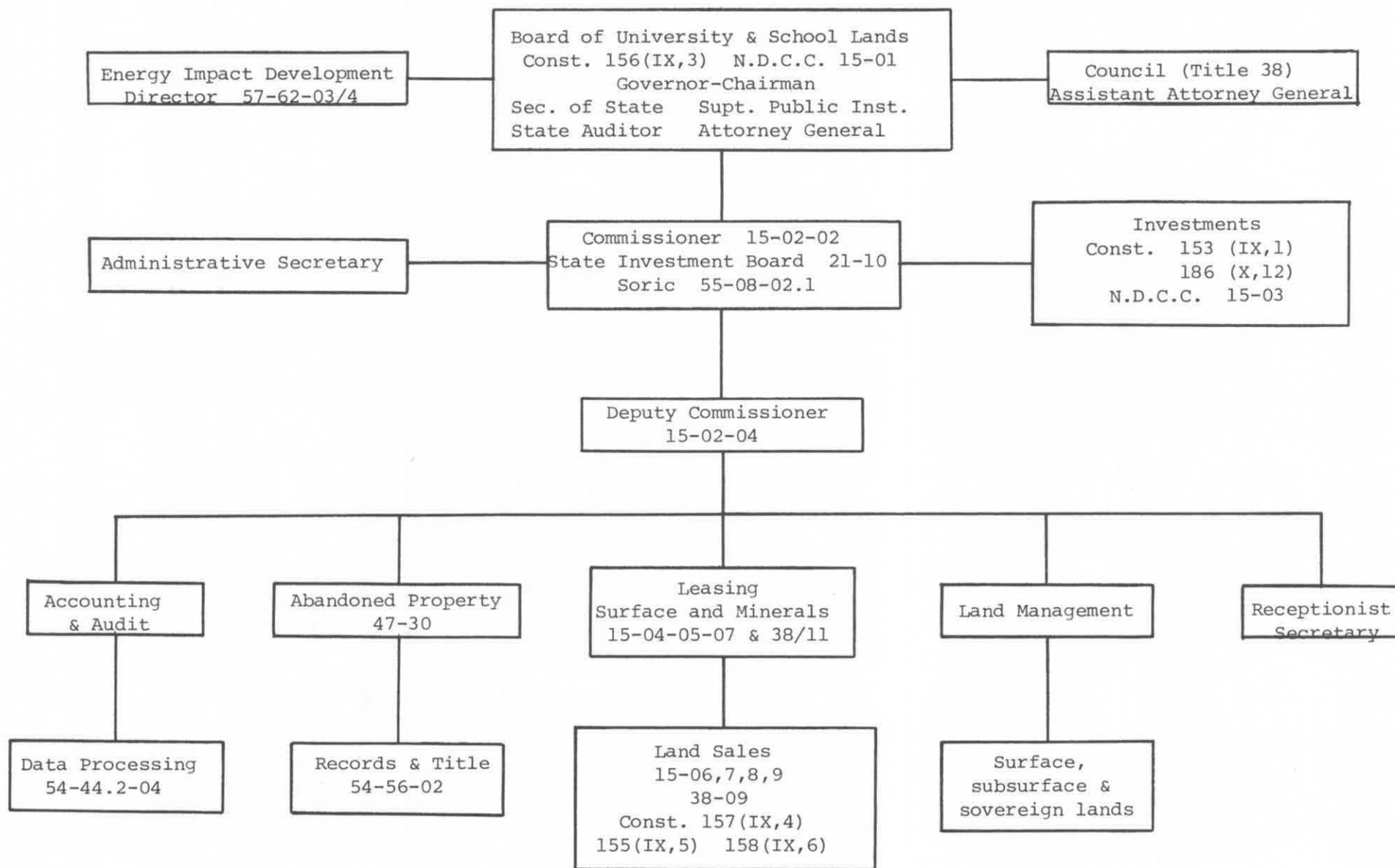
FORTY-SIXTH BIENNIAL REPORT
OF THE
BOARD OF UNIVERSITY
AND SCHOOL LANDS

July 1, 1983 to June 30, 1985

The Governing Body created by Section 156 of Article IX of the Constitution of the State of North Dakota consists of the following officers:

HON. GEORGE A. SINNER, President	Governor
HON. BEN MEIER, Vice-President	Secretary of State
HON. ROBERT W. PETERSON	State Auditor
HON. NICHOLAS J. SPAETH	Attorney General
HON. WAYNE SANSTEAD	Superintendent of Public Instruction
HON. R.E. LOMMEN, Secretary	Commissioner of University & School Lands

ORGANIZATIONAL CHART FOR THE DEPARTMENT OF UNIVERSITY AND SCHOOL LANDS



STATE LAND DEPARTMENT

OFFICE STAFF

ADMINISTRATION

R.E. Lommen	Commissioner
Lawrence Bender	Assistant Attorney General
Illona Jeffcoat-Sacco	Assistant Attorney General
Cathy Hruby	Administrative Secretary
Valerie Jundt	Abandoned Property Manager

ACCOUNTING

Bob Peterson	Auditor
Terry Fischer	Accountant
Suzanne Witkowski	Audit Technician

LEASING

Otto Bervik	Deputy Commissioner & Leasing Manager
Adolph Peterson	Assistant Leasing Manager
Theona Little	Secretary
Holly Stolt	Leasing Officer

LAND MANAGEMENT

Mike Brand	Range & Soil Mgmt. Specialist
Jeff Roel	Land Analyst
Guy Welch	Land Conservationist

STATE LAND DEPARTMENT
BIENNIAL REPORT
1983-1985

STATUTORY AUTHORITY:

Article IX of the North Dakota Constitution and Chapters 1501-1509 of the North Dakota Century Code.

AGENCY FUNCTION:

Charge and supervision of all state school lands, all investments of the permanent funds, all sales of state school lands, abandoned property, and all maps, books, papers and records relating to state lands under the jurisdiction of the Land Department. Direct all appraisements, sales and leases, and execute all contracts of sale, lease, and permits of state school lands. Supervision as the mineral leasing agency for the State of North Dakota and formulation of rules and regulations for all mineral leasing.

MAJOR GOALS:

Management of the school lands for the best interests of the various trusts, including maximizing returns of investments. Development of a more comprehensive land management ability, land analysis record and coal resource record. Update the rules and regulations governing the management of sovereign lands and resolve differences with the Federal Government concerning land and mineral ownership.

RECORDS:

All minutes of Board meetings and department records (except contracts) are available to the public for an in-office review.

ADMINISTRATION DIVISION

MAJOR LITIGATION

State of North Dakota, ex rel. Board of University and School Lands v. John Block,
Secretary of Agriculture, et. al

This case arose out of an action originally commenced by the State of North Dakota on October 31, 1978, to enjoin the federal government from issuing mineral leases on the bed of the Little Missouri River and from exercising ownership privileges thereon. After the first trial in this case the federal district court held that the Little Missouri River was navigable at the time the state was admitted to the union and that ownership of the riverbed vested in the State of North Dakota. The district court also held that the statute of limitations of the Quiet Title Act, 28 U.S.C. 2409a, did not apply to states. The district court opinion was affirmed by the United States Court of Appeals for the Eighth Circuit in an opinion entered on February 12, 1982. On petition to the United States Supreme Court, the Supreme Court overturned the decision of the Court of Appeals and held that the twelve year statute of limitations embodied in the Federal Quiet Title Act is fully applicable to states.

On remand, the district court conducted a second hearing and received evidence on the statute of limitations issue only. By Memorandum and Order dated September 26, 1984, the district court ruled that the statute of limitations contained in the Federal Quiet Act compelled dismissal of the state's suit only as to thirteen specific tracts of the riverbed. As for the other portions of the riverbed at issue, the district court quieted title in the State of North Dakota and re-instated its earlier judgment declaring the Little Missouri River to be a navigable river for the purposes of determining ownership and thus ownership of the riverbed vested in the State of North Dakota.

On December 21, 1984, the federal government, again filed an appeal with the Eighth Circuit Court of Appeals. The federal government contends that the district court erred in determining that the statute of limitations does not entirely bar the state's suit. In addition, the United States contends that the district court erred in finding the Little Missouri River to be navigable river at the time of statehood. The contentions of the federal government are presently under consideration by the Circuit Court of Appeals.

ACCOUNTING DIVISION

During the past biennium this division initiated a oil and gas royalty accounting program with on-line data processing entry format and recording. This was done to provide a data base for oil and gas auditing of various accounts and eliminate the need for pen and paper recording.

During this period, over \$184,000 was recovered in Windfall Profit Taxes that were withheld by twenty-six oil and gas companies on state leases dating back to 1980.

LEASING DIVISION

Surface leases were sold on 9,917 acres of cultivated land and 309,053 acres of pasture land for the biennium. All leases are sold at public auction to the highest bidder, in October, in every county where the department has land to be leased.

Surface leases are issued for a three year term on cultivated and grassland acres and for five years on un-cultivated acres. The Board of University and School Lands established a minimum bid of \$3.50 per animal unit. This minimum bid is in effect where the carrying capacity has been established by the Soil Conservation Service or the U.S. Forestry Service and supplied to the department. On acreage where the carrying capacity has not been established, the minimum rental is \$2.25 per acre on pasture land, \$7.50 on grassland acres, which is a new classification established by the Board, and \$15.00 per acre on cultivated lands. Surface rentals for the biennium totaled \$3,776,873.

Eight oil and gas leasing sales were held during this biennium. Leases are awarded on the basis of highest bonus bid, with an annual rental of \$1 per acre. These leases are issued for a five-year term, with a 1/6 or 1/8 royalty rate, depending on the location of the lease. During this biennium, leases were taken on 206,708 mineral acres, as opposed to 407,809 mineral acres last biennium. Bonuses received this biennium totaled \$17,359,981.

LAND MANAGEMENT DIVISION

During the past biennium, this division has been able to continue the previously initiated programs for the maintenance and improvement of the condition of school lands. A major area of emphasis has been the evaluation of applications for easements, right-of-ways and construction aggregate leases. Increased emphasis has also been placed on correcting inadequate past reclamation and ensuring the reclamation of gravel and scoria pits. Coal leasing activity has been minimal with only two leases processed this biennium.

A range inventory contract with NDSU was completed on 74,872 acres in Dunn, McLean, Mercer, Renville and Ward counties. A total of 275,942 acres or 39% of all school lands have been inventoried since 1980. Based on this information, numerous land improvement projects have been initiated to correct overgrazing, illegal dumping, illegal cultivation and improved noxious weed control.

Cooperative leafy spurge control was carried out on 143 management units which was an increase of 52% over the previous biennium. A knapweed survey was also completed with negative results. Due to the extreme drought in some areas of the state, 46,114 acres of school land were sprayed for grasshopper control in cooperation with the State Agriculture Department and the Federal Animal and Plant Health Inspection Services.

Enhancements to land management have included a marginal land reseeding program to encourage the establishment of a permanent cover for the prevention of wind and water erosion. Approximately 303 acres of marginal cropland were reseeded with grass. There has also been an updating of records of cultivated acreages and livestock carrying capacities for leasing purposes. Public access was allowed on school lands for the first time beginning in 1983. This policy has been well accepted with relatively few problems.

FUNDING FOR STATE LAND DEPARTMENT
1983-85 biennium

DIVISION	SALARIES	EXPENSES	CDP	EQUIPMENT	TOTALS
Administration	337,840	96,750	8,972	1,651	445,213
Accounting	164,182	3,444	22,711	900	191,237
Leasing	99,613	24,706	16,970	661	141,950
Land Management	126,802	15,216	256	296	142,570
	<u>728,437</u>	<u>140,116</u>	<u>48,909</u>	<u>3,508</u>	<u>920,970</u>

(1) Grants-Benefits & Claims..... 132,687
Total funding for 83-85 biennium..1,053,657

(1) Grants-Benefits & Claims:

Payment to NDSU for range inventory & analysis of State lands.....	29,116
Grasshopper control in McHenry, McKenzie, Golden Valley & Billings..	28,000
ND Soil Conservation Service, mapping of State lands.....	14,606
Spraying of leafy spurge on State lands.....	60,965
Total Grants-Benefits & Claims....	<u>132,687</u>

Fees collected for land sale costs, agricultural leasing, oil leasing, patent and deed fees are credited to the departments' maintenance fund; to off-set funding costs. During the 83-85 biennium, \$70,579 was credited to the fund.

Funding for the State Land Department is not General or Federal funds. Funding was established by the North Dakota Legislature effective July 1, 1971. The law provides that the department may transfer ten percent of its interest and income fund collections earned in the prior three months to the departments' maintenance fund. The fund minimum shall not be less than forty thousand dollars and any excess shall be apportioned back after expenses are deducted for the three month period.

COMPARATIVE STATEMENT OF
COLLECTIONS DISTRIBUTED TO INSTITUTIONS

<u>Institutions</u>	July-77 to June-79	July-79 to June-81	July-81 to June-83	July-83 to June-85
Common Schools	12,926,114	(1) 54,356,300	(2) 38,403,282	44,062,283
ND State University	467,200	683,000	1,009,000	1,216,500
School for the Blind	95,900	137,200	217,900	270,000
School for the Deaf	135,400	210,800	337,800	361,500
State Hospital	72,400	119,600	278,100	352,500
(3) Ellendale	100,500	168,000	252,700	271,600
Valley City State College	154,400	211,100	309,400	331,500
Mayville State College	95,900	133,400	200,900	213,500
ND Industrial School	160,500	227,100	418,300	493,500
ND Science School	117,200	163,300	264,900	283,000
School of Mines	148,800	218,000	327,700	328,500
Soldiers Home	103,300	149,300	219,600	243,500
University of ND	281,000	397,700	613,400	659,000
Totals	14,858,614	57,174,800	42,852,982	49,086,883

(1) Of the \$54,356,300 distributed to Common Schools in July-79 to June-81, \$32,351,951 was from the Common School I&I Bonus fund. (S/B #2439,-79,S.L.)

(2) Of the \$38,403,282 distributed to Common Schools in July-81 to June-83, \$ 8,207,540 was from the Common School I&I Bonus fund. (H/B #1092,-81,S.L.)

(3) House Bill #1052 of the 1973 session laws stated that the Ellendale Interest & Income fund be divided equally among these seven institutions: 1) NDSU-Bottineau, 2) State School of Science, 3) Minot State College, 4) Dickinson State College, 5) Soldiers Home, 6) State Hospital, and 7) School for the Blind.

Note: On June 8, 1982, Measure No. 3 was approved by the people of North Dakota at the primary elections and amended Section 1 of Article IX of the Constitution of the State of North Dakota, to provide that all bonus payments received from the leasing of minerals on common school grant lands be deposited in the permanent trust fund. This eliminated the Common School I&I Bonus fund.

COMPARATIVE SCHEDULE OF PERMANENT FUND CASH RECEIPTS
for the past four bienniums

	July-77 to June-79	July-79 to June-81	July-81 to June-83	July-83 to June-85
Oil & Gas Royalty	3,188,922	18,809,367	23,092,363	23,307,464
Oil & Gas Bonus	25,657,485	32,306,609	12,063,169	13,332,669
Coal Royalty	788,680	1,002,084	890,150	5,190,632
Gravel & Scoria Royalty	78,238	91,646	30,053	21,138
Test Holes & Easements	195,942	266,768	380,176	233,802
Land Sold	54,748	20,055	17,715	148,190
Misc. receipts	2,550	26,792	8,358	5,948
Totals	29,966,565	52,523,321	36,481,984	42,239,843

COMPARATIVE SCHEDULE OF INTEREST & INCOME CASH RECEIPTS
for the past four bienniums

	July-77 to June-79	July-79 to June-81	July-81 to June-83	July-83 to June-85
Interest on Securities	4,974,097	13,117,259	27,000,482	36,965,530
Interest on Loans	6,152,482	7,532,306	8,044,741	9,727,229
Interest on Contracts	1,504,520	1,015,566	875,982	675,356
Oil & Gas Lease Rentals	1,451,514	1,150,487	1,733,807	1,243,150
Surface Rentals	2,709,001	2,913,347	3,497,877	3,776,873
Common School I&I Bonus	4,403,040	31,262,098	4,894,353	-0-
Interest on Abandoned Property investments	75,395	185,887	281,789	324,473
Totals	21,270,049	57,176,950	46,329,031	52,712,611

COMPARATIVE STATEMENT PER BIENNIUM
OF GRANT LAND PERMANENT FUND BALANCES

	<u>June 30, 1979</u>	<u>June 30, 1981</u>	<u>June 30, 1983</u>	<u>June 30, 1985</u>
Common Schools	95,855,654	141,838,182	176,248,794	216,156,378
ND State University	3,411,247	4,482,789	5,116,238	6,304,614
School for the Blind	779,342	1,075,329	1,240,440	1,352,272
Capitol Building	1,200,869	2,164,216	2,231,395	2,342,104
School for the Deaf	937,662	1,434,739	1,474,655	1,545,408
State Hospital	641,554	1,213,226	1,506,103	1,712,600
Ellendale	887,119	1,149,532	1,222,208	1,271,950
Valley City State College	1,109,047	1,386,494	1,498,421	1,566,384
Mayville State College	697,946	924,973	967,502	1,068,928
ND Industrial School	1,178,536	1,734,656	2,094,272	2,242,317
ND Science School	926,013	1,283,178	1,336,533	1,398,745
School of Mines	1,121,995	1,514,678	1,570,613	1,653,497
Soldiers Home	827,750	1,128,157	1,142,738	1,164,478
University of ND	<u>1,996,261</u>	<u>2,764,168</u>	<u>2,926,388</u>	<u>3,036,468</u>
	111,570,995	164,094,316	200,576,300	242,816,143
<u>OTHER FUNDS:</u>				
Abandoned Property	938,287	1,083,063	1,272,060	1,601,731
Coal Severance Tax Trust	4,114,558	8,625,481	13,906,445	20,591,422
Land & Minerals Trust	<u>9,098,739</u>	<u>37,489,146</u>	<u>4,108,687</u>	<u>4,178,440</u>
Totals	125,722,579	211,292,006	219,863,492	269,187,736

ABANDONED AND UNCLAIMED PROPERTY

The Abandoned and Unclaimed Property Act was passed by the 1975 Legislature and became effective July 1, 1975. The Commissioner was named as administrator of this act. The purpose of this act is to provide a vehicle through which unclaimed property can be transferred to the custody of the State and held in trust. Any earnings accruing from this trust are used for the benefit of the Common Schools.

Statement June 30, 1985

Investments.....\$1,563,163	Total collections for biennium..\$386,610
Cash balance..... <u>38,568</u>	Total claims paid for biennium..\$ 56,939
Total.....\$1,601,731	Interest income on investments..\$324,473

LAND AND MINERALS TRUST

All income derived from the sale, lease and management of the lands acquired by the Board of University and School Lands pursuant to chapter 138 of the 1977 session laws and not belonging to other trust funds shall be deposited in this fund. The corpus and interest may be expended as the Legislature may provide.

Statement June 30, 1985

Beginning balance on 7-01-83	4,108,687
Royalty, rental & bonus receipts	9,790,435
Interest income from investments	452,996
Receipts on Disabled Facility Loan, Bank of ND	484,334
Total receipts.....	10,727,765
Less: fund maintenance & expenses	328,446
appropriations	9,191,444
payments on Disabled Facility Loan	1,138,122
Total payments.....	10,658,012
Ending balance on 6-30-85	<u>4,178,440</u>

Appropriations for the 1983-85 biennium authorized by the 48th Legislature:

Senate Bill #2030	Geological Survey	1,798,288
House Bill #1033	Industrial Commission	2,393,156
Senate Bill #2039	Energy Impact Office	5,000,000.....9,191,444
Senate Bill #2020	Disabled Facility Loan	1,144,300
Total appropriations.....		10,335,744

The 49th Legislative Assembly appropriated these amounts for the 85-87 biennium:

Senate Bill #2025	Geological Survey	1,978,442
Senate Bill #2028	Industrial Commission	3,020,818
House Bill #1029	Energy Impact Office	4,137,149
(1) House Bill #1009	Disabled Facility Loan	1,138,124
House Bill #1035	Southwest water pipeline	1,500,000
(2) Senate Bill #2249	Disabled Facility Loan	400,000
House Bill #1388	Grasshopper range control	100,000
Total appropriations.....		12,274,533

- (1) Senate Bill #2020, 1983 S.L., authorized Common Schools to loan \$5,000,000 for 25 years at 10.5% interest. The Disabled Facility Loan Program is administered by the Bank of North Dakota.
- (2) Senate Bill #2249, 1985 S.L., authorized Common Schools to loan \$4,951,145 for 25 years with the interest not to exceed 12%. This second loan program is administered by the Bank of North Dakota.

COAL SEVERANCE TAX TRUST

In 1975, the Legislature passed a coal severance tax which became effective July 1, 1975. Thirty percent of the monies from this tax were to accrue to a trust fund entitled "Depleted Natural Resource Trust". Income from this fund is credited to the General Fund. Under Chapter 4 of the 1975 session laws, the Land Department was mandated to make an appropriation to REAP in the amount of two million dollars. The 1977 session changed the formula from 30% to 15%, and mandated that these funds be used for coal impact loans, where applicable.

Initiated Measure No. 5 was passed by a general election ballot on November 4, 1980 and is a constitutional amendment that creates a permanent trust fund to be administered by the Board of University and School Lands. The name of the trust was changed to the "Coal Severance Tax Trust".

Statement June 30, 1985

1975-1977 receipts	3,132,116	Interest income from investments
1977-1979 " "	2,973,943	credited to the General Fund for
1979-1981 " "	4,510,486	1983-85 biennium...\$2,774,088.
1981-1983 " "	5,280,964	
1983-1985 " "	6,653,884	
REAP appropriation	(2,000,000)	Coal Impact Loans..... 8,581,300
REAP fees	8,542	Investments.....12,003,301
Capital gains-investments	31,487	Cash balance..... 6,821
Total receipts.....	<u>20,591,422</u>	Fund balance..... <u>20,591,422</u>

CAPITOL BUILDING INTEREST & INCOME FUND

Section 48-10 of the NDCC, states, "The capitol grounds planning commission shall have general powers to superintend the administration of the capitol building fund, its interest and income fund and its investments....."

Statement June 30, 1985

Beginning balance 7-01-83	1,122,107	Appropriations for 85-87 biennium:
Receipts for the 83-85 biennium	849,845	H/B #1006 Director Institutions
Less: maintenance fund expenses	(15,567)	\$866,290
capitol grounds improvements	(18,809)	H/B #1013 Capitol Planning Commission
		\$ 10,000
Ending balance 6-30-85	<u>1,937,576</u>	S/B #2012 State Laboratories
		\$160,000
		S/B #2090 Legislative Assembly
		\$187,200

FARM LOAN POOL

Statement June 30, 1985

Ending balance..... <u>\$50,000,000</u>	Interest earned for the 83-85 biennium:
	\$8,620,084.

These funds are administered by the Bank of North Dakota for the Board of University and School Lands. These funds are to be invested in first mortgage farm real estate loans on North Dakota farm lands.

SURFACE ACREAGE DISTRIBUTION BY TRUST FUND
as of June 30, 1985

TRUST FUNDS	ACQUIRED LAND	GRANT LAND	GENERAL FUND	TOTALS
Common Schools	33,494.22	602,182.97		635,677.19
ND State University	3,918.45	11,366.58		15,285.03
School for the Blind	1,010.17	2,393.60		3,403.77
Capitol Building	798.08	9,183.09		9,981.17
School for the Deaf	1,348.66	3,477.69		4,826.35
State Hospital	311.16	1,877.75		2,188.91
Ellendale	1,306.45	3,226.37		4,532.82
Valley City State College	640.00	-0-		640.00
Mayville State College	640.00	-0-		640.00
ND Industrial School	1,447.71	2,890.56		4,338.27
ND Science School	1,449.01	2,136.05		3,585.06
School of Mines	1,228.79	2,009.44		3,238.23
Soldiers Home	480.00	2,433.69		2,913.69
University of ND	1,881.09	7,755.60		9,636.69
(1) Valley City & Mayville	160.00	6,470.91		6,630.91
General Fund			388.20	
Total acres	50,113.79	657,404.30	388.20	707,906.29

- (1) The percentage apportionment of receipts for these acres is 62.5% for Valley City and 37.5% for Mayville State College.

DISPOSITION AND CONVEYANCES OF STATE LAND

23 assignments of original grant land contracts were approved.

212 patents were issued on paid contracts for sale of original grant land and conveyed 32,448.82 acres.

4 quit claim deeds were issued during this period.

21 deeds were issued pursuant to NDCC Chapter 15-09, primarily for road and highway rights-of-way, and conveyed 708.91 acres, with 621.08 acres for the North Dakota National Guard.

STATE SCHOOL LAND SURFACE ACREAGE
as of June 30, 1985

COUNTY	Surface Acres	No. of Tracts	No. of Leases	COUNTY	Surface Acres	No. of Tracts	No. of Leases
Adams	17,122.16	109	109	McLean	21,035.84	147	140
Barnes	2,798.09	18	17	Mercer	15,067.29	103	95
Benson	10,989.78	101	95	Morton	17,672.27	118	110
Billings	31,201.48	200	200	Mountrail	32,453.89	218	212
Bottineau	2,754.15	18	16	Nelson	2,853.66	31	28
Bowman	29,281.58	188	187	Oliver	7,836.12	50	49
Burke	16,128.17	111	100	Pembina	-0-	--	--
Burleigh	27,896.87	182	175	Pierce	14,317.00	103	103
Cass	40.00	1	0	Ramsey	2,056.50	23	20
Cavalier	596.47	6	3	Ransom	1,120.00	7	7
Dickey	3,663.77	24	24	Renville	1,910.12	12	12
Divide	21,145.41	139	137	Richland	513.68	4	4
Dunn	25,977.14	165	164	Rolette	6,845.92	53	40
Eddy	10,215.91	85	84	Sargent	1,128.79	8	8
Emmons	13,734.32	94	93	Sheridan	25,658.64	179	179
Foster	3,116.41	21	21	Sioux	23,538.42	156	152
Golden Valley	29,007.95	188	187	Slope	23,620.58	149	149
Grand Forks	2,073.77	13	10	Stark	6,142.64	39	39
Grant	33,483.95	221	221	Steele	-0-	--	--
Griggs	1,741.24	13	12	Stutsman	15,189.95	104	103
Hettinger	9,914.40	65	65	Towner	8,059.31	78	69
Kidder	28,479.39	184	182	Traill	-0-	--	--
LaMoure	1,605.00	10	9	Walsh	201.02	3	2
Logan	9,394.07	62	62	Ward	11,038.13	71	67
McHenry	22,144.94	144	142	Wells	5,088.63	41	41
McIntosh	6,357.50	47	47	Williams	38,834.08	254	247
McKenzie	64,859.89	411	411	Totals...	707,906.29	4771	4649

MINERAL ACREAGE DISTRIBUTION BY TRUST FUND
as of June 30, 1985

TRUST FUNDS	5%	33-1/3%	50%	100%	Totals
Common Schools	680.15		677,236.92	847,155.77	1,525,072.84
ND State University	103.99		43,152.73	22,366.00	65,622.72
School for the Blind	42.00		9,651.39	5,533.30	15,226.69
Capitol Building	-0-		10,537.35	17,138.56	27,675.91
School for the Deaf	16.00		13,127.39	7,454.18	20,597.57
State Hospital	15.50		6,794.49	2,902.47	9,712.46
Ellendale	16.00		5,661.72	4,878.74	10,556.46
Valley City State College	-0-		7,082.40	640.00	7,722.40
Mayville State College	4.00		8,387.48	640.00	9,031.48
ND Industrial School	28.00		24,968.00	8,194.52	33,190.52
ND Science School	16.00		12,598.50	5,899.15	18,513.65
School of Mines	8.00		14,979.46	5,885.55	20,873.01
Soldiers Home	15.82		7,912.07	5,357.27	13,285.16
University of ND	-0-		26,889.17	14,978.45	41,867.62
(1) Valley City & Mayville	32.00		8,973.98	10,856.87	19,862.85
General Fund	11,586.82	53.33	647,959.20	3,594.81	663,194.16
Totals	12,564.28	53.33	1,525,912.25	963,475.64	2,502,005.50

- (1) The percentage apportionment of receipts for these acres is 62.5% for Valley City and 37.5% for Mayville State College.

The above percentages show reservation percentage for that trusts' interest.

COAL LEASES

County/Company	Description	Date Leased	Term	Per Acre		Royalty** per Ton	Status
				Bonus	Rental		
<u>BURKE</u>							
Baukol-Noonan, Inc.	162-94-16 (400 acres)	12-21-77	10 yrs. (interim)	1.00	1.00	30¢/10%	Reclaiming
<u>MCLEAN</u>							
Falkirk Mining Company	145-82-04* (160 acres)	10-13-76	22 yrs.	10.00	.50	25¢/ 6%	Undeveloped
	146-82-22 (80 acres)	3-28-85	10 yrs. (interim)	25.00	3.00	65¢/ 8%	Undeveloped
	146-83-36 (640 acres)	3-10-81	10 yrs. (interim)	25.00	3.00	35¢/12.5%	Producing
<u>MERCER</u>							
Knife River Coal Mining Company	143-88-16 (480 acres)	6-27-80	10 yrs. (interim)	25.00	3.00	35¢/12.5%	Undeveloped
	143-88-12 (160 acres)	11-01-78	extended	none	none	35¢	Producing
Basin Cooperative Services	144-85-16 (320 acres)	12-21-77	10 yrs. (interim)	1.00	1.00	30¢/10%	Reclaiming
North American Coal Corporation	144-88-16 (320 acres)	8-28-79	10 yrs. (interim)	25.00	3.00	65¢***	Producing
	144-88-21 (160 acres)	3-25-81	10 yrs. (interim)	25.00	3.00	65¢***	Producing
	144-89-36 (320 acres)	1-03-79	extended	none	none	35¢	Reclaiming
<u>OLIVER</u>							
Baukol-Noonan, Inc.	141-84-02 (80 acres)	6-02-82	10 yrs. (interim)	25.00	3.00	12.5%	Undeveloped
	142-84-22 (80 acres)	6-02-82	10 yrs. (interim)	25.00	3.00	12.5%	Undeveloped
	142-84-36 (480 acres)	4-06-78	extended	none	none	35¢	Reclaiming
Basin Cooperative Services	143-84-16 (320 acres)	7-15-83	10 yrs. (interim)	25.00	3.00	12.5%	Undeveloped
Knife River Coal Mining Company	143-87-07 (160 acres)	11-01-78	extended	none	none	35¢	Producing
<u>STARK</u>							
Husky Industries, Inc.	139-95-16 (320 acres)	9-08-81	10 yrs. (interim)	none	3.00	12.5%	Producing

(* , leases managed for the Land & Minerals Trust)

(** , whichever is the greater royalty)

(*** , to be re-evaluated five years from June 20, 1983)

Interim leases have an escalating delay rental while extended leases remain in effect as long as coal is being mined.

COMBINED STATEMENT OF GRANT LAND
FUNDS TO JUNE 30, 1985

U.S. Treasury Notes	131,483,924	
U.S. Treasury Bonds	5,957,813	
G.N.M.A. Pass-thru Certificate	636,041	
G.N.M.A. Certificates	3,003,581	
School Bonds	110,250	
Certificates of Deposit	<u>35,455,000</u>	
		176,646,609
Farm Loan Pool	50,000,000	
Land Sold on Contract	3,573,559	
(1) Dickinson Experiment Station	3,841,759	
(2) Disabled Loan Program	4,904,692	
Cash balance	<u>3,849,524</u>	
		<u>242,816,143</u>

(1) Senate Bill #2138, 1985 S.L., transferred from the State Board of Higher Education to the Board of University & School Lands, the old Dickinson Experiment Station.

(2) Senate Bill #2020, 1983 S.L., authorized the Board of University & School Lands to loan up to \$5,000,000 for 25 years at 10.5% for the Disabled Facility Loan Program. This program is administered by the Bank of North Dakota.

COMMON SCHOOLS

On admission to the Union, Congress granted to the State of North Dakota, for the support of common schools, sections 16 and 36 in every township in the State, and where these sections or parts thereof were omitted on account of being embraced in lakes, rivers or having been homesteaded prior to survey, the State was allowed to select land elsewhere from any public land in the State, as "Indemnity Lands", which are common school lands other than sections 16 and 36. The proceeds from indemnity lands also go to the Common School fund. Of this grant, 2,523,383.78 acres have been selected.

U.S. Treasury Notes	119,138,234	
U.S. Treasury Bonds	5,957,813	
G.N.M.A. Pass-thru Certificate	636,041	
G.N.M.A. Certificate	1,230,087	
School Bonds	90,000	
Certificates of Deposit	<u>32,500,000</u>	159,552,175
Farm Loan Pool	41,120,000	
Land Sold on Contract	3,011,392	
Dickinson Experiment Station	3,841,759	
Disabled Loan Program	4,904,692	
Cash balance	<u>3,726,360</u>	<u>216,156,378</u>

NORTH DAKOTA STATE UNIVERSITY Fargo

Under Section 16 of the Enabling Act admitting the State of North Dakota to the Union, there were granted 90,000 acres, and under Section 17, an additional 40,000 acres for the support of this institution. Of the total, 129,999.98 acres were selected.

U.S. Treasury Notes	2,703,853	
G.N.M.A. Certificate	402,587	
Certificates of Deposit	<u>995,000</u>	4,101,440
Farm Loan Pool	2,100,000	
Land Sold on Contract	75,143	
Cash balance	28,031	<u>6,304,614</u>

SCHOOL FOR THE BLIND
Grand Forks

Under Section 17, there were granted 170,000 acres for educational and charitable purposes to be determined by the State Legislature. Of this grant, 30,026.76 acres were selected for this institution.

U.S. Treasury Notes	633,183	
G.N.M.A. Certificate	116,526	
Certificates of Deposit	<u>120,000</u>	869,709
Farm Loan Pool	450,000	
Land Sold on Contract	24,574	
Cash balance	7,989	
		<u>1,352,272</u>

CAPITOL BUILDING
Bismarck

From Section 12 of the Enabling Act, there were granted 32,000 acres, and under Section 17, 50,000 acres were granted. An over-selection of 326.14 acres made a total of 82,326.14 acres.

U.S. Treasury Notes	1,942,331	
G.N.M.A. Certificate	27,519	
Certificates of Deposit	<u>275,000</u>	2,244,850
Land Sold on Contract	93,630	
Cash balance	<u>3,624</u>	
		<u>2,342,104</u>

SCHOOL FOR THE DEAF
Devils Lake

Under Section 17, there were granted 40,000 acres. A total of 39,966.53 acres were selected.

U.S. Treasury Notes	707,870	
G.N.M.A. Certificate	44,766	
Certificates of Deposit	<u>55,000</u>	807,636
Farm Loan Pool	720,000	
Land Sold on Contract	12,935	
Cash balance	<u>4,837</u>	
		<u>1,545,408</u>

STATE HOSPITAL
Jamestown

Under Section 17, there were granted 20,000.98 acres to this institution.

U.S. Treasury Notes	993,881	
G.N.M.A. Certificate	86,230	
Certificates of Deposit	<u>210,000</u>	1,290,111
Farm Loan Pool	400,000	
Land Sold on Contract	5,550	
Cash balance	16,939	<u>1,712,600</u>

ELLENDALE STATE TEACHERS COLLEGE
Ellendale

Under Section 17, 39,997.24 acres were granted to this institution.

U.S. Treasury Notes	464,280	
G.N.M.A. Certificate	120,883	
School Bonds	18,000	
Certificates of Deposit	<u>105,000</u>	708,163
Farm Loan Pool	540,000	
Land Sold on Contract	23,078	
Cash balance	<u>709</u>	<u>1,271,950</u>

VALLEY CITY STATE COLLEGE
Valley City

From Section 17, there were granted 50,003.69 acres.

U.S. Treasury Notes	574,075	
G.N.M.A. Certificates	120,066	
Certificates of Deposit	<u>140,000</u>	834,141
Farm Loan Pool	660,000	
Land Sold on Contract	68,772	
Cash balance	<u>3,471</u>	<u>1,566,384</u>

MAYVILLE STATE COLLEGE
Mayville

Under Section 17, 30,002.21 acres were granted to this institution.

U.S. Treasury Notes	403,939	
G.N.M.A. Certificate	109,181	
Certificates of Deposit	<u>150,000</u>	663,120
Farm Loan Pool	360,000	
Land Sold on Contract	41,263	
Cash balance	<u>4,545</u>	
		<u>1,068,928</u>

NORTH DAKOTA INDUSTRIAL SCHOOL
Mandan

From Section 17, there were granted 40,024.94 acres.

U.S. Treasury Notes	1,131,394	
G.N.M.A. Certificate	207,126	
Certificates of Deposit	<u>235,000</u>	1,573,520
Farm Loan Pool	620,000	
Land Sold on Contract	23,470	
Cash balance	<u>25,327</u>	
		<u>2,242,317</u>

SCHOOL OF SCIENCE
Wahpeton

Under Section 17, 39,997.16 acres were granted to this institution.

U.S. Treasury Notes	568,738	
G.N.M.A. Certificate	133,544	
School Bonds	2,250	
Certificates of Deposit	<u>175,000</u>	879,532
Farm Loan Pool	480,000	
Land Sold on Contract	30,562	
Cash balance	<u>8,651</u>	
		<u>1,398,745</u>

SCHOOL OF MINES
Grand Forks

Under Section 17, there were granted 40,003.51 acres to this institution.

U.S. Treasury Notes	577,584	
G.N.M.A. Certificate	146,692	
Certificate of Deposit	<u>230,000</u>	
		954,276
 Farm Loan Pool	 630,000	
Land Sold on Contract	56,880	
Cash balance	<u>12,341</u>	
		<u>1,653,497</u>

SOLDIERS HOME
Lisbon

From Section 17, 39,972.36 acres were granted.

U.S. Treasury Notes	438,017	
G.N.M.A. Certificates	92,782	
Certificates of Deposit	<u>70,000</u>	
		600,799
 Farm Loan Pool	 520,000	
Land Sold on Contract	41,277	
Cash balance	<u>2,402</u>	
		<u>1,164,478</u>

UNIVERSITY OF NORTH DAKOTA
Grand Forks

Under Section 17, there were granted 40,000 acres. From Section 14, 46,080 acres were granted, for a total selection of 86,066 acres.

U.S. Treasury Notes	1,206,545	
G.N.M.A. Certificate	165,592	
Certificates of Deposit	<u>195,000</u>	
		1,567,137
 Farm Loan Pool	 1,400,000	
Land Sold on Contract	65,033	
Cash balance	<u>4,298</u>	
		<u>3,036,468</u>

STATE OF
COMMISSIONER
OF UNIVERSITY
AND SCHOOL
LANDS
NORTH DAKOTA

FORTY SEVENTH
BIENNIAL
REPORT

July 1, 1985 to June 30, 1987



Timothy L. Kingstad
Commissioner



Timothy L. Kingstad
COMMISSIONER

North Dakota
STATE LAND DEPARTMENT

State Capitol
Bismarck, North Dakota 58505
(701) 224-2800

Leasing
224-2803
Land Management
224-2172
Mineral Audit
224-2804
Accounting
224-2802

December 1, 1987

The Honorable George A. Sinner
Governor of North Dakota
State Capitol
Bismarck, ND 58505

Mr. Richard L. Rayl
Director, Office of Management
and Budget
State Capitol
Bismarck, ND 58505

Dear Governor Sinner and Mr. Rayl:

I am privileged to submit for your consideration the Forty-seventh Biennial Report of the Commissioner of University and School Lands.

This report covers activities of the Board of University and School Lands, the Commissioner of University and School Lands, and the State Land Department for the period of July 1, 1985, through June 30, 1987. It is submitted pursuant to Section 15-02-08 of the North Dakota Century Code.

Sincerely,

Timothy L. Kingstad
Land Commissioner

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ORGANIZATION

The activities of the State Land Department are subject to the overall direction and management of the Board of University and School Lands ("Land Board"). The Land Board is established by Section 3 of Article IX of the North Dakota Constitution, and consists of the following elected officials:

Hon. George A. Sinner, Chairman	Governor
Hon. Ben Meier, Vice-Chairman	Secretary of State
Hon. Nicholas J. Spaeth	Attorney General
Hon. Wayne G. Sanstead	Superintendent of Public Instruction
*Hon. Robert W. Peterson (July 1, 1985 to June 10, 1986)	State Auditor
*Hon. Robert F. Hanson (June 11, 1986 to June 30, 1987)	State Treasurer

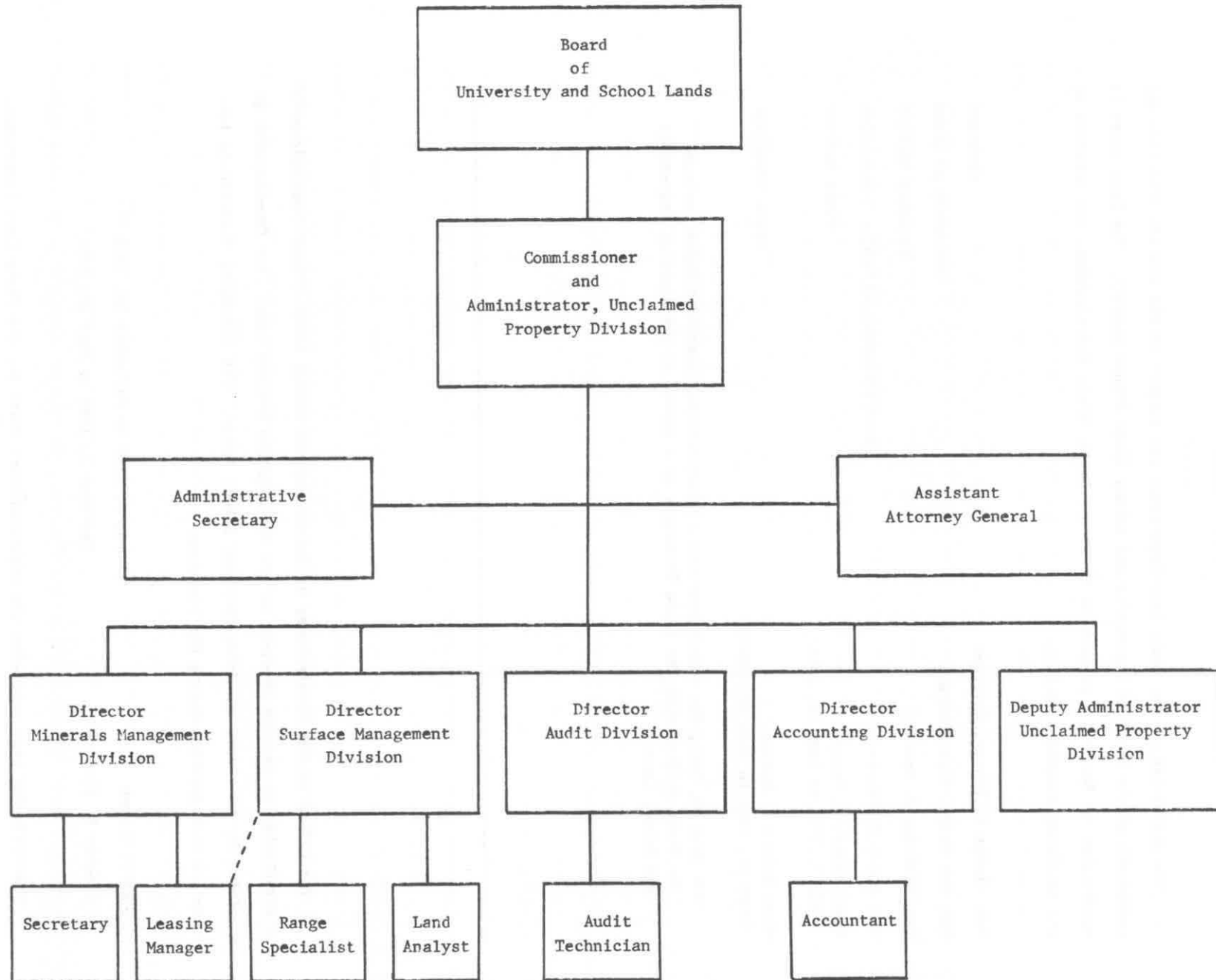
*On June 10, 1986, the voters approved a Constitutional amendment which replaced the State Auditor with the State Treasurer as a member of the Board of University and School Lands.

The office of the Commissioner of University and School Lands ("Land Commissioner") is established by Section 15-02-01 of the North Dakota Century Code. The Commissioner is appointed by the Board of University and School Lands. The following individuals have served in this position during the biennium:

R. E. Lommen	July 1, 1985 to September 30, 1985
Timothy L. Kingstad	December 1, 1985 to June 30, 1986

The following page completes the organizational chart for the State Land Department, as of June 30, 1987.

ORGANIZATIONAL CHART FOR THE STATE LAND DEPARTMENT



STATE LAND DEPARTMENT
RESPONSIBILITIES AND GOALS

Agency Responsibilities

The responsibilities of the State Land Department are rooted in an Act of Congress, dated February 22, 1889. This act, commonly known as the Enabling Act, created the state of North Dakota and provided for its admission to the union. To help the newly created state establish schools and other necessary state institutions, Congress gave North Dakota grants of land totalling nearly 3.2 million acres. Sections sixteen and thirty-six in every township, or other replacement land in certain cases, was given to North Dakota "for the support of the common schools". This acreage totalled over 2.5 million acres. Additional grants of land for the support of five specific colleges and universities totalled 376,000 acres; and a grant of nearly 300,000 acres was made for the support of six state institutions.

Because this land was given to North Dakota to support the schools of the state, or a specific college or state institution, the Enabling Act placed restrictions on its use. Essentially, the state is required to deal with the land as a trustee for the benefit of the schools and other institutions who are the trust beneficiaries. These trust concepts are carried through in Article IX of the Constitution of North Dakota which establishes the Board of University and School Lands.

Since statehood, much of the school and institutional land granted to North Dakota has been sold. However, beginning in 1939, the state reserved five percent of the minerals whenever grant land was sold. In 1941, the reservation was increased to 50 percent; and, since July 28, 1960, the Constitution has mandated a 100 percent mineral reservation. Thus, while the remaining grant land surface acreage totals 657,366 acres, the grant land mineral acreage held by the various trust funds totals 1,838,421 acres. The various trust funds have also acquired approximately 55,000 acres of land since statehood, bringing the total trust fund surface acreage to 712,456 acres.

In addition to the surface and mineral acreage held by the state as trustee, all of the revenue from the sale of grant land has been deposited in a "permanent fund" for the school or institution which owned the land. Revenue from the sale of grant land has been supplemented by mineral royalties and bonuses, which are also deposited in the appropriate permanent fund. At the close of the biennium, the various permanent trust funds managed by the Land Board totalled \$262,203,500.

Thus, the primary responsibility of the State Land Department, under the direction of

the Board of University and School Lands, is to manage this trust property, consisting of land, minerals, and money, for the benefit of the schools and institutions who are the trust beneficiaries. The 712,456 acres of land (an area larger than several North Dakota counties) is leased to ranchers and farmers across the state. The 1.8 million mineral acres is offered for oil, gas, coal, gravel, and scoria leasing. The \$262 million in permanent trust fund monies is invested in the Farm Loan Pool administered by the Bank of North Dakota, U.S. Treasury notes and bonds, certificates of deposit, and other secure and prudent investments. The income from these investments, together with surface and mineral rentals, is distributed to the schools and institutions at specified intervals throughout the biennium.

In addition to the responsibility for management of these school and institutional trust fund properties, the Land Board, has, since 1977, served as trustee for the Lands and Minerals Trust fund. This trust fund consists of 663,310 mineral acres formerly owned by the Bank of North Dakota, and the beds (both surface and mineral interests) of navigable rivers, lakes and streams. The Land Department also enforces the Unclaimed Property Act by collecting "unclaimed property" (e.g. uncashed checks, unused bank accounts, etc.), and attempting to find the property's lawful owner. Finally, the Land Department is responsible for the management of farm properties received through foreclosure by the Bank of North Dakota, as agent for the State Treasurer and as agent for the department's own Farm Loan Pool.

Agency Goals

The primary goal of the State Land Department is to achieve a high level of management ability so that the long-term benefits to the trust beneficiaries are maximized. To achieve this primary goal, the following sub-goals have been established:

- 1) To develop and maintain a comprehensive, multiple use inventory and management program for surface lands administered.
- 2) To develop and pursue a strong, effective minerals management program which maximizes revenue to the trust funds.
- 3) To implement an aggressive, fair minerals audit program to ensure that the trust funds receive all royalties to which they are entitled.
- 4) To continue to improve compliance with the Unclaimed Property Law.
- 5) To improve the investment functions of the department.
- 6) To modernize the data processing functions of the department.

STATE LAND DEPARTMENT
SUMMARY OF ACTIVITIES

Commissioner

The Commissioner of University and School Lands acts as agent for the Board of University and School Lands in carrying out the policies established by the Board. The Commissioner is also responsible for the organization and general administration of the State Land Department.

The 1985-87 biennium can best be characterized as a period of transition within the Land Department. In December of 1985, Timothy L. Kingstad became Land Commissioner, replacing R. E. Lommen who retired in August of 1985, after twelve years of service to the department. Since that time, Commissioner Kingstad has undertaken a thorough review of the functions of the department. Changes have been completed or begun in the following areas:

1) Departmental Organization:

In October of 1986, the Land Department was reorganized into the following five divisions: Minerals Management, Surface Management, Audit, Accounting, and Unclaimed Property. This reorganization was designed to integrate the responsibilities for surface leasing and management into one division; establish an effective mineral audit program within the department; increase the level of professional management within the minerals management area; and, clarify the responsibilities of all departmental personnel. As part of this reorganization, two vacant positions were re-classified to meet the newly defined goals of the department. These positions now function as Director of the Minerals Management Division and Director of the Audit Division. Also, one position in the department was eliminated through a reduction in force.

2) Data Processing:

In July of 1986, the Central Data Processing Division was asked to study the data processing systems in place in the Land Department and make recommendations for improvements to those systems. The Central Data Processing study concluded that existing systems were severely inadequate to meet the needs of the department and that significant changes would be needed to bring the data processing functions up-to-date. The study also concluded that by improving the department's data processing capabilities, significant improvements could be made in the way ownership and lease records are maintained and royalties are accounted

for and audited. The overall efficiency and management capabilities of the department would also be enhanced by improvements to the data processing system.

The Central Data Processing study was used as the basis for the department's budget request for the 1987-89 biennium. Also, during the last six months of the biennium, a preliminary review of the data processing system being used by the Colorado Board of Land Commissioners was undertaken. This initial review produced very favorable indications as to the possibility of adapting the Colorado system for use in the department. Further study and implementation of significant improvements to the department's data processing capabilities is expected during the 1987-89 biennium.

3) Legislation:

During the Fiftieth Legislative Assembly, the Board of University and School Lands requested the introduction of numerous bills dealing with departmental activities. Legislation enacted during the session gives the Board the authority to renegotiate farm loans and land sale contracts; allows the Board to charge a fee for managing foreclosed farms for the Bank of North Dakota and the State Treasurer; simplifies the leasing of surface tracts in certain cases; and, streamlines the gravel leasing process. Another significant piece of legislation, in the unclaimed property area, reduces the holding period for inactive accounts in financial institutions from twenty to seven years. This should provide a dramatic increase in the unclaimed accounts turned over to the department by these institutions.

Another bill affecting the department's activities clarified that a surface owner is entitled to damages resulting from oil and gas drilling and development operations. Policy changes to implement this legislation should result in significant, additional revenues from oil and gas exploration and development activities on state lands.

Finally, members of the Land Board and the Commissioner were involved in negotiations and other efforts which successfully resolved the financial problems surrounding the Dickinson Experiment Station project. Legislation authorizing the issuance of bonds by the North Dakota Industrial Commission will result in the pay-off of the loan from the common schools trust fund to the Board of Higher Education. This loan has been delinquent for over three years, with total interest due at the end of the biennium of nearly \$1.4 million. Repayment of this loan will also result in the return of over \$3.8 million in principal to the

common schools trust fund.

4) Investments:

The investment procedures employed by the Land Board were essentially unchanged during the biennium. However, discussions were begun with representatives of the State Investment Board and the Investment Division at the Bank of North Dakota, regarding the potential utilization by the Land Board of investment services offered by the Bank and the Investment Board. It is anticipated that cooperation in this area could provide the Land Board with an improved level of expertise in the investment field, and improve the performance of the funds managed by the Board.

Surface Management Division

The Surface Management Division was created during the 1985-87 biennium by combining the Land Management Division and part of the Leasing Division. This new division recognizes the need to balance short-term income with a long-term land management philosophy. Immediate income from leasing is, of course, important. However, long-term management of trust lands is vital in maintaining and improving the production capability of these lands for future generations. This organizational change has also increased operating efficiency, reduced duplication of records, and improved intradepartmental coordination.

During the past biennium, 2,233 surface leases were issued. Leases for grazing, haying, and cultivation were awarded to the highest bidder at public auctions generally held in October of each year. The minimum rental bids were \$2.25 per acre for grassland, \$3.50 per animal unit month, \$7.50 per acre for hayland, and \$15.00 per acre for cropland. During the biennium, the Land Board adopted a policy of holding an additional surface lease auction in March for tracts that remained unleased following the October auctions and tracts on which the leases expired for non-payment of rent. The March auctions replaced the previous policy of awarding open leases to the first applicant. This change reduced abuses of the leasing system, encouraged competition, and increased lease revenue by approximately \$26,483 on 70 leases.

The slow agricultural economy resulted in the acquisition of 4,260 acres of land by the trust funds through foreclosure. These lands were leased at fair market value but cannot be sold for less than the amount due on the loan plus all interest and costs. The State Land Department also managed 9,519 acres by agreement with the State Treasurer and

the Bank of North Dakota. These lands were acquired through foreclosure by the Bank of North Dakota and are owned by the State Treasurer. The State Land Department received a management fee for this service which will be used to reimburse the department's operating fund for the cost of providing the management services.

The range inventory contract with NDSU was completed on 72,750 acres in Adams, Grant, Hettinger, Stark, and Billings Counties. A total of 348,692 acres or 49 percent of all school lands have been inventoried since 1980. Approximately 73 percent of the rangeland inventoried was in good to excellent condition, while the remaining 27 percent was in need of improvement. Numerous land improvement projects have been initiated to correct overgrazing and to reseed permanent cover on marginal cropland. Clubmoss control was also completed on 80 acres in cooperation with the lessee, with additional work scheduled for 1988.

Cooperative leafy spurge control was completed on 166 management units which was an increase of 16 percent from the previous biennium. Leafy spurge undoubtedly increased on school lands as it has statewide, but the majority of the increase in spraying was a result of a greater control effort on existing infestations. Emphasis on noxious weed control will prevent future large scale production losses and declines in leasing value. In addition, only 25,983 acres were sprayed for grasshopper control as compared with 46,114 acres in the previous biennium. The grasshopper problems of the previous biennium declined significantly because of effective area wide spraying programs and improved weather.

A final area of concern has been management of the beds of navigable waterways outside the Garrison Diversion Conservancy District pursuant to Chapter 15-08.2 and Section 47-06-08 of the North Dakota Century Code. Regulations in 27 states were reviewed to develop draft regulations for the management of the beds of navigable waterways administered by the Board of University and School Lands. This should provide a coherent policy in managing these lands for the benefit of the people of North Dakota. The Surface Management Division also participated in the development of the Burleigh-Morton Missouri River Recreation Plan. This comprehensive plan served as a model for recreational river management nation-wide.

Minerals Management Division

The Minerals Management Division of the State Land Department is responsible for the administration of mineral interests which are held in trust for the benefit of the common schools, universities, and institutions of North Dakota. The division also administers

mineral interests formerly owned by the Bank of North Dakota, and minerals under navigable rivers, lakes, and streams. The receipts to this division have, during the biennium, mirrored the hard economic times of the energy industry.

<u>Description</u>	<u>Receipts</u>	<u>% Change/Previous Biennium</u>
Oil/Gas Royalty	\$15,679,744	-44.14%
Oil/Gas Bonus	\$ 3,673,254	-77.07%
Coal Royalty	\$ 2,431,802	-53.96%

During the biennium, seven oil and gas lease sales were held. Leases were issued on 179,667 net mineral acres, at an average bonus of \$21.60 per net acre. In comparison, during the previous biennium, leases were issued on 206,708 mineral acres, at an average bonus of \$83.98 per net acre. Thus, the acreage on which new leases were issued declined by only 13 percent, but the average bonus declined by over 74 percent.

At the close of the 1985-87 biennium, the Department had outstanding oil and gas leases covering approximately 714,300 mineral acres, which is about 29 percent of the total acreage (2.5 million acres) available for lease. At the close of the prior biennium, outstanding oil and gas leases covered approximately 932,000 acres, or about 37 percent of the acreage available. This represents a decline in acreage under lease of approximately 23 percent.

Also during the biennium, the Board of University and School Lands adopted two policies which recognized the difficult economic conditions in the oil and gas industry. The first policy, a shut-in well policy, was instituted in May of 1986. This policy gave the Land Commissioner authorization to allow an oil company to shut-in an uneconomical well for a period of one year. It was instituted to provide an alternative to plugging a well due to poor economic conditions.

The second policy change established the "three-mile rule" for determining royalty on oil and gas leases issued by the Land Board. At the start of the biennium, the oil and gas leases issued by the Board provided for a one-sixth royalty if there was established production within the county where the lease was issued. Only leases in non-producing counties were issued with a one-eighth royalty. In August of 1986, the Board liberalized this policy to provide that only a lease issued within three miles of an existing well would contain a one-sixth royalty. All other oil and gas leases are issued with a one-eighth royalty. It is hoped that this policy will promote more drilling on minerals held by the Board of University and School Lands.

At the close of the biennium, there were 29 coal leases covering 4,240 mineral acres

administered by the Department. Of these leases, three leases covering 480 acres were producing as of June 30, 1987. Thirteen leases covering 1,600 acres were undeveloped, and 13 leases covering 2,160 acres were in the process of being reclaimed.

Audit Division

In October of 1986, an experienced oil and gas auditor was hired to act as the Director of the Audit Division. The responsibilities of the Audit Division include the management of the department's royalty accounting system and the auditing of past royalty payments to ensure that the state has received its correct share of production. The Audit Division instituted a number of policies and procedures during the last nine months of the biennium to increase compliance with oil and gas lease terms, and to ensure that the state is paid its correct royalty share. These policies and procedures include:

- 1) The assessment of interest on all late royalty payments. Over \$33,000 in interest was collected through June of 1987. This policy has also resulted in the state receiving many royalty payments earlier than it has in the past, since companies that have been assessed for late payments often improve the timeliness of future payments.
- 2) A detailed review of all royalty checks received by the state. This procedure netted close to \$156,000 during the biennium and has also resulted in increased compliance with lease terms and state laws. Problems uncovered included improper windfall profits and severance tax deductions, erroneous adjustments, and cases where no royalties were paid on production from certain wells.
- 3) Increased enforcement of lease terms relating to potential drainage from state minerals by wells on adjacent lands. Negotiations in several cases were in progress at the end of the biennium. The monetary impact of these efforts is difficult to assess. However, at least two wells have been drilled as the result of these enforcement activities.
- 4) Beginning an audit program to audit past royalty payments. Approximately \$7,000 was collected directly from audits of past production periods.

To date, the lack of a good computerized royalty accounting system has been a major hindrance in performing major audits and other royalty compliance procedures. When the computer capabilities are improved, the results in this division should show substantial improvement.

Accounting Division

The Accounting Division is responsible for the receipt, deposit, and accounting for all monies received by the State Land Department. The division maintains all accounting records for 15 permanent trust funds, 15 income and interest funds, and two other funds. The division is also responsible for the purchase of, and monitoring and accounting for all investments of these various funds. Finally, the division performs budgetary and payroll functions for the department.

During the 1985-87 biennium, the division processed 21,214 checks, for total receipts of \$29,943,720.69. Investment income to the various funds totalled in excess of \$50 million.

In February of 1986, money market accounts were established at the Bank of North Dakota for all funds managed by the Land Board. These accounts allow all funds to earn interest on a daily basis and have generated a significant amount of income from funds which would otherwise have been uninvested. The money market accounts have also allowed greater flexibility in the purchase of investments for the various funds.

Unclaimed Property Division

The Unclaimed Property Division is responsible for the administration and enforcement of the Unclaimed Property Act, Chapter 47-30.1, N.D.C.C. Each year, over 6,000 report forms are sent to financial institutions, insurance companies, and other businesses which may be holding uncashed checks, unused bank accounts, or other funds which have not been claimed by the owner. When these forms have been completed, they are returned to the department, along with any funds due. The division attempts to locate the owner through letters, publication, and other efforts. If the owner is located, a claim is completed by the owner, evaluated by the department, and paid. All funds that are not claimed by the owner become a part of the common schools trust fund; subject, however, to the right of claim, in perpetuity, by the owner or the owner's heirs.

The following chart illustrates the dramatic increase, during the last biennium, in the total amount of unclaimed property collected, the amount returned to owners, and the net amount added to the unclaimed property portion of the common schools trust fund as the result of the activities of this division.

	<u>1983-85 Biennium</u>	<u>1985-87 Biennium</u>	<u>% Change/Previous Biennium</u>
Total Unclaimed Property Collected	\$ 386,610	\$ 958,666	+148%
Claims Paid to Owners	\$ 56,939	\$ 71,153	+ 25%
Net Addition to Unclaimed Property Portion of the Common Schools Trust Fund	\$ 329,671	\$ 887,513	+169%
Total Assets of Unclaimed Property Portion of the Common Schools Trust Fund	\$1,601,731	\$2,489,244	+ 55%

These dramatic increases are the result of increased enforcement efforts by division personnel and by a national unclaimed property clearinghouse, in which the department participates. Also, departmental efforts to improve cooperation with other states have resulted in funds being received through reciprocal agreements with 13 states. It is anticipated that the successful effort in the 1987 legislative session to lower the holding period for inactive bank accounts from 20 to seven years, will result in a continuation of the trend of increasing collections and payments to owners.

CONVEYANCES OF STATE LAND

The following is a summary of conveyances of state land, approved by the Board of University and School Lands during the 1985-87 biennium:

<u>Description</u>	<u>Number</u>	<u>Acres</u>
Patents Issued/Grant Land	82	12,020.76
Quit Claim Deeds Issued/Non-Grant Land	3	315.38
Conveyances Pursuant to Chapter 15-09, N.D.C.C.(1)	35	342.76
New Contracts for Sale/Grant Land	1	120.00
New Contracts for Sale/Non-Grant Land	2	17.97
	----	-----
Total	123	12,816.87

- (1) Chapter 15-09, N.D.C.C., provides an "in lieu of condemnation" purchase process for acquisition of state land for roads, highways, school sites, reservoirs, and other public purposes.

STATEMENT OF EXPENDITURES BY STATE LAND DEPARTMENT

	1985-87 <u>Budget</u>	1985-87 <u>Expenses</u>	Unused Appropriation <u>Balance</u>
<u>Lands Maintenance Fund(1)</u>			
Salaries & Wages	\$ 867,485	\$ 763,375	\$104,110
Operating Expenses	150,455	149,095	1,360
Central Data Processing	51,380	32,172	19,208
Equipment	14,730	14,570	160
Grant-Benefits-Claims(2)	167,365	154,995	12,370
Contingencies	13,870	-0-	13,870
	-----	-----	-----
	\$1,265,285	\$1,114,207	\$151,078
<u>General Fund</u>			
Dickinson Exp. Station-Specials	\$ 310,659	\$ 296,015	\$ 14,644

- (1) All normal operating expenses of the State Land Department are paid from the state lands maintenance fund established by Section 15-03-01.1, N.D.C.C. This fund consists of the fees charged by the department for issuing leases, easements, deeds, etc.; and a portion of the income generated by the funds managed by the department.
- (2) Payments from the "Grants-Benefits-Claims" line item consisted of the following: noxious weeds control cost-share program with tenants: \$76,943; grasshopper control cost-share program: \$28,455; range inventory contract with N.D.S.U.: \$23,314; and cooperative soil survey program with S.C.S.: \$26,283.

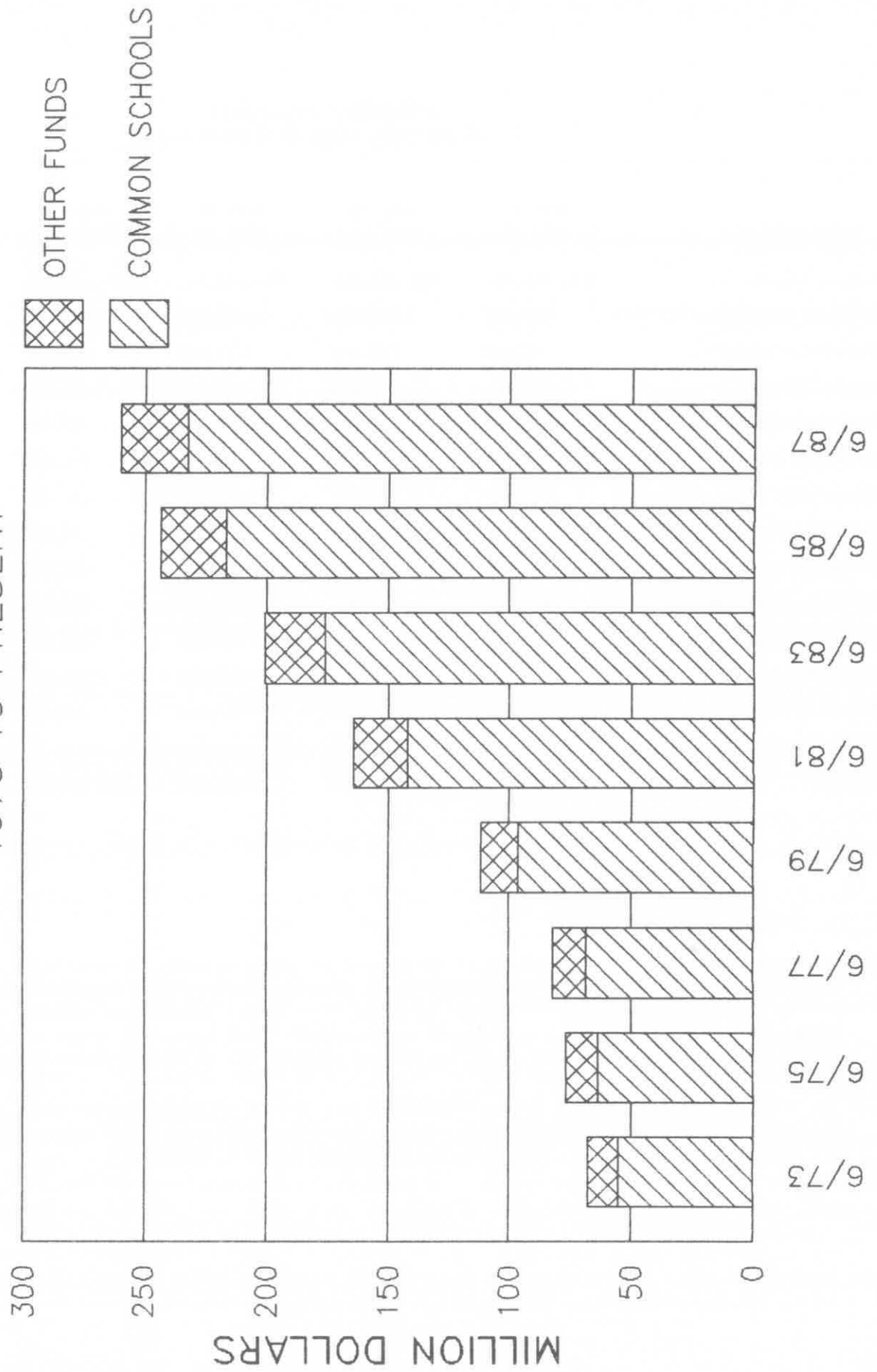
COMPARATIVE STATEMENT
OF GRANT LAND PERMANENT FUND AND OTHER FUND BALANCES

Permanent Funds	June 30, 1979	June 30, 1971	June 30, 1983	June 30, 1985	June 30, 1987
Common Schools	\$ 95,855,654	\$141,838,182	\$176,248,794	\$216,156,378	\$232,230,246
Unclaim. Prop./Com. Schools	938,287	1,083,063	1,272,060	1,601,731	2,489,244
ND State University	3,411,247	4,482,789	5,116,238	6,304,614	6,675,753
School for Blind	779,342	1,075,329	1,240,440	1,352,272	1,395,520
Capitol Building	1,200,869	2,164,216	2,231,395	2,342,104	2,382,986
School for Deaf	937,662	1,434,739	1,474,655	1,545,408	1,550,602
State Hospital	641,554	1,213,226	1,506,103	1,712,600	1,801,925
Ellendale State College (1)	887,119	1,149,532	1,222,208	1,271,950	1,277,834
Valley City State College	1,109,047	1,386,494	1,498,421	1,566,384	1,584,122
Mayville State College	697,946	924,973	967,502	1,068,928	1,079,575
ND Industrial School	1,178,536	1,734,656	2,094,272	2,242,317	2,303,341
ND State School of Science	926,013	1,283,178	1,336,533	1,398,745	1,472,791
School of Mines	1,121,995	1,514,678	1,570,613	1,653,497	1,712,043
Soldiers Home	827,750	1,128,157	1,142,738	1,164,478	1,162,568
University of ND	1,996,261	2,764,168	2,926,388	3,036,468	3,084,950
	\$112,509,282	\$165,177,380	\$201,848,360	\$244,417,874	\$262,203,500
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Other Funds					
Coal Development Trust	\$ 4,114,558	\$ 8,625,481	\$ 13,906,445	\$ 20,591,422	\$ 28,553,702
Lands & Minerals Trust	9,098,739	37,489,146	4,108,687	4,178,440	-0-
Capitol Bldg. I & I	2,384,636	1,527,090	1,122,107	1,937,576	1,797,958
	\$ 15,597,933	\$ 47,641,717	\$ 19,137,239	\$ 26,707,438	\$ 30,351,660
TOTALS =	\$128,107,215	\$212,819,097	\$220,985,599	\$271,125,312	\$292,555,160

(1) The receipts from acreage held by the Ellendale trust fund are allocated equally among the following institutions: Dickinson State College, Minot State College, NDSU-Bottineau, School for the Blind, Soldiers Home, State Hospital, and State School of Science.

TOTAL PERMANENT FUND BALANCES

1973 TO PRESENT



COMPARATIVE STATEMENT OF
INCOME DISTRIBUTED TO INSTITUTIONS

Institutions	July 77- June 79	July 79- June 81	July 81- June 83	July 83- June 85	July 85- June 87
Common Schools (1)	\$12,926,114	\$54,356,300	\$38,403,282	\$44,062,283	\$49,678,908
ND State University	467,200	683,000	1,009,000	1,216,500	1,385,000
School for Blind	95,900	137,200	217,900	270,000	278,000
School for Deaf	135,400	210,800	337,800	361,500	365,000
State Hospital	72,400	119,600	278,100	352,500	370,000
Ellendale State College (2)	100,500	168,000	252,700	271,600	266,350
Valley City State College	154,400	211,100	309,400	331,500	335,000
Mayville State College	95,900	133,400	200,900	213,500	223,000
ND Industrial School	160,500	227,100	418,300	493,500	516,000
ND State School of Science	117,200	163,300	264,900	283,000	285,000
School of Mines	148,800	218,000	327,700	328,500	338,000
Soldiers Home	103,300	149,300	219,600	243,500	239,500
University of ND	281,000	397,700	613,400	659,000	659,000
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TOTALS	\$14,858,614	\$57,174,800	\$42,852,982	\$49,086,883	\$54,938,758

- (1) Effective January 1, 1979, 50 percent of the oil and gas bonus payments received by the common schools trust fund were apportioned and distributed to the schools. This practice continued until June of 1982, when an amendment to Section 1 of Article IX of the North Dakota Constitution mandated that all bonus monies be retained as part of the permanent common schools trust fund. The amount of bonus payments distributed totalled \$32,351,951 during the 1979-81 biennium and \$8,207,540 during the 1981-83 biennium.
- (2) The receipts from acreage held by the Ellendale trust fund are allocated equally among the following institutions: Dickinson State College, Minot State College, NDSU-Bottineau, School for the Blind, Soldiers Home, State Hospital, and State School of Science.

COMPARATIVE SCHEDULE OF
PERMANENT FUND CASH RECEIPTS

Description	July 77- June 79	July 79- June 81	July 81- June 83	July 83- June 85	July 85- June 87
Oil and Gas Royalty	\$ 3,188,922	\$18,809,367	\$23,092,363	\$23,307,464	\$11,980,895
Oil and Gas Bonus (1)	25,657,485	32,306,609	12,063,169	13,332,669	2,569,607
Coal Royalty	788,680	1,002,084	890,150	5,190,632	2,408,303
Gravel and Scoria Royalty	78,238	91,646	30,053	21,138	31,842
Test Holes and Easements	195,942	266,768	380,176	233,802	233,095
Land Sold	54,748	20,055	17,715	148,190	85,388
Miscellaneous Receipts	2,550	26,792	8,358	5,948	-0-
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TOTALS	\$29,966,565	\$52,523,321	\$36,481,984	\$42,239,843	\$17,309,130

COMPARATIVE SCHEDULE OF
INTEREST AND INCOME CASH RECEIPTS

Description	July 77- June 79	July 79- June 81	July 81- June 83	July 83- June 85	July 85- June 87
Interest on Securities	\$ 5,049,492	\$13,303,146	\$27,282,271	\$37,290,003	\$41,160,250
Interest on Loans(2)	6,152,482	7,532,306	8,044,741	9,727,229	9,086,422
Interest on Contracts	1,504,520	1,015,566	875,982	675,356	500,137
Oil and Gas Lease Rentals	1,451,514	1,150,487	1,733,807	1,243,150	870,121
Surface Rentals	2,709,001	2,913,347	3,497,877	3,776,873	3,942,797
Oil and Gas Bonus (1)	4,403,040	31,262,098	4,894,353	-0-	-0-
Interest Penalty	-0-	-0-	-0-	-0-	25,362
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TOTALS	\$21,270,049	\$57,176,950	\$46,329,031	\$52,712,611	\$55,585,089

- (1) Effective January 1, 1979, 50 percent of the oil and gas bonus payments received by the common schools trust fund were apportioned and distributed to the schools. This practice continued until June of 1982, when an amendment to Section 1 of Article IX of the North Dakota Constitution mandated that all bonus monies be retained as part of the permanent common schools trust fund. The oil and gas bonus shown as interest and income was apportioned and distributed to the common schools during the 1979-81 and 1981-83 biennium.
- (2) Interest on loans consists of \$7,789,969 in interest received from the \$50 million Farm Loan Pool managed for the funds by the Bank of North Dakota; and \$1,296,453 in interest to the common schools trust fund from the Developmentally Disabled Facilities loans.

COMBINED STATEMENT OF FUND INVESTMENTS
As of June 30, 1987

TOTAL PERMANENT FUNDS

U. S. Treasury Bonds	\$ 5,957,813
U. S. Treasury Notes	77,910,066
G.N.M.A. Pass-thru	2,484,582
School Bonds	62,000
Certificates of Deposit	112,504,000
Farm Loan Pool	50,000,000 ✓
Land Sale Contracts	2,590,644 ✓
Money Market Accounts	893,249 ✓
Dickinson Exp. Station	3,841,759 ✓
DD Loan Fund #2	4,787,737 ✓
DD Loan Fund #3	1,111,500 /
Cash Balance	60,150 /

TOTAL	\$262,203,500

BREAKDOWN OF PERMANENT FUNDS

	Common Schools	Unclaim Prop. Com. Schools	N.D.S.U.	Blind	Cap. Bldg.	Deaf	Hospital
U.S.T. Bonds	\$ 5,957,813	-0-	-0-	-0-	-0-	-0-	-0-
U.S.T. Notes	70,790,703	\$ 238,941	\$1,916,391	\$ 403,195	\$ 282,341	\$ 367,958	\$ 666,181
G.N.M.A.	1,009,214	-0-	333,466	97,826	22,454	35,954	72,811
School Bonds	50,000	-0-	-0-	-0-	-0-	-0-	-0-
C.D.'s	100,550,000	2,240,000	2,255,000	410,000	1,995,000	415,000	654,000
Farm Loan Pool	41,120,000	-0-	2,100,000	450,000	-0-	720,000	400,000
Land Contracts	2,142,292	-0-	54,841	24,574	79,640	9,193	4,673
M.M. Accounts	810,057	9,503	15,876	9,925	3,551	2,497	4,260
Dick. Exp. Stat.	3,841,759	-0-	-0-	-0-	-0-	-0-	-0-
DD Loan Fund #2	4,787,737	-0-	-0-	-0-	-0-	-0-	-0-
DD Loan Fund #3	1,111,500	-0-	-0-	-0-	-0-	-0-	-0-
Cash Balance	59,171	800	179	-0-	-0-	-0-	-0-
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TOTALS	\$232,230,246	\$2,489,244	\$6,675,753	\$1,395,520	\$2,382,986	\$1,550,602	\$1,801,925

	Ellendale	V. City	Mayville	Industrial	Science	Mines	Soliders	U.N.D.
U.S.T. Notes	\$ 279,302	\$ 349,119	\$ 218,961	\$ 603,087	\$ 413,750	\$ 423,406	\$ 189,645	\$ 767,086
G.N.M.A.	101,802	100,951	90,600	171,698	111,479	120,881	78,211	137,235
School Bonds	12,000	-0-	-0-	-0-	-0-	-0-	-0-	-0-
C.D.'s	325,000	415,000	375,000	885,000	430,000	490,000	340,000	725,000
Farm Loan Pool	540,000	660,000	360,000	620,000	480,000	630,000	520,000	1,400,000
Land Contracts	18,073	53,809	32,285	20,227	24,733	41,179	33,747	51,378
M.M. Accounts	1,657	5,243	2,729	3,329	12,829	6,577	965	4,251
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TOTALS	\$1,277,834	\$1,584,122	\$1,079,575	\$2,303,341	\$1,472,791	\$1,712,043	\$1,162,568	\$3,084,950

OTHER FUNDS

Capitol Building Interest and Income Fund

The Capitol Building Interest and Income Fund consists of accumulated income from the capitol building permanent fund and grant lands. This income is not automatically distributed, as is the case with other permanent fund income, but is held in the Capitol Building Interest and Income Fund until appropriated by the legislative assembly. Section 48-10-02, N.D.C.C., gives the Capitol Grounds Planning Commission "general powers to superintend the administration of the capitol building fund, its interest and income fund, and its investments and properties."

The following is a summary of the activity in the Capitol Building Interest and Income Fund during the 1985-87 biennium:

Beginning Balance - July 1, 1985	\$1,937,576
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REVENUES:

Mineral Rental	8,391
Surface Rental	64,842
Land Contracts	10,086
Investment Income	703,451
Transfer Capitol Grounds Planning	19,067

Total Revenues	\$ 805,837
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EXPENDITURES:

Capitol Grounds Planning	\$ 50,000
Director of Institutions, HB #10	466,290
Legislative Assembly, HB #1058	55,880
State Laboratories Dept., SB #20	160,000
Legislative Assembly, SB #2020	187,200
Legislative Assembly, HB #1013	10,000
Administrative Expenses	16,085

Total Expenditures	\$ 945,455
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Ending Balance - June 30, 1987	\$1,797,958
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At the close of the biennium, \$559,800 was invested in certificates of deposit, and \$1,238,158 was being held in a money market account, for a total of \$1,797,958.

Lands and Minerals Trust Fund

The Lands and Minerals Trust Fund is created by Chapter 15-08.1 and 15-08.2 of the North Dakota Century Code. It consists of revenues from property, primarily minerals, formerly held by the Bank of North Dakota, and revenues from the beds of all navigable rivers, lakes, and streams located outside the Garrison Diversion Conservancy District. The beds of these navigable bodies of water, together with the former Bank of North Dakota minerals, are leased for oil and gas exploration and production. (All riverbed leases prohibit "surface" occupancy; what is actually being leased is the right to participate in a spacing unit for oil and gas production.)

All monies collected by the Lands and Minerals Trust Fund are subject to legislative appropriation. The significant decline in oil and gas revenues during the biennium necessitated a reduction in the legislative appropriations from this fund. These reductions were completed by the Office of Management and Budget through the "allotment" process, and consisted of four percent reductions in the appropriated operating funds for the Geological Survey, Industrial Commission, and Energy Development Impact Office. The grant portion of the appropriation for the Energy Development Impact Office, and the appropriations for the Southwest Water Pipeline project and Grasshopper Control were reduced by approximately 25 percent.

The Lands and Minerals Trust Fund also serves as a funding vehicle for the repayment of the Developmentally Disabled Facilities Loan Funds. (At the close of the biennium, \$5,899,237 had been borrowed from the common schools trust fund for D.D. Loan Funds #2 and #3.) The actual administration of these loan programs is the responsibility of the Bank of North Dakota, with loan collections being deposited in the Lands and Minerals Trust Fund. The total amount due to the common schools trust fund is then appropriated from all revenues to the Lands and Minerals Trust Fund.

The following is a summary of activity in the Lands and Minerals Trust Fund for the 1985-87 biennium:

Beginning Balance - July 1, 1985	\$4,179,443
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REVENUES:

Oil & Gas/Coal Royalties	3,702,996
Lease Rentals	355,145
Oil & Gas Bonuses	1,104,607
Interest on Investments	364,271
D.D. Loan Repayment	674,429
Miscellaneous Receipts	76,076

REVENUES Continued:

Prior Biennium Adjustments	-155,411

Total Revenues	\$6,122,113

EXPENDITURES:

Industrial Commission: SB #2028	\$ 2,661,964
Geological Survey: SB #2025	1,753,147
Grasshopper Range Control: HB #1388	74,452
Southwest Water Pipeline: HB #1035	1,117,087
Disabled Facility Loan #2: HB #1009	1,138,122
Disabled Facility Loan #3: SB #2249	158,331
Energy Impact Office: HB #1029	3,080,948
Administrative Costs	316,100
Miscellaneous Expenses	1,405

Total Expenditures	\$10,301,556
Ending Balance - June 30, 1987	-0-

Coal Development Trust Fund

The Coal Development Trust Fund is established by Section 21 of Article X of the Constitution of North Dakota, and Section 57-62-02 of the North Dakota Century Code. The monies in the fund are derived from a 15 percent share of the coal severance tax. The principal balance of the fund is available for loans to counties, cities, and school districts that have been impacted by coal development.

During the 1985-87 biennium, a maximum of 50 percent of the unloaned balance of the fund on January 1, 1985, was also made available for loans to counties, cities, and school districts that have been impacted by oil and gas development. The unloaned balance of the fund is invested by the Board of University and School Lands. All interest income, from the loans and other investments of the fund, is deposited in the state general fund.

The following is a summary of activity in the Coal Development Trust Fund during the 1985-87 biennium:

Beginning Balance - July 1, 1985	\$20,591,422
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REVENUES:

Coal Severance Tax Funds Rec'd	8,533,574
Interest Rec'd on Coal Warrants	1,209,700
Interest Rec'd on Oil & Gas Warrants	235,638
Interest Income from Investments	2,055,388

REVENUES Continued:

Principal Pymt Rec'd from State Treas. on Coal Warrants (Suspense)	85,667 -----
Total Revenues	\$12,119,967

EXPENDITURES:

Earnings Transferred to General Fund	\$ 3,369,373 -----
Total Expenditures	\$ 3,369,373
Ending Balance - June 30, 1987	\$29,342,016

NEW LOANS

The Board of University and School Lands approved the following loans from the fund during the 1985-87 biennium:

	<u>Number</u>	<u>Dollars</u>
Coal Impact	6	\$1,438,593
Oil & Gas Impact	5	3,320,000
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Total	11	\$4,758,593

INVESTMENT BALANCES

At the close of the biennium, the Coal Development Trust Fund was invested as follows:

U.S. Treasury Notes	\$ 1,903,302
Certificates of Deposit	14,540,000
Money Market Account	738,432
Oil & Gas Impact Loans	3,161,318
Coal Impact Loans	8,998,964

Total	\$29,342,016

SURFACE ACRES BY TRUST FUND
As of June 30, 1987

Trust Fund	Grant Land	Acquired Land	Totals
Common Schools	602,182.97	36,980.02	639,162.99
ND State University	11,358.07	4,094.02	15,452.09
School for Blind	2,393.60	1,047.79	3,441.39
Capitol Building	9,183.09	798.08	9,981.17
School for Deaf	3,477.69	1,408.85	4,886.54
State Hospital	1,877.75	344.60	2,222.35
Ellendale State College (*)	3,226.37	1,351.59	4,577.96
Valley City State College	-0-	695.19	695.19
Mayville State College	-0-	670.10	670.10
ND Industrial School	2,885.57	1,499.54	4,385.11
ND School of Science	2,111.05	1,489.14	3,600.19
School of Mines	2,009.44	1,301.46	3,310.90
Soldiers Home	2,433.69	523.47	2,957.16
University of ND	7,755.60	1,998.14	9,753.74
Valley City & Mayville (*)	6,470.91	180.40	6,651.31
General Fund	-0-	708.20	708.20
TOTALS	657,365.80	55,090.59	712,456.39

(*) The receipts from acreage held by the Ellendale trust fund are allocated equally among the following institutions: Dickinson State College, Minot State College, NDSU-Bottineau, School for the Blind, Soldiers Home, State Hospital, and State School of Science.

The receipts from acreage held by Valley City and Mayville State Colleges are allocated 62.5% to Valley City and 37.5% to Mayville.

SURFACE ACRES & LEASES BY COUNTY
As of June 30, 1987

County	Surface Acres	No. of Tracts	No. of Leases	County	Surface Acres	No. of Tracts	No. of Leases
Adams	17,082.16	109	109	McLean	21,036.54	147	141
Barnes	2,798.09	18	17	Mercer	14,947.29	103	95
Benson	10,989.78	101	95	Morton	18,368.73	123	113
Billings	31,150.53	200	200	Mountrail	32,533.89	218	215
Bottineau	2,754.15	18	17	Nelson	2,853.66	31	27
Bowman	29,281.58	188	187	Oliver	7,661.62	50	48
Burke	16,288.17	111	103	Pembina	-0-	0	0
Burleigh	30,120.87	198	176	Pierce	14,317.17	103	103
Cass	40.00	1	0	Ramsey	2,056.50	23	19
Cavalier	596.47	6	3	Ransom	1,120.00	7	7
Dickey	4,543.77	32	25	Renville	1,911.00	12	12
Divide	21,141.44	139	137	Richland	593.68	4	4
Dunn	26,135.36	165	164	Rolette	6,835.92	53	41
Eddy	10,287.07	85	83	Sargent	1,128.79	8	8
Emmons	13,703.07	94	93	Sheridan	25,835.62	179	179
Foster	3,114.01	21	21	Sioux	23,519.26	156	153
Golden Valley	28,971.60	188	187	Slope	23,626.78	149	149
Grand Forks	2,073.77	13	13	Stark	6,142.64	39	39
Grant	33,483.95	221	221	Steele	-0-	0	0
Griggs	1,741.24	13	12	Stutsman	15,589.95	108	104
Hettinger	9,881.40	65	65	Towner	8,079.71	78	75
Kidder	28,637.79	184	184	Traill	-0-	0	0
LaMoure	1,440.00	10	9	Walsh	201.02	3	2
Logan	9,394.07	62	62	Ward	11,039.06	71	71
McHenry	22,144.94	144	144	Wells	5,088.63	41	41
McIntosh	6,357.50	47	47	Williams	38,831.65	254	252
McKenzie	64,984.50	413	413				
				TOTALS	712,456.39	4,806	4,685

MINERAL ACRES BY TRUST FUND
As of June 30, 1987

Trust Fund	<u>Percentage Owned/Net Mineral Acres</u>				Totals
	5%	33 1/3%	50%	100%	
Common Schools	680.15	-0-	677,248.48	846,758.65	1,524,687.28
ND State University	103.99	-0-	43,315.66	22,361.00	65,780.65
School for Blind	42.00	-0-	9,651.39	5,533.30	15,226.69
Capitol Building	-0-	-0-	10,537.35	17,138.56	27,675.91
School for Deaf	16.00	-0-	13,127.39	7,454.18	20,597.57
State Hospital	15.50	-0-	6,794.49	2,902.47	9,712.46
Ellendale State College (*)	16.00	-0-	5,661.72	4,878.74	10,556.46
Valley City State College	-0-	-0-	7,082.40	640.00	7,722.40
Mayville State College	4.00	-0-	8,387.48	640.00	9,031.48
ND Industrial School	28.00	-0-	24,965.51	8,194.52	33,188.03
ND School of Science	16.00	-0-	12,598.50	5,899.15	18,513.65
School of Mines	8.00	-0-	14,979.46	5,805.55	20,793.01
Soldiers Home	15.82	-0-	7,912.07	5,357.27	13,285.16
University of ND	-0-	-0-	26,889.17	14,898.45	41,787.62
Valley City & Mayville (*)	32.00	-0-	8,973.98	10,856.87	19,862.85
General Fund	11,578.82	53.33	648,083.46	3,594.81	663,310.42
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TOTALS	12,556.28	53.33	1,526,208.51	962,913.52	2,501,731.64

(*) The receipts from acreage held by the Ellendale trust fund are allocated equally among the following institutions: Dickinson State College, Minot State College, NDSU-Bottineau, School for the Blind, Soldiers Home, State Hospital, and State School of Science.

The receipts from acreage held by Valley City and Mayville State Colleges are allocated 62.5% to Valley City and 37.5% to Mayville.

MINERAL ACRES BY COUNTY
Oil and Gas Leases
As of June 30, 1987

County	State Mineral Acres	Acres Under Lease	No. of Leases	County	State Mineral Acres	Acres Under Lease	No. of Leases
Adams	58,358.36	808.00	9	McLean	120,614.98	31,225.23	422
Barnes	19,493.54	394.52	5	Mercer	60,248.97	24,070.21	309
Benson	41,047.46	2,122.47	30	Morton	101,142.08	15,520.78	167
Billings	58,113.60	36,799.27	373	Mountrail	97,028.23	46,437.56	558
Bottineau	36,778.46	22,652.08	338	Nelson	26,256.00	-0-	0
Bowman	61,218.57	18,166.71	192	Oliver	38,356.07	-0-	0
Burke	47,620.39	34,448.11	371	Pembina	6,652.22	-0-	0
Burleigh	95,268.53	2,051.53	26	Pierce	51,316.12	19,913.28	254
Cass	7,036.59	-0-	0	Ramsey	21,188.34	-0-	0
Cavalier	26,126.66	-0-	0	Ransom	9,275.44	-0-	0
Dickey	24,855.28	-0-	0	Renville	24,221.30	13,249.31	176
Divide	71,690.37	66,188.64	796	Richland	6,069.01	-0-	0
Dunn	85,792.86	72,962.81	768	Rolette	29,371.93	9,261.58	126
Eddy	26,725.50	3,596.95	31	Sargent	6,600.18	-0-	0
Emmons	73,906.47	-0-	0	Sheridan	73,610.89	3,350.96	29
Foster	20,746.33	4,569.04	43	Sioux	46,710.25	10,254.87	86
Golden Valley	41,705.98	20,231.03	177	Slope	52,449.34	8,657.90	71
Grand Forks	10,774.32	-0-	0	Stark	53,716.28	27,254.14	354
Grant	98,583.15	960.00	9	Steele	6,208.28	-0-	0
Griggs	19,190.95	-0-	0	Stutsman	87,682.51	4,522.05	52
Hettinger	54,072.21	7,575.51	96	Towner	42,550.72	1,360.00	12
Kidder	70,612.46	-0-	0	Traill	725.58	-0-	0
LaMoure	19,433.17	-0-	0	Walsh	6,855.69	-0-	0
Logan	49,456.87	-0-	0	Ward	72,174.86	26,717.00	377
McHenry	66,673.58	16,584.67	205	Wells	40,246.86	3,373.17	45
McIntosh	33,635.33	-0-	0	Williams	90,746.68	75,216.47	855
McKenzie	10,795.84	83,777.68	876	-----			
				TOTALS	2,501,731.64	714,273.53	8,238

RESULTS OF OIL & GAS LEASE SALES (7/1/85 TO 6/30/87)

COUNTY	8/85	11/85	2/86	5/86	8/86	11/86	5/87	TOTAL
BILLINGS	TOTAL \$	\$96,608.86	\$95,921.00	\$26,172.10	\$108,862.38	\$23,440.00	\$0.00	\$374,404.34
	MIN. ACRES	1828.38	2140	1402.4	6804.56	880	0	13455.34
	\$/MIN ACRE	\$52.84	\$44.82	\$18.66	\$16.00	\$26.64	\$0.00	\$27.83
BOTTINEAU	TOTAL \$	\$32.80	\$10,016.77	\$27,942.87	\$1,168.00	\$0.00	\$0.00	\$48,168.95
	MIN. ACRES	7.6	891.59	4672.21	534	0	0	6528.8
	\$/MIN ACRE	\$4.32	\$11.23	\$5.98	\$2.19	\$0.00	\$0.00	\$7.38
BOWMAN	TOTAL \$	\$16,880.62	\$11,285.00	\$3,456.40	\$11,002.80	\$0.00	\$2,080.00	44704.82
	MIN. ACRES	2057.72	1539	569.4	1418.19	0	280	5864.31
	\$/MIN ACRE	\$8.20	\$22.00	\$6.07	\$7.76	\$0.00	\$7.43	\$7.62
BURKE	TOTAL \$	\$42,800.78	\$69,669.90	\$48,750.30	\$17,980.00	\$9,744.88	\$6,290.85	352998.86
	MIN. ACRES	1212.13	2075.7	4895.18	560	1399.96	866.15	17965.33
	\$/MIN ACRE	\$35.31	\$33.56	\$9.96	\$32.11	\$6.96	\$7.26	\$19.65
DIVIDE	TOTAL \$	\$214,797.96	\$82,351.41	\$433,898.74	\$0.00	\$0.00	\$9,920.27	742658.38
	MIN. ACRES	5410.08	2948.27	13031.33	0	0	464.09	21933.77
	\$/MIN ACRE	\$39.70	\$27.93	\$33.30	\$0.00	\$0.00	\$21.38	\$33.86
DUNN	TOTAL \$	\$11,080.72	\$668,627.73	\$7,226.00	\$50,718.33	\$380.00	\$12,369.99	750402.77
	MIN. ACRES	1311.04	30881.18	396	4237.06	160	278.07	37263.35
	\$/MIN ACRE	\$8.45	\$21.65	\$18.25	\$11.97	\$2.38	\$44.49	\$20.14
G. VALLEY	TOTAL \$	\$22,624.00	\$2,820.00	\$52,330.00	\$0.00	\$0.00	\$0.00	101494
	MIN. ACRES	2712	240	1080	0	0	0	4672
	\$/MIN ACRE	\$8.34	\$11.75	\$48.45	\$0.00	\$0.00	\$0.00	\$21.72
HETTINGER	TOTAL \$	\$680.00	\$10,119.11	\$0.00	\$0.00	\$0.00	\$0.00	11810.05
	MIN. ACRES	320	4589.16	0	0	0	0	5384.63
	\$/MIN ACRE	\$2.13	\$2.21	\$0.00	\$0.00	\$0.00	\$0.00	\$2.19
MCHENRY	TOTAL \$	\$970.00	\$4,245.55	\$0.00	\$0.00	\$0.00	\$0.00	5385.55
	MIN. ACRES	80	955.05	0	0	0	0	1115.05
	\$/MIN ACRE	\$12.13	\$4.45	\$0.00	\$0.00	\$0.00	\$0.00	\$4.83
MCKENZIE	TOTAL \$	\$59,437.22	\$125,932.00	\$139,836.87	\$53,866.25	\$2,815.25	\$118,324.22	504938.27
	MIN. ACRES	4552.85	872	2449.28	5695.92	399.94	6424.65	20474.58
	\$/MIN ACRE	\$13.05	\$144.42	\$57.09	\$9.46	\$7.04	\$18.42	\$24.66
MCLEAN	TOTAL \$	\$0.00	\$1,817.60	\$0.00	\$18,193.71	\$0.00	\$0.00	20011.31
	MIN. ACRES	0	883.8	0	2597.29	0	0	3481.09
	\$/MIN ACRE	\$0.00	\$2.06	\$0.00	\$7.00	\$0.00	\$0.00	\$5.75
MOUNTRAIL	TOTAL \$	\$1,640.00	\$1,831.28	\$58,606.05	\$2,458.88	\$2,062.05	\$52.00	113299.99
	MIN. ACRES	640	145.94	1992.45	759.5	568.03	2	4985.08
	\$/MIN ACRE	\$2.56	\$12.55	\$29.41	\$3.24	\$3.63	\$26.00	\$22.73
RENVILLE	TOTAL \$	\$10,991.14	\$15,209.07	\$23,890.00	\$5,978.25	\$15,390.00	\$8,440.00	109497.21
	MIN. ACRES	627.76	887.86	320	915.5	240	320	4438.62
	\$/MIN ACRE	\$17.51	\$17.13	\$74.66	\$6.53	\$64.13	\$26.38	\$24.67
SLOPE	TOTAL \$	\$8,804.00	\$2,173.75	\$1,420.00	\$0.00	\$0.00	\$0.00	12567.75
	MIN. ACRES	877	744.75	568	0	0	0	2269.75
	\$/MIN ACRE	\$10.04	\$2.92	\$2.50	\$0.00	\$0.00	\$0.00	\$5.54
STARK	TOTAL \$	\$40,467.68	\$71,979.18	\$1,070.00	\$12,471.00	\$13,160.00	\$170.00	143027.86
	MIN. ACRES	3172.78	6390.67	240	1460.78	320	80	11904.23
	\$/MIN ACRE	\$12.75	\$11.26	\$4.46	\$0.00	\$41.13	\$2.13	\$12.01
WARD	TOTAL \$	\$0.00	\$7,484.40	\$3,392.00	\$0.00	\$269.70	\$1,371.57	17739.27
	MIN. ACRES	0	338.74	966	0	87.8	253.99	3560.46
	\$/MIN ACRE	\$0.00	\$22.09	\$3.51	\$0.00	\$3.07	\$5.40	\$4.98
WILLIAMS	TOTAL \$	\$175,988.00	\$158,448.56	\$134,555.62	\$3,351.31	\$2,937.13	\$440.00	525800.62
	MIN. ACRES	1829.5	7615.91	3139.13	477.45	188.27	120	13830.26
	\$/MIN ACRE	\$96.19	\$5.00	\$42.86	\$7.02	\$15.60	\$3.67	\$38.02
OTHER	TOTAL \$	\$1,620.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$1,620.00
	MIN. ACRES	540	0	0	0	0	0	540
	\$/MIN ACRE	\$3.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$3.00
TOTALS	TOTAL \$	\$705,423.78	\$1,339,932.31	\$962,546.95	\$286,050.91	\$70,199.01	\$159,458.90	\$3,880,530.00
	MIN. ACRES	27178.84	64139.62	35721.38	25460.25	4244	9088.95	179666.65
	\$/MIN ACRE	\$25.95	\$20.89	\$26.95	\$11.24	\$16.54	\$17.54	\$21.60

STATE OF
COMMISSIONER
OF UNIVERSITY
AND SCHOOL
LANDS
NORTH DAKOTA

FORTY EIGHTH
BIENNIAL
REPORT

July 1, 1987 to June 30, 1989



Timothy L. Kingstad

Commissioner



Timothy L. Kingstad
COMMISSIONER

North Dakota STATE LAND DEPARTMENT

918 East Divide Avenue, Suite 410
Drawer No. 5523
Bismarck, North Dakota 58502-5523
(701) 224-2800



December 1, 1989

The Honorable George A. Sinner
Governor of North Dakota
State Capitol
Bismarck, ND 58505

Mr. Richard L. Rayl
Director, Office of Management
and Budget
State Capitol
Bismarck, ND 58505

Dear Governor Sinner and Mr. Rayl:

I am privileged to submit for your consideration the Forty-eighth Biennial Report of the Commissioner of University and School Lands. This report covers the period from July 1, 1987, through June 30, 1989. State trust lands in North Dakota were created by land grants from the federal government, and are found in an Act of Congress of February 22, 1889, commonly known as the Enabling Act. Thus, like the state of North Dakota itself, the Board of University and School Lands and the State Land Department celebrated its centennial year in 1989.

As we prepare to enter the second century of management of these lands for the benefit of schools and other institutions in North Dakota, I am pleased to report that the past biennium was a period of progress, modernization and the laying of foundations for increased management capabilities in the future.

During the first 100 years of statehood, the lands managed by the State Land Department have generated over three quarters of a billion dollars in revenue. Of this amount, approximately half a billion dollars has been distributed to schools and other institutions, while over \$277 million is retained in the permanent trust funds managed by the Board. The staff of the Land Department and I are proud to have been a part of this heritage of trusteeship. We look forward to continuing this legacy into the second century of statehood!

Sincerely,

A handwritten signature in black ink, appearing to read "Timothy L. Kingstad".

Timothy L. Kingstad
Land Commissioner

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ORGANIZATION

Board of University and School Lands

The activities of the State Land Department are subject to the overall direction and management of the Board of University and School Lands ("Land Board").

The Land Board is established by Section 3 of Article IX of the North Dakota Constitution, and consists of the following elected officials:

Hon. George A. Sinner, Chairman	Governor
Hon. Ben Meier, Vice-Chairman*	Secretary of State
Hon. Jim Kusler, Vice-Chairman*	Secretary of State
Hon. Nicholas J. Spaeth	Attorney General
Hon. Wayne G. Sanstead	Supt. of Public Instruction
Hon. Robert E. Hanson	State Treasurer

*Ben Meier served as Secretary of State during this biennium from July 1, 1987, to December 31, 1988. Jim Kusler served from January 1, 1989, to present.

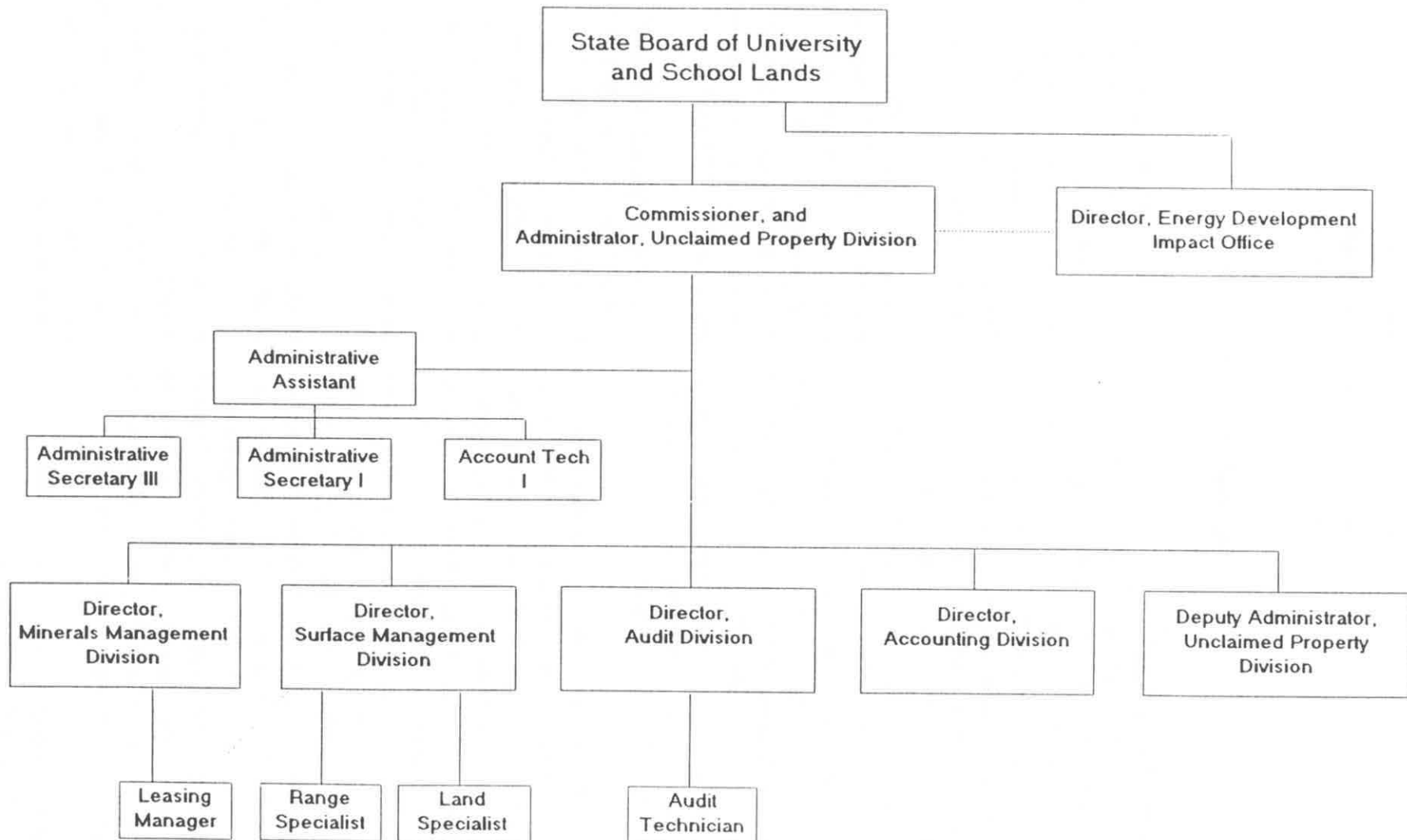
State Land Commissioner

The office of the Commissioner of University and School Lands ("Land Commissioner") is established by Section 15-02-01 of the North Dakota Century Code. The Commissioner is appointed by the Board of University and School Lands.

Timothy L. Kingstad has served as Commissioner since December 1, 1985.

The following page completes the organizational chart for the State Land Department, as of June 30, 1989.

Organizational Chart
for the
North Dakota State Land Department



SUMMARY OF ACTIVITIES

COMMISSIONER'S REPORT

Historical Background.

In 1889 the Dakota territory was at a crossroad. Territorial representatives had finally agreed on the division of Dakota territory into two states. The process leading to statehood was begun. Several states, including North Dakota, were requesting statehood. The new states were only sparsely populated, however, and badly in need of schools and other public institutions. To help the new states meet these pressing needs, the federal government gave each state large gifts of the one commodity it had in abundance--land! These land grants were included in the Enabling Act passed by congress in February, 1889.

North Dakota was given land grants of nearly 3.2 million acres. Sections 16 and 36 (or the equivalent acreage if those sections were already taken) in every township were given in trust to finance common (or public) schools, colleges and universities, and six other state institutions. Although the lands were given without cost to the state, it did come with "strings attached." The state was to be considered as the "trustee" rather than the "owner" of the land. The beneficiaries were the schools and other specifically designated institutions. The North Dakota Land Department was formed to oversee the management of these trusts. It operated similar to a trust department in a bank.

Since statehood was granted in 1889, much of the grant land has been sold.

However, beginning in 1939, whenever the state sold grant land, it reserved five percent (5%) of the minerals. In 1941, the reservation was increased to 50 percent; and, since July 28, 1960, the North Dakota Constitution has mandated a 100 percent mineral reservation.

Today, the Land Department manages in excess of 650,000 original surface acres, and over 1.8 million mineral acres. Approximately 55,000 acres have since been acquired through foreclosure or other means, bringing the total surface acreage to well over 700,000 acres.

Department Responsibilities.

The primary responsibility of the State Land Department, under the direction of the Board of University and School Lands, is to manage this trust property. It consists not only of the surface and mineral acres, but also the grant land sale proceeds and mineral royalties and bonuses, which have been deposited in "permanent trust funds."

These permanent trust fund monies have been invested in the Farm Loan Pool administered by the Bank of North Dakota, U.S. Treasury notes and bonds, certificates of deposit, and other secure and prudent investments. The income from these investments, along with surface and mineral rentals, is distributed to the schools and institutions at specified intervals throughout the biennium.

In addition to managing these school and institutional trust fund properties, since 1977 the Land Board has served as trustee for the Lands and Minerals Trust fund. This trust fund consists of 663,310 mineral acres formerly owned by the Bank of North Dakota, and beds (both land and minerals) of navigable rivers, lakes and streams.

The Land Department also enforces the Unclaimed Property Act by collecting "unclaimed property" (uncashed checks, unused bank accounts, etc.), and attempting to find the property's lawful owner.

Department Automation.

A thorough study of the department's data and word processing needs was begun in the previous biennium and completed in July of 1988. Based on this study, the department elected to modify the automated system developed by the Colorado Land Department. There were several advantages to modifying an existing system rather than having one designed specifically for us. The two most important were the huge cost savings and the time involved.

System development and implementation was begun in late 1988 and is now nearly complete. Completion of this system will facilitate significant increases in surface lease revenues and royalty audit receipts.

Additionally, automation of departmental records will increase staff efficiency and provide management information for decisions to be made in the years to come.

Departmental Changes.

Progress in other areas included incorporating the Energy Development Impact Office within the Land Department; substantial completion of a major revision to the surface leasing system; increased professionalism in mineral lease management; and continued development of the royalty audit program.

Finally, passage of legislation relating to Land Board investments laid the foundation for diversification of the Board's investment portfolio in a manner that will seek to preserve the purchasing power of these funds for future generations.

SURFACE MANAGEMENT DIVISION

This biennium was an exciting and innovative one which saw major advances in the surface management division in three major areas. These achievements will benefit schools and institutions in particular, and the State of North Dakota in general, well into the next century. They are as follows:

1. Significant progress on a fair market value based leasing method for state school lands;
2. Significant progress on the design and programing of an integrated automated records management system; and,
3. An agreement with the Bank of North Dakota and the State Treasurer for the management, leasing and sale of foreclosed property owned by the State Treasurer.

Fair Market Value Leasing System.

Surveys of agricultural and grazing land cash rents showed that state school lands were being leased at an average rate of approximately 50 percent of their true leasing value. A fair market value leasing system was substantially completed during this biennium to correct this loss of revenue to schools and institutions.

The basic concept behind this method is that the state will determine the minimum rents much the way private individuals do. The minimum lease rates will be based on the going rate for comparable private leases in the area, less deductions for improvements that the state does not provide (i.e., fencing, noxious weed control, and water developments).

The vegetation and soils information necessary to implement this method was collected on approximately 40 percent of the state school lands during this biennium. As a result of this method, a fair market value based minimum lease price unique to each tract of land will be calculated based on the following:

- *The going rate for leases in the area;
- *The quality of the tract of land;
- *Noxious weed infestations;
- *Water developments; and
- *Management restrictions.

Implementation of this method will result in additional lease revenue of approximately \$1.9 million per year, or a \$3.8 million increase per biennium in revenue from agricultural and grazing leases.

Records Management System Automation.

The advancements in leasing were made possible by the computerization of the surface lease and land management records. The Land Department is now able to efficiently calculate and retain records on each tract of state school land without increasing manpower.

Automation now allows department personnel to better respond to information requests by lessees, private individuals, legislators and government agencies. Much of this information would not have been available prior to automation because of the large amounts of manpower required to tabulate it. Automation also significantly enhances the department's ability to manage, maintain and improve the quality and forage production on these lands.

Management Agreement with Bank of North Dakota and State Treasurer.

During the last several years, the Bank of North Dakota, as agent for the State Treasurer, has acquired numerous farm properties through foreclosure or deed in lieu of foreclosure. Rather than set up their own land management division, the Bank and the Treasurer decided to utilize the proven experience of the State Land Department in managing agricultural and grazing lands. Thus, in 1987 the State Land Department entered into a contract with the Bank and the Treasurer whereby the department would manage these lands in exchange for a portion of the revenue.

As of June 30, 1989, the Land Department was managing 88 farm properties totaling 43,127.80 acres. These lands were leased with the intention of being resold as soon as possible. The original mortgagor was given the first opportunity to lease these lands for three years. During this time, the original mortgagor is given an opportunity to repurchase the property at a price to be set by the State Treasurer. Eighty-six properties were leased during the biennium, with 62 properties (72%) being leased back to the former mortgagor. The remaining properties were leased by sealed bid to the general public.

Other Activities.

During the 1987-89 biennium, the surface management division issued 1,563 agricultural and grazing leases. Public auctions were held each fall and spring where unleased tracts were available for lease to the highest bidder. These public auctions will continue to be held under the Fair Market Leasing System, described above, with this new system being used to

set the minimum bid for each tract. School lands were 99 percent leased during the 1987-89 biennium.

Land improvement projects have been maintained and initiated during the biennium. Examples of such projects include reseeding marginal croplands to permanent cover, development of new cropland fields, grazing management for increased forage production, and mechanical range renovation for clubmoss control.

The State Land Department also participates annually in the spraying of approximately 5,500 acres of leafy spurge on state school lands. Range inventory work was completed on 70,147 acres in Burke, Logan, Mountrail and Sheridan Counties. Since 1980, a total of 418,839 acres, or about 59 percent of all school lands, have been inventoried.

Significant legislation during this biennium included Senate Bill No. 2328 (1989 Sess. Laws, ch.552) which consolidated the management of the beds of navigable waterways under the State Engineer. Senate Bill No. 2216 (1989 Sess. Laws, ch.114) transferred title of certain land to the Bank of North Dakota which originally acquired these properties. These transfers will be completed in the 1989-91 biennium.

Summary.

The activities of the last biennium will contribute to a significant increase in income from school lands, provide increased management capabilities for the Department, improve land and forage condition on school lands, and allow continued cooperation in land management with the Bank of North Dakota and the State Treasurer.

SURFACE ACRES BY TRUST FUND
As of June 30, 1989

<u>Trust Fund</u>	<u>Grant Land</u>	<u>Acquired Land</u>	<u>Totals</u>
Common Schools	604,205.20	31,679.46	635,884.66
School for Blind	2,393.60	1,010.17	3,403.77
Capitol Building	9,663.09	318.08	9,981.17
School for Deaf	3,406.29	1,422.56	4,828.85
Ellendale State College ¹	3,226.37	1,306.45	4,532.82
State Hospital	1,892.75	311.16	2,203.91
ND Industrial School	2,906.56	1,442.72	4,349.28
School of Mines	2,062.59	1,187.54	3,250.13
ND State University	11,204.25	4,074.77	15,279.02
Soldiers Home	2,433.69	480.00	2,913.69
University of ND	7,473.09	2,161.09	9,634.18
Valley City State College	0.00	640.00	640.00
ND State School of Science	2,103.05	1,457.01	3,560.06
Mayville State College	0.00	640.00	640.00
Valley City/Mayville ²	6,660.31	160.00	6,820.31
Mixed Funds ³	0.00	12,803.35	12,803.35
Lands and Minerals Trust Fund	<u>0.00</u>	<u>2,348.20</u>	<u>2,348.20</u>
TOTALS	659,630.84	63,442.56	723,073.40

- 1 Receipts from acreage held by the Ellendale trust fund are allocated equally among the following institutions: Dickinson State College, Minot State College, NDSU-Bottineau, School for the Blind, Soldiers Home, State Hospital, and State School of Science.
- 2 Receipts from acreage held by Valley City and Mayville State Colleges are allocated 62.5% to Valley City and 37.5% to Mayville.
- 3 Receipts from acreage held by mixed funds is distributed by formula to all of the above funds except the General Fund and the Capitol Building fund.

PERCENTAGE OF SURFACE ACREAGE LEASED

<u>County</u>	<u>Surface Acres</u>	<u>Acres Leased</u>	<u>% Leased</u>
Adams	17,122.16	17,122.16	100%
Barnes	2,803.32	2,640.61	94%
Benson	11,149.79	10,935.19	98%
Billings	31,111.59	31,111.59	100%
Bottineau	2,754.15	2,594.15	94%
Bowman	30,414.78	29,281.78	96%
Burke	16,119.43	16,098.48	99%
Burleigh	31,911.55	31,911.55	100%
Cass	40.00	0.00	N/A
Cavalier	596.47	320.41	54%
Dickey	4,546.93	4,546.93	100%
Divide	21,141.45	21,136.85	99%
Dunn	26,128.62	26,128.62	100%
Eddy	11,927.07	11,470.87	96%
Emmons	14,180.54	14,180.54	100%
Foster	3,114.01	3,114.01	100%
Golden Valley	28,971.60	28,971.60	100%
Grand Forks	2,073.77	2,073.77	100%
Grant	34,923.95	34,283.95	98%
Griggs	1,741.24	1,741.24	100%
Hettinger	9,881.40	9,881.40	100%
Kidder	28,637.79	28,477.79	99%
LaMoure	2,075.72	2,075.72	100%
Logan	9,394.07	9,394.07	100%
McHenry	22,144.94	22,144.94	100%
McIntosh	6,357.50	6,357.50	100%
McKenzie	64,851.94	64,851.94	100%
McLean	21,036.54	21,036.54	100%
Mercer	15,211.71	14,558.71	96%
Morton	18,737.23	18,543.08	99%
Mountrail	32,453.89	32,216.43	99%
Nelson	2,853.66	2,499.43	88%
Oliver	7,675.42	7,551.56	98%
Pembina	0.00	0.00	N/A
Pierce	14,317.17	14,317.17	100%
Ramsey	2,056.50	1,937.77	94%
Ransom	1,120.00	1,120.00	100%
Renville	1,911.00	1,911.00	100%
Richland	593.60	513.68	87%
Rolette	6,835.92	6,297.14	92%
Sargent	1,128.79	1,128.79	100%
Sheridan	26,430.02	26,430.02	100%
Sioux	23,519.26	23,499.66	99%
Slope	23,610.92	23,610.92	100%
Stark	6,142.64	6,142.64	100%
Steele	0.00	0.00	N/A
Stutsman	16,063.01	16,063.01	100%
Towner	8,071.20	8,043.43	99%
Traill	0.00	0.00	N/A
Walsh	201.02	200.00	99%
Ward	12,919.06	11,956.06	93%
Wells	5,248.63	5,248.63	100%
Williams	38,820.35	38,820.35	100%
TOTAL	723,073.40	716,493.68	99%

MINERALS MANAGEMENT DIVISION

The Minerals Management Division administers the mineral interests held in trust for the benefit of the common schools, universities and institutions of North Dakota.

interests formerly owned by the Bank of North Dakota and minerals under navigable rivers and lakes.

The Division also administers mineral

The following tables summarize the Division's activities during the past biennium.

Total State-owned Acreage Leased for Oil and Gas Purposes

County	Mineral Acres Owned	Mineral Acres Leased For Oil and Gas	Percent Leased
Billings*	59,395.17	49,083.39	83%
Bottineau*	36,676.56	15,081.50	41%
Bowman*	61,461.27	23,231.49	38%
Burke*	47,742.99	34,452.48	72%
Burleigh	95,213.84	459.65	.5%
Divide*	71,773.58	43,166.96	60%
Dunn*	88,790.88	56,921.79	64%
Golden Valley*	41,705.98	18,607.70	45%
Hettinger*	54,112.21	6,806.78	13%
McHenry*	66,673.58	2,651.03	4%
McKenzie*	129,371.65	79,953.36	62%
McLean	120,630.14	8,628.58	7%
Mountrail*	101,852.27	24,698.81	24%
Renville*	24,216.31	13,930.60	58%
Rolette	29,451.93	380.00	1%
Slope*	52,449.34	5,918.68	11%
Stark*	53,720.31	29,695.18	55%
Ward*	72,195.05	15,568.02	22%
Williams*	90,964.77	51,688.27	57%
TOTAL	1,298,397.83	480,924.27	37%

*Counties with oil and gas production.

**State-owned acreage in counties with oil and gas production totals 1,053,100 acres of which 471,456.04 acres are leased (44.8%).

Oil and Gas Leasing Activity for 1987-89 Biennium

	1987-89	1985-87
Gross Mineral Acres	*2,530,127	*2,530,000
Total Acres Under Lease	480,900	714,300
Number of Oil & Gas Lease Sales	7	7
Net Mineral Acres Leased this Biennium	153,018	179,667
Average Bonus per Net Mineral Acre	\$40.44	\$21.60

*Approximate acreage, the total acreage will vary due to the acreage owned by the State under the navigable rivers and lakes.

Receipts by Mineral Division with Comparison to Last Biennium

<u>Description</u>	<u>Receipts</u>	<u>Percent Change/ Previous Biennium</u>
Oil & Gas Royalty	\$10,909,659	-30.34%
Oil & Gas Bonus	6,190,129	+68.47%
Coal Royalty	1,571,770	-35.37%
Oil & Gas Rental	855,571	-30.19%
Well Site Damages	75,600	*
Geophysical Exploration	27,927	-43.92%

*This is the first biennium that well site damages have been collected.

Oil and Gas Royalty.

The Land Department receives a share of the production from approximately 350 wells in the state. At the beginning of the biennium, the average price received for the state's royalty oil was \$17.30 per barrel. This price increased to \$18.10 per barrel in August of 1987, before declining to \$12.20 per barrel in December 1988. From that point, the price of oil slowly rose to close the biennium at an average price of \$17.90. The Land Department received royalty payments on average monthly production of 27,038 barrels of oil and 41,685 MCF of gas.

Shut-in Well Policy.

During the previous biennium, the Land Board adopted a shut-in well policy to provide an alternative to the plugging and abandonment of wells that had become uneconomic to operate due to the drastic decline in oil prices. This policy was continued by the Board during this biennium. The Commissioner has approved shut-in agreements for 20 wells under the policy. Of these wells, ten have been put back into production, four have been plugged and abandoned, and six remain shut in at the close of the biennium.

Well Site Damages.

Prior to July 1, 1987, well site damages on state land were negotiated by and paid to the surface tenant of the tract involved.

This often resulted in individual tenants receiving "damage" payments which were in excess of the lease rental paid over many years. Because of this unjustified loss to the trust funds, the Commissioner worked for the passage of an amendment to the relevant law in the 1987 legislative session. Following passage of this amendment, the Land Board adopted a policy which allows the surface tenant a liberal share of the damage payment based on the actual acreage lost and the time remaining on the lease involved. In contrast to prior practice, however, the Land Department negotiates the damage settlement with the oil companies and retains a share of the payment to compensate the trust funds for the permanent damage to the land. These payments to the trust funds during the biennium totalled \$75,600.

Enhanced Oil Recovery.

This biennium, the Minerals Management Division reviewed two secondary recovery units containing state acreage--the Big Stick-Madison unit in Billings County and the Zenith-Newton unit in Stark County. Both of these units were waterfloods. The expected increase in recoverable oil was 13,400,000 barrels in the Big Stick-Madison unit and 1,305,000 barrels in the Zenith-Newton unit. The State's share of this increased production would be 30,625 barrels and 56,000 barrels of oil, respectively.

Unfortunately, the success of these projects was not measurable at the end of the biennium since the Big Stick Unit had not yet responded to the water injection, and the Zenith-Newton Unit did not begin injection until after the end of the biennium.

Coal Production.

Coal production declined during the biennium. Only three leases containing 160 net mineral acres were being mined. Eight leases containing 1,120 net acres were undeveloped and 18 leases containing 2,960 net acres were being reclaimed.

Horizontal Well Technology.

The biennium ended on a high note with a dramatic increase in oil and gas leasing activity. At the May, 1989 oil and gas lease sale, 64,930 acres were leased and total bonus receipts were in excess of \$3.5 million. This bonus total was nearly a ten-fold increase over bonuses received at the prior sale, and constituted 56.7 percent of all bonuses received during the biennium.

This increased leasing activity has stemmed primarily from the development of new technology in the process of horizontal drilling. With the use of these new horizontal drilling techniques, companies can drill down approximately 10,000 feet, turn the drilling bit 90° and extend the hole horizontally within a potentially productive formation for up to 3,000 feet. The Bakken formation in the Williston Basin has been a popular target of this technology because of its fractured nature. The number of fractures encountered in the horizontal portion of the wellbore make these wells potentially

very productive and economically attractive despite the increased cost of drilling.

The petroleum industry is requesting 320- or 640-acre drilling units for these horizontal wells (in contrast to a 160-acre unit for a regular, vertical Bakken well).

It is the industry's position that the larger spacing units are needed in order to provide flexibility to find the direction of the fractures. Some companies have also theoretically determined that one horizontal well can drain 640 acres. However, because of the lack of drilling and production history relating to horizontal wells, the North Dakota Industrial Commission has allowed 640-acre spacing for these wells only if all relevant owners voluntarily pool their acreage to form the drilling unit.

Given this uncertainty regarding drainage patterns and other matters, the Board of University and School Lands has agreed to pool its acreage into 640-acre units for a two-year period only. It is believed that this policy will provide the flexibility and incentive the oil industry needs to utilize and further develop this new drilling technology, while retaining flexibility to require smaller spacing units if it is ultimately determined that to do so is in the best interest of the trust funds.

These 640-acre pooling agreements also require a minimum horizontal completion length and require that the direction of the well be orientated so that a second horizontal well can be drilled if it is ultimately determined that another well is needed.

RESULTS OF OIL AND GAS LEASE SALES DURING THE BIENNium

COUNTY		Aug-87	Nov-87	Feb-88	May-88	Aug-88	Nov-88	May-89	TOTAL
BILLINGS	TOTAL \$	\$21,891.40	\$49,280.00	\$95,723.47	\$38,091.67	\$24,893.00	\$3,120.00	\$489,859.11	\$722,858.65
	MIN. ACRES	1079.45	640	1764.5	901.71	962	40	7328.18	12915.84
	\$/MIN ACRE	\$20.28	\$77.00	\$54.25	\$42.24	\$25.88	\$78.00	\$65.07	\$55.97
BOTTINEAU	TOTAL \$	\$3,011.36	\$0.00	\$520.00	\$29,311.99	\$0.00	\$3,826.05	\$5,664.00	\$42,333.40
	MIN. ACRES	422.38	0	400	1531.54	0	1181.41	744	4279.33
	\$/MIN ACRE	\$7.13	\$0.00	\$1.30	\$19.14	\$0.00	\$3.24	\$7.61	\$9.89
BOWMAN	TOTAL \$	\$0.00	\$10,285.15	\$0.00	\$44,008.51	\$14,080.00	\$7,856.04	\$5,905.71	\$82,135.41
	MIN. ACRES	0	3109.3	0	2360.71	400	77.02	1190.54	7137.57
	\$/MIN ACRE	\$0.00	\$3.31	\$0.00	\$18.64	\$35.20	\$102.00	\$4.96	\$11.51
BURKE	TOTAL \$	\$168,374.44	\$31,734.40	\$51,603.24	\$0.00	\$16,784.06	\$6,400.00	\$16,990.77	\$291,886.91
	MIN. ACRES	3611.43	623.2	880.12	0	713.06	640	673.18	7140.99
	\$/MIN ACRE	\$46.62	\$50.92	\$58.63	\$0.00	\$23.54	\$10.00	\$25.24	\$40.87
DIVIDE	TOTAL \$	\$468,801.46	\$41,320.74	\$48,624.78	\$57,280.15	\$11,279.24	\$10,930.32	\$3,968.01	\$642,204.70
	MIN. ACRES	4754.71	440.02	767.56	931.15	447.96	99.54	407.53	7848.47
	\$/MIN ACRE	\$98.60	\$93.91	\$63.35	\$61.52	\$25.18	\$109.81	\$9.74	\$81.83
DUNN	TOTAL \$	\$1,889.53	\$0.00	\$2,640.00	\$6,080.00	\$27,214.19	\$0.00	\$458,477.43	\$496,301.15
	MIN. ACRES	1438.41	0	400	640	2587.17	0	8305.49	13371.07
	\$/MIN ACRE	\$1.31	\$0.00	\$6.60	\$9.50	\$10.52	\$0.00	\$55.20	\$37.12
G. VALLEY	TOTAL \$	\$6,196.15	\$0.00	\$44,160.00	\$14,400.00	\$0.00	\$54,845.48	\$165,879.13	\$285,480.76
	MIN. ACRES	913.85	0	640	1280	0	964.68	1481.58	5279.81
	\$/MIN ACRE	\$6.78	\$0.00	\$69.00	\$11.25	\$0.00	\$56.85	\$111.96	\$54.07
HETTINGER	TOTAL \$	\$1,238.90	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$1,238.90
	MIN. ACRES	1038.9	0	0	0	0	0	0	1038.9
	\$/MIN ACRE	\$1.19	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$1.19
MCHENRY	TOTAL \$	\$0.00	\$240.00	\$0.00	\$0.00	\$0.00	\$640.00	\$0.00	\$880.00
	MIN. ACRES	0	80	0	0	0	640	0	720
	\$/MIN ACRE	\$0.00	\$3.00	\$0.00	\$0.00	\$0.00	\$1.00	\$0.00	\$1.22
MCKENZIE	TOTAL \$	\$6,982.00	\$21,680.00	\$264,839.19	\$6,790.66	\$140,935.72	\$62,302.49	\$2,013,005.09	\$2,516,535.15
	MIN. ACRES	1416	294	1127.73	555.24	6369.63	2979.02	20012.94	32754.56
	\$/MIN ACRE	\$4.93	\$73.74	\$234.84	\$12.23	\$22.13	\$20.91	\$100.59	\$76.83
MCLEAN	TOTAL \$	\$0.00	\$0.00	\$0.00	\$0.00	\$26,699.29	\$174,828.12	\$0.00	\$201,527.41
	MIN. ACRES	0	0	0	0	1819.79	3891.5	0	5711.29
	\$/MIN ACRE	\$0.00	\$0.00	\$0.00	\$0.00	\$14.67	\$44.93	\$0.00	\$0.00
MOUNTRAIL	TOTAL \$	\$7,309.00	\$24,806.06	\$18,459.02	\$23,212.42	\$240.00	\$1,120.00	\$200,795.91	\$275,942.41
	MIN. ACRES	2501.26	1441.01	938	1096.26	80	320	10682.38	17058.91
	\$/MIN ACRE	\$2.92	\$17.21	\$19.68	\$21.17	\$3.00	\$3.50	\$18.80	\$16.18
RENVILLE	TOTAL \$	\$7,680.00	\$3,280.00	\$17,490.30	\$1,440.00	\$11,465.27	\$11,312.16	\$22,052.33	\$74,720.06
	MIN. ACRES	560	400	559.46	200	300.17	1219.68	2397.1	5636.41
	\$/MIN ACRE	\$13.71	\$8.20	\$31.26	\$7.20	\$38.20	\$9.27	\$9.20	\$13.26
SLOPE	TOTAL \$	\$0.00	\$12,480.00	\$1,489.50	\$0.00	\$0.00	\$0.00	\$0.00	\$13,969.50
	MIN. ACRES	0	1280	744.75	0	0	0	0	2024.75
	\$/MIN ACRE	\$0.00	\$9.75	\$2.00	\$0.00	\$0.00	\$0.00	\$0.00	\$6.90
STARK	TOTAL \$	\$3,529.04	\$5,524.00	\$640.00	\$4,335.00	\$5,995.82	\$1,440.00	\$68,268.55	\$89,732.41
	MIN. ACRES	638.63	1020	80	1827.5	314.34	160	3623.67	7664.14
	\$/MIN ACRE	\$5.53	\$5.42	\$8.00	\$2.37	\$19.07	\$9.00	\$18.84	\$11.71
WARD	TOTAL \$	\$1,171.11	\$17,400.00	\$7,378.00	\$6,197.50	\$8,878.37	\$6,440.00	\$19,726.74	\$67,191.72
	MIN. ACRES	130.85	880	404	217.25	1803.78	960	6323.31	10719.19
	\$/MIN ACRE	\$8.95	\$19.77	\$18.26	\$28.53	\$4.92	\$6.71	\$3.12	\$6.27
WILLIAMS	TOTAL \$	\$27,931.20	\$5,021.05	\$105,668.81	\$146,816.42	\$18,502.30	\$38,065.08	\$40,240.00	\$382,244.86
	MIN. ACRES	1845.65	156.03	1485.78	3592.22	1094.23	1823.64	1560	11587.55
	\$/MIN ACRE	\$15.13	\$32.18	\$71.12	\$40.87	\$16.91	\$20.87	\$25.79	\$33.07
TOTALS	TOTAL \$	\$726,005.59	\$223,051.40	\$659,236.31	\$377,964.32	\$306,967.26	\$383,125.74	\$3,510,832.78	\$6,187,183.40
	MIN. ACRES	20351.22	10363.56	10191.90	15133.58	16892.13	14996.49	64929.90	152858.78
	\$/MIN ACRE	\$35.67	\$21.52	\$64.68	\$24.98	\$18.17	\$25.55	\$54.07	\$40.48

AUDIT DIVISION

The Audit Division manages the Land Department's royalty accounting system and audits past royalty payments to ensure the state received its correct share of the proceeds from oil, gas, coal and other minerals mined from state-owned lands.

Revenues Collected Due to Audit Activities.

Although much of the past biennium was spent developing and implementing a new royalty management system, the Audit Division's efforts still resulted in over \$600,000 in additional revenues collected for the benefit of our school trust funds. That is an increase of over \$400,000 from the previous biennium, when the division was first formed. These revenues include additional royalty income and penalties and interest due on late payments.

The following is a breakdown of the amounts collected as a result of the division's activities during the biennium:

Miscellaneous Collections	\$482,041
Audit Collections	58,721
Penalty/Interest Collections	<u>76,053</u>
Total Collections	<u>\$616,815</u>

Audit collections are the result of a detailed review of past royalty payments to ensure the state was paid the proper amount of royalty. In general, miscellaneous collections are collections resulting from a thorough review of royalty payments as they are received. Also included in this category

are monies collected as a result of reporting or payment problems discovered during the implementation of the computerized royalty management system.

Audit Division Enhancements.

A considerable amount of time was spent during the past biennium planning for the next biennium. The division worked closely with computer programmers to plan and implement a new computerized royalty management and audit system. This system will provide a number of significant improvements in the way royalty receipts are processed and recorded.

For example, the system will automatically cross-check royalty volume and value information reported to the Land Department against similar information reported to other state agencies. Discrepancies can then be examined to determine if royalty has been underpaid.

Another enhancement to the Audit Division that was proposed and approved during the biennium is the addition of two auditors and an audit technician to the division's staff. These new positions were authorized by the 1989 Legislative Assembly based on the results achieved by existing staff and the significant amount of work remaining to be done in the audit area. It is anticipated that the revenues generated by this additional activity will more than compensate the trust funds for the cost of the new positions.

Audit Division Future.

This biennium has set the stage for the future activities of the division and its contributions to the trust funds managed by

the Department. With the technological capabilities and personnel that were added during this biennium, the division is now prepared to undertake its significant responsibilities in a productive and cost-efficient manner.

Future plans also include expanding audit efforts into other areas of the department, such as coal royalty receipts and unclaimed property reports.

The future of this division looks bright. Although much remains to be done in this area, division personnel have now begun the complicated process of developing sophisticated audit programs and procedures to complete the audit of past royalty payments and continue this task on a month-to-month basis. Cooperation with other North Dakota agencies and auditors from other states will be continued and expanded.

ACCOUNTING DIVISION

The Accounting Division is responsible for the receipt and deposit of, and accounting for all monies received by the Land Department. The division maintains all accounting records for 15 permanent funds, 15 income and interest funds plus two other funds. The division is also responsible for the purchase of, and monitoring and accounting for all investments of these various funds. Finally, the division performs budgetary and payroll functions for the department.

During the 1987-89 biennium, the division processed 18,399 checks, for total

receipts of \$35,459,387. The investment income to the various funds totalled in excess of \$55 million.

Computerization.

In October 1987, a personal computer, printer and software were purchased for the division. This marked a change in past procedure and style. Tasks that had consumed large amounts of time previously, were reduced dramatically by use of the computer. These time savings allowed the division to assume other duties and tasks, resulting in greater productivity and efficiency.

UNCLAIMED PROPERTY DIVISION

The Unclaimed Property Division administers and enforces the Unclaimed Property Act, Chapter 47-30.1 of the North Dakota Century Code. Each year, over 6,000 report forms are sent to financial institutions, insurance companies and other businesses which may be holding uncashed checks, unused bank accounts, or other funds which are unclaimed by the owner. The holder base was recently expanded to include filings for nursing homes, hospitals and clinics in North Dakota. These businesses complete standard forms and return them to the Division along with any unclaimed funds. The Division then attempts to locate the owners through letters, publication and other efforts.

Locating Owners.

During the 1987-89 biennium, efforts to find the owners of unclaimed property increased. In addition to sending letters to last known addresses and publishing names in county newspapers, the division acquired the assistance of two television and three radio stations. These stations announced the names and last known addresses of various owners as a public service announcement at no cost to the state. A brochure was also developed and distributed to increase public awareness of the department. Another new activity involved renting a booth at the North Dakota State Fair and displaying a list of owners entitled to abandoned property. As the result of these activities at the 1988 and 1989 state fairs, 82 owners were located and claims in excess of \$33,000 were paid.

In the 1987 Legislative Assembly, the department successfully sponsored legislation lowering the dormancy period for savings and checking accounts held

by financial institutions from 20 years to seven. This change was effective July 1, 1987, and resulted in a nearly 50 percent increase in the amount of property reported during the next reporting period (over \$1 million was reported). Mailing and publication efforts resulted in the return of \$426,000 to owners during the first six months of 1987.

Payment of Claims.

When an owner is located, a claim is completed by the owner, evaluated by the division, and promptly paid. All funds not claimed by the owner become a part of the common schools trust fund; subject, however, to the right of claim, in perpetuity, by the owner or rightful heirs. The interest on the money is retained for the benefit of North Dakota schools.

Public Education Efforts.

Valerie Jundt, Deputy Administrator of the division, conducted several seminars and workshops designed to educate various groups about the requirements of the unclaimed property law. Employees of the State Department of Banking and Financial Institutions and Insurance Department, business managers from electric cooperatives, and postal workers attended seminars explaining the purpose of the division, statutory requirements, and the procedures for filing unclaimed property reports. As the result of these seminars, the state banking and insurance departments agreed to assist the division by checking for compliance with the Unclaimed Property Law when auditing state chartered banks and insurance companies. The unclaimed property division received over \$250,000 this biennium as the result of the cooperative efforts of these agencies.

Reciprocity Agreements.

Reciprocity agreements now exist between the State of North Dakota and 23 other states. These agreements provide for the exchange of unclaimed funds between the states, based on the last known address of the owner.

For example, if a bank in California has a dormant account for a person whose last known address is in North Dakota, this account could be reported to the California Unclaimed Property Division which would transfer the account to the North Dakota Unclaimed Property Division, pursuant to the reciprocity agreement between the two states.

North Dakota would then attempt to locate the owner of the account and distribute the money accordingly. Reciprocity increases the amount of property recovered for North Dakota residents and provides a more efficient way for companies to comply with the unclaimed property laws of the various states. As the result of these agreements with other states, over \$75,000 was received for the benefit of North Dakota owners during the 1987-89 biennium.

The following chart indicates the increase in division activity during the 1987-89 biennium.

Unclaimed Property Division Activity

	<u>1985-87</u> <u>Biennium</u>	<u>1987-89</u> <u>Biennium</u>	<u>Percent</u> <u>Increase</u>
Property Collected	\$ 958,666	\$1,361,658	+42%
Claims Paid to Owners	71,153	280,496	+294%
Net Addition to Unclaimed Property portion of the Common Schools	887,513	1,081,162	+22%
Total Assets of Unclaimed Property Portion of the Common Schools Trust Fund	2,489,244	3,545,361	+42%

**COMPARATIVE STATEMENT
OF GRANT LAND PERMANENT FUND AND OTHER FUND BALANCES**

<u>Permanent Funds</u>	<u>06/30/81</u>	<u>06/30/83</u>	<u>06/30/85</u>	<u>06/30/87</u>	<u>06/30/89</u>
Common Schools	\$141,838,182	\$176,248,794	\$216,156,378	\$232,230,246	\$246,850,470
Unclaim. Prop./Com. Sch.	1,083,063	1,272,060	1,601,731	2,489,244	3,545,361
NDSU	4,482,789	5,116,238	6,304,614	6,675,753	6,562,417
School for Blind	1,075,329	1,240,440	1,352,272	1,395,520	1,273,499
Capitol Building	2,164,216	2,231,395	2,342,104	2,382,986	2,435,119
School for Deaf	1,434,739	1,474,655	1,545,408	1,550,602	1,642,056
State Hospital	1,213,226	1,506,103	1,712,600	1,801,925	1,769,950
Ellendale State College ¹	1,149,532	1,222,208	1,271,950	1,277,834	1,283,557
Valley City State College	1,386,494	1,498,421	1,566,384	1,584,122	1,602,977
Mayville State College	924,973	967,502	1,068,928	1,079,575	1,099,227
ND Industrial School	1,734,656	2,094,272	2,242,317	2,303,341	2,371,227
ND State School of Science	1,283,178	1,336,533	1,398,745	1,472,791	1,525,098
School of Mines	1,514,678	1,570,613	1,653,497	1,712,043	1,769,398
Soldiers Home	1,128,157	1,142,738	1,164,478	1,162,568	1,186,392
University of ND	2,764,168	2,926,388	3,036,468	3,084,950	3,028,384
TOTALS	\$165,177,380	\$201,848,360	\$244,417,874	\$262,203,500	\$277,945,132

<u>Other Funds</u>	<u>06/30/81</u>	<u>06/30/83</u>	<u>06/30/85</u>	<u>06/30/87</u>	<u>06/30/89</u>
Coal Development Trust	\$ 8,625,481	\$ 13,906,445	\$ 20,591,422	\$ 28,553,702	\$ 24,257,163
Land & Minerals Trust	37,489,146	4,108,687	4,178,440	0	4,459,848
Capitol Bldg. I & I	1,527,090	1,122,107	1,937,576	1,797,958	813,041
TOTALS	\$ 47,641,717	\$ 19,137,239	\$ 26,707,438	\$ 30,351,660	\$ 29,530,052

¹The receipts from acreage held by the Ellendale trust fund are allocated equally among the following institutions: Dickinson State College, Minot State College, NDSU-Bottineau, School for the Blind, Soldiers Home, State Hospital, and State School of Science.

COMPARATIVE SCHEDULE OF PERMANENT FUND CASH RECEIPTS

<u>Description</u>	<u>7/79 to 6/81</u>	<u>7/81 to 6/83</u>	<u>7/83 to 6/85</u>	<u>7/85 to 6/87</u>	<u>7/87 to 6/89</u>
Oil and Gas Royalty	\$18,809,367	\$23,092,363	\$23,307,464	\$11,980,895	\$7,897,912
Oil and Gas Bonus ¹	32,306,609	12,063,169	13,332,669	2,569,607	5,216,774
Coal Royalty	1,002,084	890,150	5,190,632	2,408,303	1,557,445
Gravel and Scoria Royalty	91,646	30,053	21,138	31,842	17,214
Test Holes and Easements	266,768	380,176	233,802	233,095	304,438
Land Sold	20,055	17,715	148,190	85,388	13,584
Miscellaneous Receipts	26,792	8,358	5,948	0	0
TOTALS	\$52,523,321	\$36,481,984	\$42,239,843	\$17,309,130	\$15,007,367

¹Effective January 1, 1979, 50 percent of the oil and gas bonus payments received by the common schools trust fund were apportioned and distributed to the schools. This practice continued until June of 1982, when an amendment to Section 1 of Article IX of the North Dakota Constitution mandated that all bonus monies be retained as part of the permanent common schools trust fund.

BREAKDOWN OF PERMANENT FUNDS

	Common Schools	Unclaim. Prop. Common Schools	NDSU	Blind	Capitol Building	Deaf	Hospital
U.S.T. Notes	68,139,228	750,825	1,782,344	397,416	537,863	407,316	694,839
U.S.T. Bonds	5,957,813						
GNMA Pass-thru	953,378		315,992	93,099	21,173	33,726	69,419
School Bonds	12,000						
C.D.s	53,706,000	1,394,000	1,069,000	127,500	1,111,000	251,000	316,000
G.N.M.A.	1,969,833						
FHLMC	8,629,200		192,780	22,950	36,720	27,540	22,950
FFCB	43,885,503	1,150,714	1,013,016	176,045	697,504	181,205	261,344
FHLB	10,266,402	249,675	29,769			12,484	
FNMA	3,135,469						
Farm Loan Pool	41,120,000		2,100,000	450,000		720,000	400,000
FLP (suspense)	376,189		19,212	4,117		6,587	3,659
Land Contracts	1,427,527		39,533	4,683	35,762	1,440	1,547
M.M. Accounts	423	147	771	240	362	758	192
DD Loan Fund #2	4,682,897						
DD Loan Fund #3	2,579,533						
TOTALS	<u>246,850,470</u>	<u>3,545,361</u>	<u>6,562,417</u>	<u>1,273,499</u>	<u>2,435,119</u>	<u>1,642,056</u>	<u>1,769,950</u>

	Ellendale	Valley City	Mayville	Industrial	Science	Mines	Soldiers	UND
U.S.T. Notes	244,105	353,640	273,120	636,295	388,488	417,817	223,872	730,944
U.S.T. Bonds								
GNMA Pass-thru	96,979	96,119	85,903	162,742	105,902	114,356	74,527	130,066
School Bonds	6,000							
C.D.s	225,000	237,000	200,000	461,000	272,000	296,000	196,000	330,000
G.N.M.A.								
FHLMC	22,950	22,950		64,260	36,720	36,720		64,260
FFCB	130,969	176,195	135,830	392,927	207,004	226,741	140,840	317,648
FHLB	5,762	8,643	15,365	13,444	12,484	9,603		6,722
FNMA								
Farm Loan Pool	540,000	660,000	360,000	620,000	480,000	630,000	520,000	1,400,000
FLP (suspense)	4,940	6,038	3,293	5,672	4,391	5,764	4,757	12,808
Land Contracts	6,012	41,733	25,040	14,461	17,222	32,007	26,229	35,117
M.M. Accounts	841	660	676	427	888	391	167	818
TOTALS	<u>1,283,557</u>	<u>1,602,977</u>	<u>1,099,227</u>	<u>2,371,227</u>	<u>1,525,098</u>	<u>1,769,398</u>	<u>1,186,392</u>	<u>3,028,384</u>

COMBINED STATEMENT OF FUND INVESTMENTS As of June 30, 1989

TOTAL PERMANENT FUNDS

U. S. Treasury Notes	75,978,111	FNMA	3,135,469
U. S. Treasury Bonds	5,957,813	Farm Loan Pool	50,000,000
G.N.M.A. Pass-thru	2,353,381	Farm Loan Pool (suspense)	457,428
School Bonds	18,000	Land Sale Contracts	1,708,313
Certificates of Deposit	60,191,500	Money Market Accounts	7,762
GNMA	1,969,833	DD Loan Fund #2	4,682,897
FHLMC	9,180,000	DD Loan Fund #3	<u>2,579,533</u>
FFCB	49,093,484		
FHLB	10,630,352	TOTAL	<u>277,943,876</u>

**COMPARATIVE SCHEDULE
OF INTEREST AND INCOME CASH RECEIPTS**

Description	7/79 to 6/81	7/81 to 6/83	7/83 to 6/85	7/85 to 6/87	7/87 to 6/89
Interest on Securities	\$13,303,146	\$27,282,271	\$37,290,003	\$41,160,250	\$43,731,436
Interest on Loans ²	7,532,306	8,044,741	9,727,229	9,086,422	9,951,789
Interest on Contracts	1,015,566	875,982	675,356	500,137	396,019
Oil and Gas Lease Rentals	1,150,487	1,733,807	1,243,150	870,121	632,934
Surface Rentals	2,913,347	3,497,877	3,776,873	3,942,797	4,165,530
Oil and Gas Bonus ¹	31,262,098	4,894,353	0	0	0
Interest Penalty	0	0	0	25,362	62,595
TOTALS	<u>\$57,176,950</u>	<u>\$46,329,031</u>	<u>\$52,712,611</u>	<u>\$55,585,089</u>	<u>\$58,940,303</u>

¹Effective January 1, 1979, 50 percent of the oil and gas bonus payments received by the common schools trust fund were apportioned and distributed to the schools. This practice continued until June of 1982, when an amendment to Section 1 of Article IX of the North Dakota Constitution mandated that all bonus monies be retained as part of the permanent common schools trust fund. The oil and gas bonus shown as interest and income was apportioned and distributed to the common schools during the 1979-81 and 1981-83 biennia.

²Interest on loans consists of \$8,524,274 in interest received from the \$50 million Farm Loan Pool managed for the funds by the Bank of North Dakota; and \$1,427,515 in interest to the common schools trust fund from the Developmentally Disabled Facilities loans.

**COMPARATIVE STATEMENT
OF INCOME DISTRIBUTED TO INSTITUTIONS**

Institutions	7/79 to 6/81	7/81 to 6/83	7/83 to 6/85	7/85 to 6/87	7/87 to 6/89
Common Schools ¹	\$54,356,300	\$38,403,282	\$44,062,283	\$49,678,908	\$48,554,825.61
ND State University	683,000	1,009,000	1,216,500	1,385,000	1,247,000.00
School for Blind	137,200	217,900	270,000	278,000	255,000.00
School for Deaf	210,800	337,800	361,500	365,000	296,000.00
State Hospital	119,600	278,100	352,500	370,000	330,000.00
Ellendale State College ²	168,000	252,700	271,600	266,350	239,400.00
Valley City State College	211,100	309,400	331,500	335,000	292,000.00
Mayville State College	133,400	200,900	213,500	223,000	192,000.00
ND Industrial School	227,100	418,300	493,500	516,000	423,000.00
ND State School of Science	163,300	264,900	283,000	285,000	273,000.00
School of Mines	218,000	327,700	328,500	338,000	330,000.00
Soldiers Home	149,300	219,600	243,500	239,500	208,000.00
University of ND.	397,700	613,400	659,000	659,000	608,000.00
TOTALS	<u>\$57,174,800</u>	<u>\$42,852,982</u>	<u>\$49,086,883</u>	<u>\$54,938,758</u>	<u>\$53,248,225.61</u>

¹Effective January 1, 1979, 50 percent of the oil and gas bonus payments received by the common schools trust fund were apportioned and distributed to the schools. This practice continued until June of 1982, when an amendment to Section 1 of Article IX of the North Dakota Constitution mandated that all bonus monies be retained as part of the permanent common schools trust fund. The amount of bonus payments distributed totalled \$32,351,951 during the 1979-81 biennium and \$8,207,540 during the 1981-83 biennium.

²The receipts from acreage held by the Ellendale trust fund are allocated equally among the following institutions: Dickinson State College, Minot State College, NDSU-Bottineau, School for the Blind, Soldiers Home, State Hospital, and State School of Science.

STATEMENT OF EXPENDITURES BY STATE LAND DEPARTMENT

<u>Lands Maintenance Fund</u> ¹	<u>1987-89 Budget</u>	<u>Adjusted 1987-89 Budget</u>	<u>1987-89 Expenses</u>	<u>Unused Balance</u>
Salaries	\$785,037	\$730,037	\$729,333	\$704
Operating Expenses	275,271	374,771	374,771	0
Central Data Processing	135,985	28,185	28,185	0
Equipment	23,078	114,178	114,160	18
Grant-Benefits-Claims ²	100,000	92,200	92,200	0
Foreclosed Properties Mgmt.	89,000	89,000	89,000	0
Contingencies	20,000	0	0	0
TOTALS	<u>\$1,428,371</u>	<u>\$1,428,371</u>	<u>\$1,427,649</u>	<u>\$ 722</u>

¹All normal operating expenses of the State Land Department are paid from the state lands maintenance fund established by Section 15-03-01.1, N.D.C.C. This fund consists of the fees charged by the department for issuing leases, easements, deeds, etc.; and a portion of the income generated by the funds managed by the department.

²Payments from the "Grants-Benefits-Claims" line item include noxious weed control cost-share program with tenants, range inventory contract with N.D.S.U., and United States Dept. of Agriculture/Agricultural Statistics cash rent survey.

LAND SALES CONTRACTS — 1987-89 BIENNIUM

	<u>Contracts</u>	<u>Acres</u>
Balance, July 1, 1987	327	47,606.98
Contracts Completed	<u>63</u>	<u>9,437.45</u>
Contracts Remaining	<u>264</u>	<u>38,169.53</u>

LAND SALES/ACQUISITIONS — 1987-89 BIENNIUM

	<u>Acres</u>
Sales (N.D.C.C. §15-09)	
North Dakota School of Science	(33.00)
University of North Dakota	(2.51)
Common Schools	(110.52)
General Fund Sales (N.D.C.C. §15-08.1-03)	(320.00)
Acquisitions (Foreclosure/Cancelled Contract)	
State Hospital	15.00
Valley City/Mayville	15.00
School for Deaf	2.50
North Dakota Industrial School	16.00
Mixed Funds (Farm Loan Pool)	8,543.35
General Fund (N.D.C.C. §15-08.1-03)	<u>1,280.00</u>
NET TOTAL ACRES	<u>9,405.82</u>

Information does not include land acquisitions of 43,127.80 acres which were managed by the Land Department under contract with the Bank of North Dakota/State Treasurer.

OTHER FUNDS

Capitol Building Interest and Income Fund

The Capitol Building Interest and Income Fund consists of accumulated income from the capitol building permanent fund and grant lands. This income is not automatically distributed, as is the case with other permanent fund income, but is held in the Capitol Building Interest and Income Fund until appropriated by the legislative assembly. Section 48-10-02, N.D.C.C., gives the Capitol Grounds Planning Commission "general powers to superintend the administration of the capitol building fund, its interest and income fund, and its investments and properties."

The following is a summary of the activity in the Capitol Building Interest and Income Fund during the 1987-89 biennium:

Beginning Balance, July 1, 1987	\$1,797,958
<u>REVENUES:</u>	
Mineral Rental	5,112
Surface Rental	65,352
Land Contracts	11,779
Investment Income	486,329
Board Action on Past Royalties	1,549
Interest Penalty	136
Total Revenues	<u>570,257</u>
<u>EXPENDITURES:</u>	
Capitol Grounds Planning	\$ 46,531
Dir. of Institutions, SB 2005	1,476,013
Prepaid Interest on investments	17,843
Investment Consultants	253
Miscellaneous	102
Administrative Expenses	14,432
Total Expenditures	<u>1,555,174</u>
Ending Balance, June 30, 1989	<u>\$ 813,041</u>

At the close of the biennium, \$700,000 was invested in FNMA Notes, and \$113,158 was in a money market account, for a total of \$813,041.

Lands and Minerals Trust Fund

The Lands and Minerals Trust Fund is created by Chapter 15-08.1 and 15-08.2 of the North Dakota Century Code. It consists of revenues from property, primarily minerals, formerly held by the Bank of North Dakota, and revenues from the beds of all navigable rivers, lakes, and streams located outside the Garrison Diversion Conservancy District. The beds of these navigable bodies of water, together with the former Bank of North Dakota minerals, are leased for oil and gas exploration and production. (All riverbed leases prohibit "surface" occupancy; what is actually being leased is the right to participate in a spacing unit for oil and gas production.)

All monies colt the close of the biennium, \$7,339,908 had been borrowed from the common schools trust fund for D.D. Loan Funds #2 and #3.) The actual administration of these loan programs is the responsibility of the Bank of North Dakota, with loan collections being deposited in the Lands and Minerals Trust Fund. The total amount due to the common schools trust fund is then appropriated from all revenues to the Lands and Minerals Trust Fund.

The following is a summary of activity in the Lands and Minerals Trust Fund for the 1987-89 biennium:

Beginning Balance, July 1, 1987	\$ 0
REVENUES:	
Oil & Gas Royalties	3,011,747
Coal Royalties	14,325
Lease Rentals	222,637
Oil & Gas Bonuses	973,355
Interest on Investments	272,703
D.D. Loan Repayment	971,778
Miscellaneous Receipts	86,879
Board Action on Past Royalties	<u>334,877</u>
Total Revenues	\$5,888,301
EXPENDITURES:	
Southwest Water Pipeline: SB #2029	60,057
Disabled Facility Loan #2: HB #1009	853,592
Disabled Facility Loan #3: HB #2249	316,688
Administrative Costs	243,168
Miscellaneous Payments	<u>20,368</u>
Total Expenditures	<u>\$1,493,873</u>
Ending Balance, June 30, 1989	<u>\$4,394,428</u>

The ending balance was invested as follows: \$2,935,000 in Certificates of Deposit; \$1,418,289 in Farm Home Notes; \$41,139 in a money market account at the Bank of North Dakota, for a total of \$4,394,428.

Coal Development Trust Fund

The Coal Development Trust Fund is established by Section 21 of Article X of the Constitution of North Dakota, and Section 57-62-02 of the North Dakota Century Code. The monies in the fund are derived from a 15 percent share of the coal severance tax. The principal balance of the fund is available for loans to counties, cities, and school districts that have been impacted by coal development.

During the 1987-89 biennium, a maximum of \$5 million was also made available for loans to counties, cities, and school districts impacted by oil and gas development. The unloaned balance of the fund is invested by the Board of University and School Lands. All interest income from the loans, and other investments of the fund, is deposited in the state general fund.

The following is a summary of activity in the Coal Development Trust Fund during the 1987-89 biennium:

Beginning Balance, July 1, 1987	\$29,342,016
REVENUES:	
Coal Severance Tax Funds Received	6,393,732
Interest Received on Coal Warrants	1,021,436
Interest Received on Oil & Gas Warrants	393,189
Interest Income from Investments	2,687,594
Amortized Premium on Investments	10,839
Total Revenues	\$10,506,790
EXPENDITURES:	
Earnings Transferred to General Fund	\$ 4,047,698
Prepaid Interest on Investments	54,521
Total Expenditures	\$ 4,102,219
Ending Balance, June 30, 1989	<u>\$35,746,587</u>

New Loans

The Board of University and Schools Lands approved the following loans from the fund during the 1987-89 biennium:

Coal Impact Loans (1)	\$250,000
Oil & Gas Impact Loans (6)	641,255
Total	<u>\$891,255</u>

Investment Balances

At the close of the biennium, the Coal Development Trust Fund was invested as follows:

U.S. Treasury Notes	\$ 5,447,051	Oil & Gas Impact Loans	3,408,361
Certificates of Deposit	13,054,000	Coal Impact Loans	<u>7,718,873</u>
U.S. Govt. Agency Notes	5,755,177		
Money Market Account	363,125	Total	<u>\$35,746,587</u>

STATE OF
COMMISSIONER
OF UNIVERSITY
AND SCHOOL
LANDS
NORTH DAKOTA

FORTY NINTH
BIENNIAL
REPORT

July 1, 1989 to June 30, 1991



Timothy L. Kingstad

Commissioner



Timothy L. Kingstad
COMMISSIONER

North Dakota STATE LAND DEPARTMENT

918 East Divide Avenue, Suite 410
Drawer No. 5523
Bismarck, North Dakota 58502-5523
(701) 224-2800

Fax (701) 255-7143

December 1, 1991

The Honorable George A. Sinner
Governor of North Dakota
State Capitol
Bismarck, ND 58505

Mr. Richard L. Rayl, Director
Office of Management and Budget
State Capitol
Bismarck, ND 58505

Dear Governor Sinner and Mr. Rayl:

I am privileged to submit for your consideration the Forty Ninth Biennial Report of the Commissioner of University and School Lands. This report covers the period from July 1, 1989 through June 30, 1991. State trust lands in North Dakota were created by land grants from the federal government, and are found in an Act of Congress of February 22, 1889, commonly known as the Enabling Act.

This report highlights some of the major accomplishments of the Land Department during the past biennium.

In February, 1991, a milestone was reached when the total receipts collected pushed the permanent trust funds over the \$300 million mark. The permanent funds, established shortly after statehood, are composed of the revenues generated from the sale of land, and the leasing of minerals such as oil, gas, lignite, sand and gravel. These monies are invested and the interest is used to support the trust beneficiaries (schools and institutions throughout North Dakota).

The completion of departmental automation during the past biennium has allowed the Land Department to make significant progress in several areas. Oil and gas leases, surface leases, rent schedules, and rent statements are now completely computer generated. Instead of using time-consuming, antiquated card systems to maintain lease and lessee information, all information (including lessee's name and address, payment history, and detailed lease and tract information) is now available through computer inquiry. I am also pleased to report that our efforts in this area were recognized by the Urban and Regional Information Systems Association, which awarded our system an Honorable Mention in its Exemplary Systems in Government awards competition.

The staff and I are proud to have been a part of the progress the Land Department has made during the past biennium. We look forward to continued service to the state of North Dakota and the trust beneficiaries in the coming biennium.

Sincerely,



Timothy L. Kingstad
Land Commissioner

TLK/smm

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COMMISSIONER'S REPORT

Agency Overview

The primary service provided by the Land Department is the generation of income for distribution to local school districts and other institutions throughout the state of North Dakota. This income is generated through the prudent management of the trust property, consisting of over 725,000 surface acres, over 2.5 million mineral acres, and over \$300 million in permanent trust funds. The surface acres (an area larger than several North Dakota counties) 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." These permanent trust funds now total more than \$300 million, and have been invested in the Farm Loan Pool administered by the Bank of North Dakota, U.S. Treasury notes and bonds, and other prudent investments. The income from these investments, together with surface and mineral rentals, is distributed to the schools and institutions at specified intervals throughout the biennium.

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The Land Department also serves as "trustee" for the Lands and Minerals trust fund. This trust fund consists of 663,310 mineral acres formerly owned by the Bank of North Dakota, and the minerals located under navigable

streams, rivers, and lakes, which are owned by the state of North Dakota as a "sovereign" state.

+++

The Land Department manages about 90 farm properties (more than 36,000 acres) received through foreclosure or deed back by the Bank of North Dakota.

+++

The Land Department also enforces the Unclaimed Property Act, collects "unclaimed property" (uncashed checks, unused bank accounts, etc.), and attempts to find the property's owner.

+++

During the 1989-91 biennium, the Energy Development Impact Office (EDIO) was combined with the Land Department. The EDIO allocates funds appropriated by the state Legislature to assist local political subdivisions deal with problems arising from coal and oil development. In the allocation of these funds, the director of the office accepts applications for funding, travels to visit with subdivisions requesting the funding, allocates the funds, and administers the payout of the funds to the grantees.

Funding Source

Foreclosed properties management expenses are paid for by management fees which the Land Department charges the Bank of North Dakota for managing foreclosed properties.

Noxious weed control expenses for Lands and Minerals trust fund properties are paid for by that fund.

Funds for oil impact grants are requested

from the oil impact grant fund, and the administration of the Energy Development Impact Office is covered by the state's general fund and special revenue funds.

All other funding for the State Land Department is received through the Lands Maintenance fund. This fund consists of fees charged for services and a portion of interest and income earned by trusts administered (N.D.C.C. § 15-03-01.1).

Historical Overview

Land Grant

On February 22, 1889, Congress passed "An act to provide for the division of Dakota into two states, and to enable the people of North Dakota, South Dakota, Montana and Washington to form constitutions and state governments . . ." (commonly known as the Enabling Act). Section 10 of this act granted sections 16 and 36 in every township to the new states "for the support of common schools." Where portions of these sections had been sold prior to statehood, indemnity or "in-lieu" selections were allowed. In North Dakota, this grant of land totalled over 2.5 million acres.

Under sections 12, 14, 16 and 17 of the Enabling Act (and other acts referred to therein), Congress provided further land grants to the state of North Dakota for the support of colleges, universities, the state capitol and other public institutions. These additional grants totalled approximately 668,000 acres, bringing the grand total of Enabling Act land grants to nearly 3.2 million acres.

+ + +

Land Sales & Acquisitions

Since statehood in 1889, much of the grant land has been sold. However, beginning in 1939, whenever the state sold grant land, it reserved five percent of the minerals. In 1941, the reservation was increased to 50 percent; and, since July 28, 1960, the North Dakota Constitution has mandated a 100 percent mineral reservation. Today, the Land Department manages in excess of 650,000 of the original, grant land surface acres, and over 1.8 million of the original mineral acres. Approximately 55,000 acres have since been acquired through foreclosure or other means, bringing the total surface acreage to well over 700,000 acres.

Also, in 1977, the legislature transferred management authority to the Department for minerals acquired by the Bank of North Dakota and for the minerals under sovereign land (navigable rivers and lakes). This brings the total minerals managed to over 2.5 million acres.

+ + +

Land Management

A. Constitutional Authority. North Dakota's Constitution, adopted on October 1, 1889,

entrusted the management of these lands (both acquired land and grant land) to the "board of university and school lands." The board was initially made up of the superintendent of public instruction, the governor, the attorney general, and the state auditor. On June 10, 1986, a constitutional amendment replaced the state auditor with the state treasurer.

B. Current Board of University and School Lands. The Land Board currently consists of the following members:

Governor George A. Sinner
Secretary of State Jim Kusler
Attorney General Nicholas Spaeth
Supt. of Public Instruction Wayne Sanstead
State Treasurer Robert Hanson

C. Commissioner of University and School Lands. Under N.D.C.C. § 15-02-01, the Board of University and School Lands is required to appoint a commissioner to act on their behalf. Specific responsibilities of the Board and the Commissioner are set out in N.D.C.C. ch. 15-01 through ch. 15-08.1.

1. Land Management Responsibilities. The Commissioner's general land management responsibilities, as set out in N.D.C.C. § 15-02-05, are as follows:

- * Have general charge and supervision of all grant lands.
- * Act as general agent of the board.
- * Have custody of all maps, books, and papers relating to grant lands.
- * Procure the books, maps, and plats required to keep a complete record of all grant lands, and keep a true record of all conveyances made under his direction.
- * Direct all appraisements, sales and leases, and execute all contracts, subject to board approval.
- * Certify the book and page number of all contracts, leases or permits recorded by him.

2. Other Responsibilities. Since 1975, the Land Commissioner has been responsible for the enforcement of the Unclaimed Property Act (N.D.C.C. § 15-02-05.2 and ch. 47-30.1). Also, in 1989, the Energy Development Impact

Office became a division of the office of the Commissioner (Land Department). The director of this office is, however, appointed directly by the Board of University and School Lands (N.D.C.C. § 57-62-04).

Mission Statement

The mission of the State Land Department, under the direction of the Board of University and School Lands, is to serve as a "trustee" for the benefit of the common schools, various institutions of higher education, and certain other state institutions.

+ + +

Land Department Statement of Goals

The overall departmental goal of the State Land Department is to achieve and maintain a high level of management ability so that the long-term benefits to the trust beneficiaries are maximized. To achieve this primary goal, the following subgoals have been established:

- * To develop and maintain a comprehensive, multiple-use management program for the administration of surface lands.
- * To develop and pursue a strong, effective minerals management program which maximizes revenue to the trust funds.

- * To develop and pursue an aggressive, fair minerals audit program to ensure that the trust funds receive all royalties.
- * To continue to improve compliance with the Abandoned Property Law.
- * To improve the investment functions of the department.

+ + +

Energy Development Impact Office Statement of Goals

The primary goal of the Energy Development Impact Office is to ensure that local subdivisions hosting energy activity are not asked to bear a disproportionate share of the costs associated with that activity (both in its "boom" and "bust" manifestations). The office motto is that "we North Dakotans will ensure that, as we benefit through the extraction of energy resources, that benefit will not be gained at the expense of those whose lives or property are disturbed in the process."

Additional Information Regarding Land Department

Publications

In addition to this report, the Department publishes:

- * A semi-annual newsletter distributed to its surface tenants and other interested parties;
- * Lists of tracts to be leased at quarterly oil and gas lease sales, together with a compilation of the results of these sales;
- * Lists of individuals entitled to unclaimed property (see N.D.C.C. § 47-30.1-19.1); and
- * Summaries of grant awards made by the Energy Development Impact Office.

Notice of the leasing and sale of surface tracts is given by publication in the official

county newspaper where the land is located.

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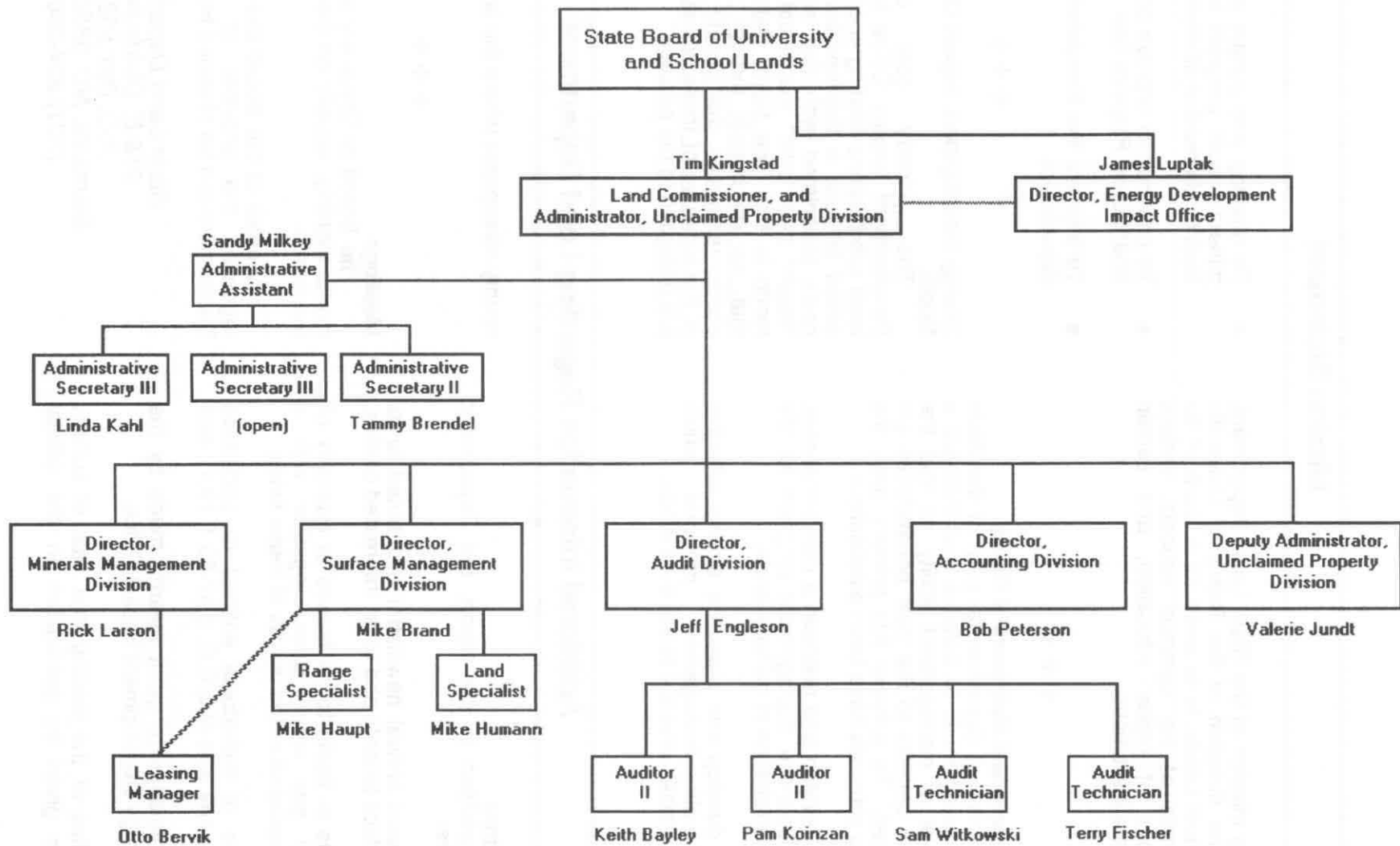
Meetings

The Board of University and School Lands meets monthly, usually on the last Thursday of the month.

Minutes of the Board and other information regarding the activities of the State Land Department can be obtained from:

*State Land Department
918 E. Divide #410
P.O. Box 5523
Bismarck, ND 58502-5523
(701) 224-2800*

Organizational Chart
for the
North Dakota State Land Department



ACCOUNTING DIVISION

This division accounts for all receipts of the State Land Department. The division maintains accounting records for 15 permanent funds, 15 income and interest funds, and 2 other funds, while monitoring and accounting for the investments of these various funds. The division also performs budgetary and payroll functions for the Department.

Beginning July 1, 1990, all Department receipts were entered into the computerized SLIMS system. This enhanced the internal controls for receipts and allowed end-of-the-month revenue reports to be generated in a more timely manner.

Also, on July 1, 1990, the Board of University and School Lands diversified its investment practices. At that time, \$111 million

was transferred to the Northern Trust Company of Chicago, Illinois, which is acting as master trustee. Of this amount, \$90 million was allocated to the Bank of North Dakota, Bismarck, North Dakota, for management; and, \$21 million was allocated to the Trust Company of the West, Los Angeles, California, for management. The funds managed by the Bank of North Dakota are invested in a bond "index fund" which is designed to replicate the investment performance of the Lehman Brothers Government Corporate bond index. The funds managed by the Trust Company of the West are invested in a convertible securities portfolio consisting of bonds, convertible bonds and convertible preferred stocks. Investment accounting and other related services are being provided under contract with the North Dakota Retirement and Investment Office.

AUDIT DIVISION

The Audit Division manages the Land Department's royalty accounting system and audits past royalty payments to ensure the state receives its correct share of the proceeds from oil, gas, coal and other minerals mined from state-owned lands. The Audit Division also audits for compliance with the state's Unclaimed Property Law and manages land sale contracts held by the Department.

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Revenue Collection

During the past biennium, the Audit Division's efforts contributed almost \$700,000 to the school trust funds. This amount is an increase of about \$76,000 from the previous biennium. These revenues include additional royalty income, penalties and interest due on late payments.

The following table is a breakdown of the amounts collected as a result of the division's activities during the biennium.

Miscellaneous Collections	\$352,249.56
Audit Collections	\$230,865.86
Penalties/Interest Collections	<u>\$109,728.64</u>
Total Audit & Related Collections	<u>\$692,844.06</u>

Miscellaneous collections are generally a result of contacts made by an audit technician in an effort to resolve discrepancies identified by our royalty management system. Also included in this category are monies collected as a result of reporting or payment problems discovered during the implementation of the system. Audit collections are royalties and interest collected as a result of detailed reviews of past royalty payments. Penalties and interest include penalties and interest due on miscellaneous collections and on voluntary late payments made by companies.

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Expansion of Oil and Gas Audit Efforts

In October 1989, the Audit Division expanded in size from two to five employees. These positions were authorized by the 1989 Legislative Assembly to improve the effectiveness of the division's oil and gas royalty audit/management program and begin implementation of an unclaimed property audit program. These new positions allowed the division to complete audit work on oil royalties paid to the state for production through June 1984. It also allowed the new royalty management system to be completed by January 1990. The substantial increase in "Audit Collections" for the biennium is directly attributable to these positions.

Although progress was made on oil and gas audits this biennium, more remains to be done. Division personnel are currently performing preliminary audit work on oil royalties for production periods through December 1986 and are trying to resolve outstanding audit issues with various companies for production prior to June 1984. It is expected that a number of the audits still open will be turned over to our legal counsel for final resolution.

The division also participated in increased inter-agency coordination of audit efforts during the biennium. Division personnel worked closely with the Tax Department's Oil and Gas Division and the Auditor's Office to share information and ideas on oil and gas auditing. A joint audit with the Tax Department is being planned for the coming biennium. In addition, the division director continued to be an active member of the Royalty Management Committee of the Western States Land Commissioners Association. This committee is comprised of royalty managers from various western states, including Texas, Louisiana, New Mexico and Wyoming. These states are on the cutting edge of royalty auditing and are willing to share their ideas and experiences in oil and gas auditing. This organization has been an invaluable resource to our office and will continue to be so in the future.

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Unclaimed Property Auditing

In May 1991, the Audit Division began an unclaimed property audit program. During the biennium, the division began a training program in unclaimed property auditing, which will include initial audits of several unclaimed property "holders." No funds were collected as the result of this program during the 1989-91 biennium. It is expected, however, that the coming biennium will see an increase in both audit collections and general compliance with the unclaimed property law as the result of audit activities in this area.

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Computer Enhancements

In January 1990, the computerized SLIMS Royalty Management and Accounting System was brought on-line after much planning and preparation. This system replaced the old royalty accounting system on the state's mainframe computer. SLIMS now gives division personnel the capability to manage royalties on a day-to-day basis. Other features of SLIMS that will help manage royalties more effectively and efficiently include:

- Monthly reports that compare figures reported to this office with volumes reported to the North Dakota Industrial Commission and values reported to the North Dakota Tax Department.
- Reports that identify improper deductions from royalty payments.
- Reports that identify those wells for which no royalties are received in a given month.
- Price variance reports that identify wells that have pricing discrepancies.
- Programs that automatically calculate penalties and interest due on late royalty payments.
- Other edits and controls which ensure that the data entered is posted to the correct property and is calculated correctly.

Because of enhancements such as these, more revenues are now collected on a monthly basis. Audit efforts are also more efficient, as the system contains accurate, up-to-date data. Division personnel now concentrate on more significant issues, rather than on resolving math errors and volume discrepancies.

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Land Sale Contracts

The following table is a summary of the status of all land sale contracts managed by the Department for the 1989-91 biennium.

	<u>Contracts</u>	<u># of Acres</u>
Balance July 1, 1989	264	38,169.53
Contracts completed	60	9,023.26
Contracts sent to		
Bank of North Dakota	3	252.73
Balance June 30, 1991	201	28,893.54

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Summary

The Audit Division has changed substantially during the past few years. These changes have increased collections while continuing to improve job performance and time management skills. The new royalty management system facilitates the tracking of royalty payments on a daily basis, ensuring that the state receives the proper revenue from mineral production on state-owned land. In the coming biennium, the Unclaimed Property audit program is expected to increase compliance with North Dakota's Unclaimed Property law while collecting substantial monies for the Common Schools trust fund.

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MINERALS MANAGEMENT DIVISION

This division administers the mineral interests held in trust for the benefit of various schools and institutions of North Dakota. The division also administers mineral interests formerly owned by the Bank of North Dakota and minerals under navigable rivers and lakes.

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Oil and Gas Royalty

The Land Department received a share of the production from approximately 362 wells in the state. At the beginning of the biennium, the average price received for the state's royalty oil was \$17.73 per barrel. This price increased to \$33.49 per barrel in October of 1990, during the Persian Gulf conflict. From that point, the price of oil slowly declined to close the biennium at an average price of \$17.61. The Land Department received royalty payments on average monthly production of 28,240 barrels of oil and 32,446 mcf of gas.

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Horizontal Drilling Activity

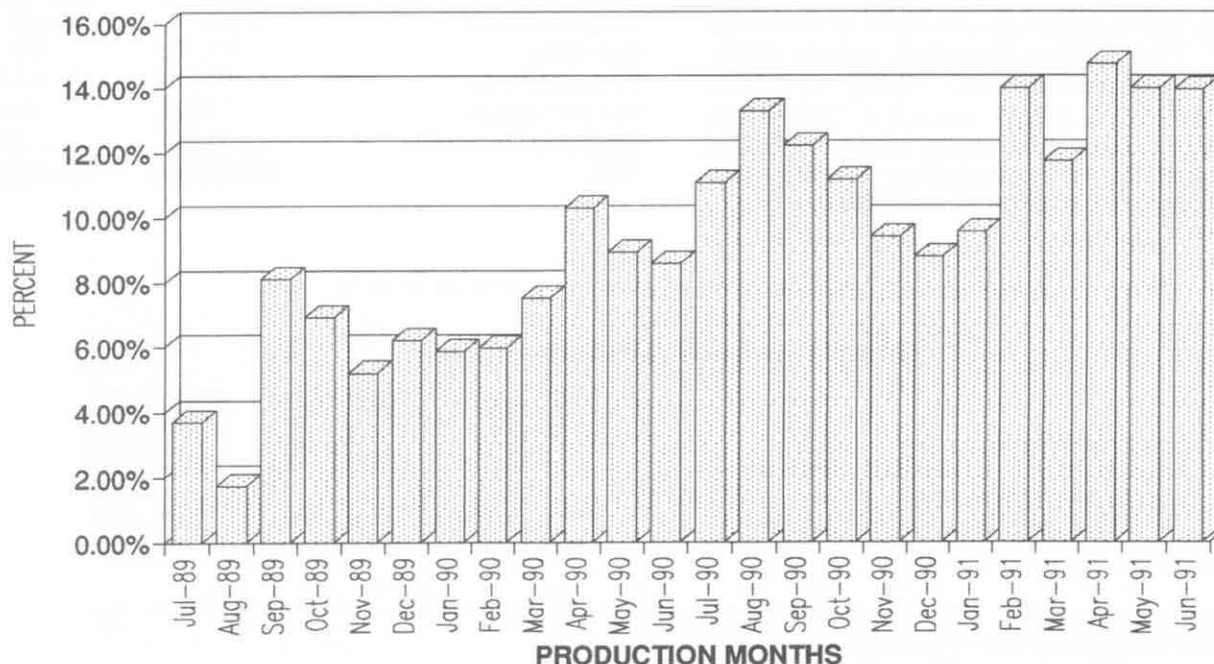
Horizontal drilling technology became more

refined this biennium, with the fractured Bakken formation the primary target. Unfortunately, the areal extent of the commercially productive Bakken pool did not fulfill the expectations of some of the companies that were drilling these wells.

At the beginning of the biennium, the Bakken lease play covered counties as far north as Divide County, with drilling attempts in Williams and Mountrail Counties. Horizontal wells drilled in Dunn and Stark Counties established the commercially productive limits to the east and south. By the end of the biennium, horizontal drilling activity had contracted to the "Bakken Fairway" in parts of McKenzie, Billings, and Golden Valley Counties. Until the limits of the Bakken Fairway were established, state mineral leases were in demand in areas that had limited interest in the recent past. Now that the area of Bakken drilling has narrowed, leasing activity has also declined.

The chart set out below shows the increasing importance of production from horizontal wells during the biennium.

PERCENT OF MONTHLY HORIZONTAL PRODUCTION TO TOTAL PRODUCTION FOR THE 1989-1991 BIENNIUM



Enhanced Oil Recovery

During the 1987-89 biennium, the Land Department became a participant in two new secondary recovery projects: the Big Stick Madison Unit in Billings County and the Zenith Newton Unit in Stark County. Both units have responded to the waterflood injection, with production increasing more than 25%.

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Other Oil and Gas Activity

In addition to horizontal drilling activity, there were other significant discoveries during the biennium that positively impacted the Department. In eastern Mountrail County, additional drilling of the Wabek field led to the discovery of the Plaza field. State interests share in production from 17 wells in these two fields. With the discovery of the Lucky Mound and Centennial Fields, McLean County once again became a producing county. State acreage surrounds the initial wells in these fields and there were four wells permitted on state-owned minerals at the close of the biennium.

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Coal Production

Coal royalty from state minerals continued to decline during the biennium. However, the first new coal leases in over five years were applied for in 1990. A total of three new leases were issued to Knife River Coal Company and Coteau Properties Company. The tracts leased are in Mercer and Oliver Counties. The terms of the leases are ten years with an 8% royalty rate. The Land Board agreed to an 8% royalty to make the state leases more competitive and to encourage the federal government to lower its royalty rate. The coming biennium should show a significant increase in coal royalty receipts. Mining on two of the leases issued in 1990 is to begin in 1992. Also, the mine plans of Knife River Coal and Basin Cooperative Services are scheduled to reach state tracts in 1992.

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State-Owned Mineral Acres Leased for Oil & Gas

County	Owned	Leased
Billings*	59,898	41,307
Bottineau*	36,690	9,640
Bowman*	62,975	13,936
Burke*	47,763	21,685
Divide*	72,288	16,584
Dunn*	89,326	39,279
Foster	20,752	560
Golden Valley*	41,686	9,097
Hettinger*	54,072	1,194
McHenry*	66,673	854
McKenzie*	135,351	107,097
McLean*	121,484	16,856
Mercer	60,375	8
Mountrail*	101,961	71,931
Renville*	24,191	13,241
Rolette	29,372	80
Slope*	51,709	1,465
Stark*	53,720	14,354
Ward*	72,675	31,334
Williams*	90,986	52,212
Total**	1,293,947	462,714

*Counties with oil and gas production.

**In counties with active leases.

(Only counties with acreage leased under current oil and gas leases are listed above.)

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Mineral Division Receipts

Description	1987-1989	1989-1991
Oil and gas royalty	\$10,909,659	\$14,462,232
Oil and gas bonus	6,190,129	6,439,135
Coal royalty	1,571,770	329,767
Oil and gas rental	855,571	842,064
Well site damages	75,600	99,663
Geophysical exploration	27,927	3,639
Total	\$19,630,656	\$22,176,500

Oil and Gas Leasing Activity

	1985-1987	1987-1989	1989-1991
Gross mineral acres owned**	2,530,000	2,530,127	2,538,012
Total acres under lease at end of biennium	714,300	480,900	462,714
Number of oil and gas lease sales	7	7	8
Net mineral acres leased during the biennium	179,667	152,859	233,288
Average bonus per net mineral acre	\$21.60	\$40.48	\$27.35

**Approximate acreage only. Total acreage will vary due to estimates of the acreage owned by the state under the navigable rivers and lakes.

OIL AND GAS LEASE SALE RESULTS (89-91 BIENNIUM)

COUNTY		Aug-89	Nov-89	Feb-90	May-90	Aug-90	Nov-90	Feb-91	May-91	TOTAL
BILLINGS	TOTAL \$	\$207,440.00	\$369,549.00	\$77,038.96	\$207,678.86	\$4,137.70	\$0.00	\$25,560.00	\$212,837.93	\$1,104,242.45
	MIN. ACRES	1,360.00	1,109.62	1,001.64	1,882.59	17.99	0.00	2,160.00	6,097.18	13,629.02
	\$/MIN ACRE	\$152.53	\$333.04	\$76.91	\$110.32	\$230.00	\$0.00	\$11.83	\$34.91	\$81.02
BOTTINEAU	TOTAL \$	\$0.00	\$0.00	\$0.00	\$4,396.00	\$0.00	\$3,460.20	\$2,318.46	\$0.00	\$10,174.66
	MIN. ACRES	0.00	0.00	0.00	816.00	0.00	336.20	1,980.46	0.00	3,132.66
	\$/MIN ACRE	\$0.00	\$0.00	\$0.00	\$5.39	\$0.00	\$10.29	\$1.17	\$0.00	\$3.25
BOWMAN	TOTAL \$	\$0.00	\$9,080.00	\$2,200.00	\$0.00	\$0.00	\$0.00	\$0.00	\$649.40	\$11,929.40
	MIN. ACRES	0.00	1,000.00	80.00	0.00	0.00	0.00	0.00	649.40	1,729.40
	\$/MIN ACRE	\$0.00	\$9.08	\$27.50	\$0.00	\$0.00	\$0.00	\$0.00	\$1.00	\$6.90
BURKE	TOTAL \$	\$240.00	\$4,521.00	\$1,320.00	\$6,307.00	\$0.00	\$6,480.00	\$7,427.76	\$280.49	\$26,576.25
	MIN. ACRES	80.00	1,020.50	60.00	880.76	0.00	176.00	1,238.64	80.14	3,536.04
	\$/MIN ACRE	\$3.00	\$4.43	\$22.00	\$7.16	\$0.00	\$36.82	\$6.00	\$3.50	\$7.52
DIVIDE	TOTAL \$	\$0.00	\$0.00	\$19,080.00	\$23,856.95	\$9,633.79	\$45,293.45	\$85.21	\$2,440.00	\$100,389.40
	MIN. ACRES	0.00	0.00	400.00	1,877.54	3,988.95	1,565.30	80.19	488.00	8,399.98
	\$/MIN ACRE	\$0.00	\$0.00	\$47.70	\$12.71	\$2.42	\$28.94	\$1.06	\$5.00	\$11.95
DUNN	TOTAL \$	\$11,418.89	\$39,581.27	\$0.00	\$444,495.19	\$87,719.86	\$91,283.17	\$49,614.40	\$4,521.23	\$728,634.01
	MIN. ACRES	2,155.47	816.49	0.00	11,343.05	2,379.93	6,182.59	1,555.04	822.25	25,254.82
	\$/MIN ACRE	\$5.30	\$48.48	\$0.00	\$39.19	\$36.86	\$14.76	\$31.91	\$5.50	\$28.85
G. VALLEY	TOTAL \$	\$0.00	\$215,680.00	\$0.00	\$0.00	\$0.00	\$0.00	\$3,285.23	\$5,760.00	\$224,725.23
	MIN. ACRES	0.00	640.00	0.00	0.00	0.00	0.00	895.89	640.00	2,175.89
	\$/MIN ACRE	\$0.00	\$337.00	\$0.00	\$0.00	\$0.00	\$0.00	\$3.67	\$9.00	\$103.28
HETTINGER	TOTAL \$	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$160.00	\$160.00
	MIN. ACRES	0.00	0.00	0.00	0.00	0.00	0.00	0.00	160.00	160.00
	\$/MIN ACRE	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$1.00	\$1.00
MCHENRY	TOTAL \$	\$4,800.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$4,800.00
	MIN. ACRES	80.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	80.00
	\$/MIN ACRE	\$60.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$60.00
MCKENZIE	TOTAL \$	\$709,879.09	\$258,742.66	\$758,163.70	\$218,334.08	\$41,974.04	\$5,441.04	\$471,063.72	\$17,444.73	\$2,481,043.06
	MIN. ACRES	18,212.92	8,864.19	4,517.65	12,791.12	2,215.01	182.94	3,038.02	3,102.88	52,924.73
	\$/MIN ACRE	\$38.98	\$29.19	\$167.82	\$17.07	\$18.95	\$29.74	\$155.06	\$5.62	\$46.88
MCLEAN	TOTAL \$	\$1,204.42	\$666.75	\$0.00	\$360.00	\$10,226.47	\$42,020.00	\$43,738.90	\$8,222.50	\$106,439.04
	MIN. ACRES	174.07	314.70	0.00	80.00	1,371.52	388.00	6,409.91	2,204.00	10,942.20
	\$/MIN ACRE	\$6.92	\$2.12	\$0.00	\$4.50	\$7.46	\$108.30	\$6.82	\$3.73	\$0.00
MERCER	TOTAL \$	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$38.80	\$0.00	\$38.80
	MIN. ACRES	0.00	0.00	0.00	0.00	0.00	0.00	7.76	0.00	7.76
	\$/MIN ACRE	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$5.00	\$0.00	\$0.00
MOUNTRAIL	TOTAL \$	\$481,459.79	\$108,311.66	\$16,345.82	\$55,319.00	\$25,976.15	\$15,407.15	\$16,942.80	\$4,640.00	\$724,402.37
	MIN. ACRES	27,739.88	9,889.21	1,561.94	2,796.08	1,567.03	3,311.85	3,078.99	800.00	50,744.98
	\$/MIN ACRE	\$17.36	\$10.95	\$10.47	\$19.78	\$16.58	\$4.65	\$5.50	\$5.80	\$14.28
RENVILLE	TOTAL \$	\$0.00	\$15,918.16	\$14,640.00	\$46,458.00	\$13,540.00	\$10,720.00	\$24,654.82	\$3,620.29	\$129,551.27
	MIN. ACRES	0.00	679.71	320.00	314.50	1,200.00	480.00	2,016.81	320.01	5,331.03
	\$/MIN ACRE	\$0.00	\$23.42	\$45.75	\$147.72	\$11.28	\$22.33	\$12.22	\$11.31	\$24.30
STARK	TOTAL \$	\$0.00	\$74,466.34	\$2,074.25	\$36,063.58	\$4,735.85	\$0.00	\$0.00	\$0.00	\$117,340.02
	MIN. ACRES	0.00	961.51	87.91	2,110.62	1,036.68	0.00	0.00	0.00	4,196.72
	\$/MIN ACRE	\$0.00	\$77.45	\$23.60	\$17.09	\$4.57	\$0.00	\$0.00	\$0.00	\$27.96
WARD	TOTAL \$	\$5,789.30	\$394.43	\$7,056.00	\$5,341.96	\$6,803.52	\$9,749.08	\$38,644.99	\$27,269.56	\$101,048.84
	MIN. ACRES	505.34	339.49	88.00	335.32	466.69	861.10	11,719.32	6,153.11	20,468.37
	\$/MIN ACRE	\$11.46	\$1.16	\$80.18	\$15.93	\$14.58	\$11.32	\$3.30	\$4.43	\$4.94
WILLIAMS	TOTAL \$	\$362,406.70	\$72,268.26	\$3,200.00	\$8,285.80	\$3,142.64	\$1,004.12	\$55,127.00	\$0.00	\$505,434.52
	MIN. ACRES	23,911.02	2,363.82	160.00	457.56	277.72	77.24	3,327.52	0.00	30,574.88
	\$/MIN ACRE	\$15.16	\$30.57	\$20.00	\$18.11	\$11.32	\$13.00	\$16.57	\$0.00	\$16.53
TOTALS	TOTAL \$	\$1,784,638.19	\$1,169,179.53	\$901,118.73	\$1,056,896.42	\$207,890.02	\$230,858.21	\$738,502.09	\$287,846.13	\$6,376,929.32
	MIN. ACRES	74,218.70	27,999.24	8,277.14	35,685.14	14,521.52	13,561.22	37,508.55	21,516.97	233,288.48
	\$/MIN ACRE	\$24.05	\$41.76	\$108.87	\$29.62	\$14.32	\$17.02	\$19.69	\$13.38	\$27.33

SURFACE MANAGEMENT DIVISION

This division leases and manages surface acres held in trust for various schools and institutions. The major source of income from these lands is grazing and agricultural leases, with additional revenue being generated by rights of way, gravel and scoria mining.

This biennium, the division implemented a fair market value surface leasing system, completed an automated records management system, and continued the management agreement with the Bank of North Dakota and State Treasurer. Division personnel also maintained programs for seeding permanent cover on marginal cropland, range improvement, noxious weed control and land inventory.

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Fair Market Value Leasing System

Planning for this program began in the 1987-89 biennium, and implementation began in the fall of 1989. The goal of the system was to develop a method of leasing school lands that provided a fair return to the trusts. Development of this method was necessary because school lands were being leased for 50% or less of their true leasing value. This represented a real loss in income to the schools of North Dakota.

The basic concept underlying the system is that minimum rents at public auction will be based on fair market value. Adjustments to the going rate for comparable private leases are made for the following:

- * Tract quality
- * Noxious weed infestations
- * Water developments
- * Management restrictions
- * Fencing

This method has been successfully phased in on all leases issued since the fall of 1989 (about 40%). Program implementation will be complete as of the 1994 lease year, resulting in a 75 to 100% increase in rental income.

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Automated Records Management System & Geographic Information System

Automation of surface management records was completed in May 1990. Automation occurred concurrently with the development of the fair market value leasing system, and was essential to its successful implementation. In that respect, automation is a

key part of the additional revenue generated under the new leasing system.

During this biennium, the division began the computer generation of auction ads from existing data bases, and developed camera-ready copy through the use of PC programs. Internal control over advertising is expected to reduce advertising costs by almost 50% and completely eliminate the staff costs previously dedicated to proofreading. This new method substantially reduces the time required to process these ads, and virtually eliminates the potential for errors, thus increasing the accuracy and integrity of the public auction process.

Automation has also reduced the amount of paperwork involved in processing easements and leases and managing other land improvement programs. The next step will be to develop and implement a geographic information system. This will greatly enhance the ability of division personnel to integrate land management data, observe spatial patterns on school lands, and make more informed land management decisions.

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Management Agreement with the Bank of North Dakota and State Treasurer

The Department's agreement to manage properties foreclosed by the Bank of North Dakota as agent for the State Treasurer, continued this biennium. This cooperation between state agencies reduced the Bank of North Dakota's costs in managing these properties, and provided a net profit to the schools of North Dakota of \$83,700. As of June 30, 1991, the Land Department was managing 36,118 acres for the Bank and Treasurer. Total lease income during the biennium was \$822,558. In addition, 24,568 acres were sold for a total of \$3,857,595.

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Noxious Weed Control

For the first time, the division was forced to limit expenditures for noxious weed control on school land because of increased lessee participation. This biennium, leafy spurge was controlled on approximately 5,600 acres of school land, with about 120 tenants participating in this cost-share program. In the spring of 1991, division personnel selectively contacted lessees of leafy spurge-affected tracts, and encouraged noxious weed control. This enhanced noxious weed control program was made possible by automation.

Leasing

During the 1989-91 biennium, the Surface Management Division issued 2,648 grazing and agricultural leases. Public auctions were held each fall and spring, with leases going to the highest bidder. Lands managed by the division were over 99% leased. The new fair market value leasing system has not eroded leasing success, which has always been high.

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Land Improvement

An important new land improvement project has been the development of a cooperative relationship between Ducks Unlimited, the State Land Department, and selected surface tenants. Projects include developing rotation grazing systems, developing livestock water, and reseeding marginal land. Ducks Unlimited provides the funding, while the tenants provide the management. Tenants benefit by improved range condition, while Ducks Unlimited benefits from improved waterfowl habitat. This project was initially targeted to Mountrail County, but has since included projects in other counties within the waterfowl flyway.

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Range Inventory

The Department's range inventory program continued this biennium with the inventory of 36,727 acres in Barnes, Cass, Dickey, Foster, LaMoure, McIntosh, Ransom, Richland, Sargent and Stutsman Counties. Since 1980, a total of 455,566 acres or about 64% of all school lands have been inventoried.

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Summary

Several major projects initiated in the previous biennium were successfully completed this biennium. Income increased substantially and staff time was redirected to field work, enhancing the ability of division personnel to make on-the-ground decisions. This increased attention to field work should also improve relationships with our tenants and the general public. The Surface Management Division looks forward to improving land management on school lands during the next biennium.

SURFACE ACRES BY TRUST FUND As of June 30, 1991

<u>Trust Fund</u>	<u>Grant Land</u>	<u>Acquired Land</u>	<u>Totals</u>
Common Schools	604,370.16	31,770.32	636,140.48
School for Blind	2,233.60	1,170.17	3,403.77
State Capitol	9,663.09	318.08	9,981.17
School for Deaf	3,406.29	1,422.56	4,828.85
Ellendale State College ¹	3,226.37	1,306.45	4,532.82
State Hospital	1,892.75	311.16	2,203.91
Industrial School	3,066.56	1,282.72	4,349.28
School of Mines	2,044.49	1,187.54	3,232.03
N.D.S.U.	11,361.75	3,755.93	15,117.68
Veterans' Home	2,433.69	480.00	2,913.69
U.N.D.	7,459.64	2,159.85	9,619.49
Valley City State University	0.00	640.00	640.00
ND State College of Science	2,103.05	1,457.01	3,560.06
Mayville State University	0.00	640.00	640.00
Valley City/Mayville ²	6,660.31	160.00	6,820.31
Mixed Funds ³	0.00	17,078.35	17,078.35
	659,921.75	65,140.14	725,061.89

1 Receipts from acreage held by the Ellendale trust fund are allocated equally among the following institutions: Dickinson State University, Minot State University, NDSU-Bottineau, School for the Blind, Veterans' Home, State Hospital, and State College of Science.

2 Receipts from acreage held by Valley City and Mayville State Universities are allocated 62.5% to Valley City and 37.5% to Mayville.

3 Receipts from acreage held by mixed funds is distributed by formula to all of the above funds except the State Capitol fund.

Surface Acres by County

<u>County</u>	<u>Surface Acres</u>	<u>% Leased</u>	<u>County</u>	<u>Surface Acres</u>	<u>% Leased</u>
Adams	17,115.78	100%	Morton	21,229.44	99%
Barnes	2,803.32	94%	Mountrail	32,445.36	100%
Benson	11,941.28	100%	Nelson	2,853.66	93%
Billings	31,103.67	100%	Oliver	7,993.90	98%
Bottineau	2,754.15	100%	Pembina	0.00	N/A
Bowman	30,491.48	100%	Pierce	14,303.93	100%
Burke	16,119.43	100%	Ramsey	2,056.50	100%
Burleigh	30,952.04	100%	Ransom	1,120.00	100%
Cass	40.00	0%	Renville	1,910.12	100%
Cavalier	596.47	100%	Richland	593.68	100%
Dickey	4,546.60	100%	Rolette	6,835.92	94%
Divide	21,141.44	100%	Sargent	1,127.79	100%
Dunn	26,128.62	100%	Sheridan	26,427.52	100%
Eddy	10,274.62	100%	Sioux	23,519.26	100%
Emmons	14,180.54	99%	Slope	23,605.32	100%
Foster	3,114.01	100%	Stark	6,458.13	100%
Golden Valley	28,971.60	100%	Steele	0.00	N/A
Grand Forks	2,073.77	100%	Stutsman	15,663.01	100%
Grant	33,963.95	99%	Towner	8,076.00	100%
Griggs	1,741.24	100%	Trail	0.00	N/A
Hettinger	9,881.40	100%	Walsh	201.02	100%
Kidder	28,643.79	100%	Ward	11,917.57	100%
LaMoure	2,075.72	100%	Wells	5,248.63	100%
Logan	9,404.92	100%	Williams	38,422.15	100%
McHenry	23,744.94	100%			
McIntosh	8,170.98	100%	Total	<u>725,061.89</u>	<u>99.7%</u>
McKenzie	64,847.75	100%			
McLean	21,036.54	100%			
Mercer	15,192.93	96%			

(Note: All county "% leased" figures are rounded to the nearest percent.)

Land Sales & Acquisitions 1989-91 Biennium

	<u>Acres</u>	<u>Total</u>
<u>Acquisitions (Foreclosure or Deed Backs):</u>		
Mixed Funds (Farm Loan Pool)	9,821.61	
Common Schools	1.44	
Total Acquisitions		9,823.05
<u>Sales:</u>		
N.D.C.C. Chapter 15-09 (public purpose)	(86.64)	
N.D.C.C. Chapter 15-07 (foreclosed property)	(5,544.38)	
N.D.C.C. Chapter 15-06 (grant land)	(10.90)	
Condemnation	(4.93)	
Prescription	(1.40)	
Total Sales		(5,648.25)
Transferred to Bank of North Dakota (N.D.C.C. § 15-08.1-02.1)		(2,348.20)
Transferred beds of navigable waters to the State Engineer (N.D.C.C. § 61-33-03)		Unspecified Acreage

UNCLAIMED PROPERTY DIVISION

This division administers and enforces the Unclaimed Property Act (N.D.C.C. ch. 47-30.1). Each year, over 6,000 report forms are sent to financial institutions, insurance companies and other businesses which may be holding uncashed checks, unused bank accounts, or other funds unclaimed by the owner. These businesses complete standard forms and return them to the division along with any unclaimed funds. The division then attempts to locate the owners through letters, publication and other efforts.

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Locating Owners

In addition to sending letters and publishing names in county newspapers, the division receives assistance from two television and three radio stations. These stations announce the names and last known addresses of various owners as a public service announcement at no cost to the state. Also, a brochure was developed and distributed to increase public awareness of the division. Since 1988, the division has rented a booth at the North Dakota State Fair and displays a list of owners entitled to abandoned property. All of these activities have resulted in an increase of claims paid to owners and an increased awareness of the purpose of the division by the public.

During the 1991 Legislative Assembly, the division successfully sponsored legislation which lowered the dormancy period for savings and checking accounts held by financial institutions from seven to five years. Also, a new section was included in the statute that specifically identifies uncashed checks and makes them reportable after two years. These changes became effective July 1, 1991, and should result in a substantial increase in the amount of property reported during the next report period.

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Property Collected

The amount of property collected decreased slightly from the previous biennium. A total of \$1,264,302 was collected, compared to \$1,361,658 last biennium. This decrease was due largely to a "leveling off" period created after the dormancy period on bank accounts was lowered in 1987 from 20 to 7 years. Total assets of the unclaimed property portion of the Common Schools trust fund increased by \$1 million this biennium, bringing the total to \$4,685,667.

Payment of Claims

When an owner is located, a claim is completed by the owner, evaluated by the division, and promptly paid. All funds not claimed by the owner become a part of the Common Schools trust fund; subject, however, to the right of claim, in perpetuity, by the owner or the owner's heirs. The interest on all unclaimed funds is distributed as part of the tuition apportionment payment to school districts. The number and amount of claims paid increased over the past biennium. Over 600 claims were reviewed and processed, and \$281,342 was returned to the owners.

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Public Education Efforts

Valerie Jundt, Deputy Administrator of the division, conducted several seminars and workshops designed to educate various groups about unclaimed property law requirements.

Holder education seminars conducted in Fargo and Bismarck were specifically targeted to employees of banks and other financial institutions. Fifty-five representatives from around the state participated in these meetings and were informed of the various changes in the law, how to properly complete report forms, lawful service charges on dormant accounts, and other related topics.

Examiners from the state Department of Banking and Financial Institutions and the Insurance Department attended seminars explaining the purpose of the division, statutory requirements and the procedures for filing unclaimed property reports. As the result of these seminars, the state banking and insurance departments agreed to assist the division by checking for compliance with the Unclaimed Property Law when auditing state-chartered banks and insurance companies.

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Reciprocal Agreements

Reciprocal agreements now exist between the state of North Dakota and 23 other states. These agreements provide for the exchange of unclaimed funds between the states, based on the last known address of the owner. For example, if a bank in California has a dormant account for a person whose last known address is in North Dakota, this account could be reported to the California Unclaimed Property Division, which would transfer the account to the North Dakota Unclaimed Property Division, pursuant to

the reciprocal agreement between the two states. North Dakota would then attempt to locate the owner of the account and distribute the money accordingly. Reciprocal agreements increase the amount of property recovered for North Dakota residents and provide a more efficient way for companies to comply with the unclaimed property laws of the various states. As the result of these agreements, over \$65,000 was received for the benefit of North Dakota owners during the 1989-91 biennium.

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Auditing for Unclaimed Property

In May 1991, a vacant auditor position was filled with an individual whose primary area of responsibility will be unclaimed property auditing. In addition, a consultant was hired to train the Department auditors. As part of this training, initial audits were conducted at two financial institutions, a trust department, a hospital, and a publicly-held utility company. As the result of these audit activities, the reduction in the dormancy period, and voluntary compliance by the holders, we expect a substantial increase in property collected in the next biennium.

ENERGY DEVELOPMENT IMPACT OFFICE

The Energy Development Impact Office (EDIO) came into existence in 1975 when the Legislature authorized the Coal Development Impact Program under N.D.C.C. ch. 57-62. On July 1, 1989, the EDIO was combined with the State Land Department, under the direction of the Board of University and School Lands. The coal grant program which began in 1975 expired in 1989. The Oil Impact Grant Program began in 1981 and is still in existence.

During the 1989-91 biennium, the EDIO administered two grant programs. These programs helped reduce the financial hardships of local political subdivisions which resulted directly from activities of the oil industry.

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Oil Impact Grant Program

The first of the two programs was the Oil Impact Grant Program. The 1989 Legislative Assembly appropriated \$2 million from the Resources trust fund to the program. The EDIO also had carry-over funds appropriated in the previous biennium which were still available for allocation. These carry-over funds amounted to \$163,300. During the 1989-91 biennium, the office conducted two grant rounds, one in the fall of 1989 and the other in the spring of 1991. All available funds were allocated.

To receive funding, applicants must show:

- ✎ That oil activity in the area has created a financial hardship which cannot be handled without help from the Oil Impact Grant Program;

- ✎ That the project will alleviate the hardship resulting from oil activity; and

- ✎ That the applicant's financial resources to handle the project are insufficient (this implies that the applicant has made a diligent local taxing effort to accomplish its goal).

These funds are awarded by the director of the office, following visits with representatives of the local political subdivisions requesting the funding. Following the director's visits with the applicants, the director considers all information received during these meetings, all information included in the application, and any other information compiled relating to oil production, oil taxation, and property taxation. Information is also obtained through the state's mainframe computer from the Oil & Gas Division of the Industrial Commission showing oil wells, oil production, and salt water production by township. This information helps establish the degree of oil-related traffic in each township. In addition, the EDIO collects oil tax and property tax data from various sources, including the State Treasurer's Office, the State Tax Commissioner's Office, the State Department of Public Instruction, and the North Dakota League of Cities.

The tables below summarize the grant amounts allocated by county, by type of subdivision, by function of project, and by object of expenditure within function. Counties and townships accounted for 59% of the total amount awarded, most of which was for road projects. Overall, transportation projects of counties, townships and cities accounted for over 68% of the total amount awarded during the biennium.

**1989-91 BIENNIUM
OIL IMPACT GRANT REQUESTS AND AWARDS**

A. Summary by County

	<u>Total Cost of Project</u>	<u>Amount of Grant Request</u>	<u>Amount Awarded</u>	<u>Percent of Total</u>
Billings	2,110,000	555,000	0	0.0%
Bottineau	1,180,780	1,057,680	193,950	9.0%
Bowman	959,300	800,750	101,400	4.7%
Burke	1,270,935	1,122,855	187,400	8.7%
Divide	517,002	340,343	84,350	3.9%
Dunn	3,633,500	983,500	85,000	3.9%
Golden Valley	2,891,411	1,416,895	85,700	4.0%
Grant	5,850	5,850	0	0.0%
McHenry	15,433	5,433	400	0.0%
McKenzie	826,238	331,850	49,200	2.3%
McLean	108,600	66,000	9,000	0.4%
Mountrail	2,159,650	1,739,800	207,500	9.6%
Renville	791,122	532,393	148,500	6.9%
Slope	33,300	31,500	5,000	0.2%
Stark	6,592,428	3,275,808	593,000	27.4%
Ward	151,577	104,327	15,000	0.7%
Williams	2,927,768	1,863,954	397,900	18.4%
Total	<u>26,174,895</u>	<u>14,233,938</u>	<u>2,163,300</u>	<u>100.0%</u>

B. Summary by Type of Subdivision

	<u>Total Cost of Project</u>	<u>Amount of Grant Request</u>	<u>Amount Awarded</u>	<u>Percent of Total</u>
Counties	10,708,216	4,827,993	673,500	31.1%
Schools	2,073,253	1,520,703	205,000	9.5%
Cities	8,456,786	4,437,961	602,500	27.9%
Park Districts	955,980	255,150	5,000	0.2%
Townships	2,743,341	2,284,606	505,600	23.4%
Fire & Ambulance Dist.	1,237,319	907,524	171,700	7.9%
Total	<u>26,174,895</u>	<u>14,233,938</u>	<u>2,163,300</u>	<u>100.0%</u>

C. Summary by Function of Project

	<u>Total Cost of Project</u>	<u>Amount of Grant Request</u>	<u>Amount Awarded</u>	<u>Percent of Total</u>
Law Enforcement	679,314	556,283	97,500	4.5%
Education	2,073,253	1,520,703	205,000	9.5%
Health	341,791	283,791	103,000	4.8%
Transportation	16,482,887	9,241,523	1,480,600	68.4%
Recreation	1,010,730	309,900	5,000	0.2%
Public Safety	125,637	40,736	0	0.0%
Fire Protection	1,142,664	812,869	170,200	7.9%
Potable Water	1,325,743	703,743	5,000	0.2%
Sewage Systems	148,980	146,980	40,000	1.8%
Solid Waste Systems	535,000	165,000	0	0.0%
Water & Sewer Lines	10,000	10,000	0	0.0%
Public Administration	2,298,895	442,410	57,000	2.6%
Total	<u>26,174,895</u>	<u>14,233,938</u>	<u>2,163,300</u>	<u>100.0%</u>

D. Summary by Object of Expenditure

	Total Cost of Project	Amount of Grant Request	Amount Awarded	Percent of Total
Personnel	480,690	389,127	0	0.0%
Light Vehicles	395,267	367,352	106,500	4.9%
Heavy Vehicles	1,146,468	787,450	87,000	4.0%
Minor Equipment	244,025	211,814	73,200	3.4%
Major Equipment	273,956	222,918	67,500	3.1%
Street Construction	4,667,740	2,210,950	275,000	12.7%
Road Construction	7,072,190	5,241,782	1,098,800	50.8%
Bridge Construction	3,935,957	1,212,340	91,800	4.2%
Building Construction	4,817,750	1,875,500	256,500	11.9%
Renovation	348,303	194,871	32,500	1.5%
Sanitation Systems	64,980	62,980	40,000	1.8%
Water Systems	1,078,083	496,083	5,000	0.2%
Athletic Facilities	145,000	103,000	7,500	0.3%
Landscaping	596,950	217,450	22,000	1.0%
Park Facilities	287,980	187,250	0	0.0%
Water & Sewer Lines	337,660	297,660	0	0.0%
Other	281,895	155,410	0	0.0%
Total	<u>26,174,895</u>	<u>14,233,938</u>	<u>2,163,300</u>	<u>100.0%</u>

Local political subdivisions in Stark and Williams Counties led all other counties in amounts received under the Oil Impact Grant Program. Subdivisions in Stark County received \$593,000, or 27% of the amount awarded. Subdivisions in Williams County received \$397,900, or 18% of the amount awarded. The size of the grants to these two counties is justified by their status as regional centers and by the drop in the tax bases of the cities of Dickinson and Williston.

A listing of individual grants made during the 1989-91 biennium is available upon request from the Energy Development Impact Office.

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Special Assessment Deficiency Relief Program

The second of the two programs administered by the EDIO during the biennium was the Special Assessment Deficiency Relief Program. From the mid-1980s, cities in western North Dakota experienced deficiencies in collecting special assessments for improvements made during the peak of the oil boom. As early as 1984, the EDIO began to issue grants to the City of Belfield to assist it with the problems it experienced. In addition, the EDIO, with the Board of University and School Lands, helped the City of Gladstone emerge from a major special assessment deficiency crisis. The EDIO contribution to that settlement was a grant of \$110,000.

In 1985, the Legislature authorized the use of a portion of the income to the Coal Development trust fund for loans to oil-impacted subdivisions. That program was reauthorized in 1987. However, in 1989, the Legislature chose not to reauthorize the loan program. Instead, \$1,440,000 (an amount equal to the interest earnings at 6% on \$12 million in the Coal Development trust fund) was dedicated for grants to cities in oil counties experiencing major tax collection problems (1989 S.L., ch. 61). This program, known as the Special Assessment Deficiency Relief Program, was designed to be an interim program only. In 1989, legislation was also passed providing for funding of the oil impact grant program (1989 S.L., ch. 733). For the 1991-93 biennium, both the regular impact requests and the special assessment requests will be dealt with through the Oil Impact Grant Program.

The Special Assessment Deficiency Relief Program specified that applicants for assistance must be those cities whose tax effort was in the upper 10% for all cities in the state. For that purpose, the city tax levy was used as the basis for the comparison. In addition, the law specified that, as was the case with the loan programs, the Board of University and School Lands would make the final grant determinations, following recommendations to the Board by the director of the Energy Development Impact Office.

In making recommendations, the director of the EDIO collected financial data from the applicant cities to develop a cash flow for each applicant that would show the annual cost to the city over the next seven years to manage its debt. Those cities whose annual cost exceeded 55 mills were most likely to receive funding.

The Board of University and School Lands conducted two grant rounds in the 1989-91 biennium. All appropriated funds were allocated except for \$92,448 which was withheld because of budget reductions after the 1989 tax referrals.

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Conclusion

The activity reported here concerns grant awards only. Grant payments are made as projects are completed. Therefore, grants made in one biennium may be paid out in another. Grant payment activity is recorded in our biennial audit reports.

Special Assessment Deficiency Relief Program Grant Rounds 1989-91 Biennium

Specials Round #1

Belfield	150,000
Dickinson	283,898
Grenora	9,158
Stanley	9,158
Westhope	4,579
Williston	283,898

Round 1 Total

740,691

Specials Round #2

Grenora	30,641
Dickinson	288,110
Williston	288,110

Round 2 Total

606,861

Grand Total

1,347,552

Amount Withheld

92,448

Total Appropriation

\$1,440,000

LEGAL ACTIVITIES

Little Missouri River

Shortly before the close of the biennium, the U.S. District court ruled against the state of North Dakota in its long-running case against the federal government regarding title to the Little Missouri River. The District Court decision concluded that the Little Missouri was not navigable at statehood; therefore, title to the riverbed did not pass to the state under the "equal footing doctrine" and the Enabling Act. The state has appealed the district court decision to the U.S. Eighth Circuit Court of Appeals.

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Land Department v. City of Sherwood

At the close of the biennium, the department was also involved in litigation with

the city of Sherwood regarding whether minerals are conveyed to a purchaser under N.D.C.C. ch. 15-09. At the close of the biennium, this case was pending before the Renville County District Court.

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Miscellaneous

During the biennium, the Department was also involved in other routine litigation and legal negotiations involving departmental activities, some of which remained pending at the close of the biennium. All legal services for the Department, including routine advice and consultations, are provided by the office of the Attorney General and are paid with appropriated special funds as provided by law.

PERMANENT FUNDS

Comparative Statement of Grant Land Permanent Fund and Other Fund Balances

Permanent Funds	June 30, 1983	June 30, 1985	June 30, 1987	June 30, 1989	June 30, 1991
Common Schools	176,248,794	216,156,378	232,230,246	246,850,470	267,081,350
Unclaim Prop/Common Schools	1,272,060	1,601,731	2,489,244	3,545,361	4,671,089
N.D.S.U.	5,116,238	6,304,614	6,675,753	6,562,417	6,778,802
School for Blind	1,240,440	1,352,272	1,395,520	1,273,499	1,330,121
State Capitol	2,231,395	2,342,104	2,382,986	2,435,119	2,395,539
School for Deaf	1,474,655	1,545,408	1,550,602	1,642,056	1,858,891
State Hospital	1,506,103	1,712,600	1,801,925	1,769,950	1,829,898
Ellendale State College*	1,222,208	1,271,950	1,277,834	1,283,557	1,297,383
Valley City State Univ.	1,498,421	1,566,384	1,584,122	1,602,977	1,641,454
Mayville State Univ.	967,502	1,068,928	1,079,575	1,099,227	1,128,604
Industrial School	2,094,272	2,242,317	2,303,341	2,371,227	2,468,579
State College of Science	1,336,533	1,398,745	1,472,791	1,525,098	1,595,908
School of Mines	1,570,613	1,653,497	1,712,043	1,769,398	1,839,855
Veterans' Home	1,142,738	1,164,478	1,162,568	1,186,392	1,210,479
U.N.D.	2,926,388	3,036,468	3,084,950	3,028,384	3,101,442
Total	<u>201,848,360</u>	<u>244,417,874</u>	<u>262,203,500</u>	<u>277,945,132</u>	<u>300,229,394</u>
Other Funds					
Coal Development Trust	13,906,445	20,591,422	28,553,702	35,786,675	42,735,915
Lands & Minerals Trust	<u>4,108,687</u>	<u>4,178,440</u>	<u>0</u>	<u>4,480,254</u>	<u>2,207,762</u>
Total	<u>18,015,132</u>	<u>24,769,862</u>	<u>28,553,702</u>	<u>40,266,929</u>	<u>44,943,677</u>

*The receipts from acreage held by the Ellendale trust fund are allocated equally among the following institutions: Dickinson State University, Minot State University, NDSU-Bottineau, School for the Blind, Veterans' Home, State Hospital, and State College of Science.

Breakdown of Permanent Fund Investments

	<u>Com. Schools</u>	<u>U/P Com. Schools</u>	<u>N.D.S.U.</u>	<u>Blind</u>	<u>Capitol</u>	<u>Deaf</u>	<u>State Hospital</u>
U.S.T. Notes	108,664,972	119,963	268,300	29,990	29,991	69,391	49,837
U.S.T. Bonds	5,957,813						
GNMA Pass-thru	311,265		103,167	30,396	6,913	11,011	22,664
GNMA	1,913,308						
FNMA	3,083,365						
Commercial Paper	22,052,241	2,355,709	2,381,572	436,793	1,226,117	555,887	757,934
Yankee CD	55,022,898	1,773,170	1,774,201	357,046	1,037,127	456,059	553,057
Corporate Bonds	21,000,000						
Farm Loan Pool	38,793,693		1,981,195	424,542		679,267	377,371
Real Estate Owned	1,786,948		91,259	19,556		31,289	17,383
Contract Receivable	44,410		2,268	486		778	432
Land Contracts	762,516		22,102	298	16,276		337
DD Loan Fund #2	4,468,104						
DD Loan Fund #3	2,798,571						
Money Market Acct.	421,246	422,247	154,738	31,014	79,115	55,209	50,883
Total	<u>267,081,350</u>	<u>4,671,089</u>	<u>6,778,802</u>	<u>1,330,121</u>	<u>2,395,539</u>	<u>1,858,891</u>	<u>1,829,898</u>

	<u>Ellendale</u>	<u>Val. City</u>	<u>Mayville</u>	<u>Industrial</u>	<u>Science</u>	<u>Mines</u>	<u>Vet. Home</u>	<u>U.N.D.</u>
U.S.T. Notes	24,992	39,841	74,242	59,981	39,841	29,990	19,994	79,534
GNMA Pass-thru	31,662	31,382	28,046	53,133	34,576	37,336	24,332	42,465
Commercial Paper	376,036	479,529	343,632	904,635	543,620	592,390	338,177	857,107
Yankee CD	302,032	382,041	289,036	765,095	453,052	491,059	286,035	660,073
Farm Loan Pool	509,450	622,661	339,633	584,924	452,845	594,359	490,582	1,320,797
Real Estate Owned	23,467	28,682	15,644	26,943	20,859	27,378	22,598	60,840
Contract Receivable	583	713	389	670	518	680	561	1,512
Land Contracts	0	21,290	12,774	7,657	9,906	23,495	3,068	16,452
Money Market Acct.	29,161	35,315	25,208	65,541	40,691	43,168	25,132	62,642
Total	<u>1,297,383</u>	<u>1,641,454</u>	<u>1,128,604</u>	<u>2,468,579</u>	<u>1,595,908</u>	<u>1,839,855</u>	<u>1,210,479</u>	<u>3,101,442</u>

**Combined Statement of
Total Permanent Fund Investments
as of June 30, 1991**

U.S. Treasury Notes	109,600,859	Farm Loan Pool	47,171,319
U.S. Treasury Bonds	5,957,813	Real Estate Owned	2,172,846
GNMA Pass-thru	768,348	Contract Receivable	54,000
GNMA	1,913,308	Land Contracts	896,171
FNMA	3,083,365	Money Market Accounts	1,541,310
Commercial Paper	34,201,379	DD Loan Fund #2	4,468,104
Yankee CD	64,601,981	DD Loan Fund #3	2,798,571
Corporate Bonds	21,000,000	Total	<u>300,229,374</u>

RECEIPTS

**Comparative Schedule of
Permanent Fund Cash Receipts**

Description	<u>7/81 to 6/83</u>	<u>7/83 to 6/85</u>	<u>7/85 to 6/87</u>	<u>7/87 to 6/89</u>	<u>7/89 to 6/91</u>
Oil and Gas Royalty	23,092,363	23,307,464	11,980,895	7,897,912	11,410,466
Oil and Gas Bonus*	12,063,169	13,332,669	2,569,607	5,216,774	5,169,048
Coal Royalty	890,150	5,190,632	2,408,303	1,557,445	301,788
Gravel and Scoria Royalty	30,053	21,138	31,842	17,214	31,229
Test Holes and Easements	380,176	233,802	233,095	304,438	406,575
Land Sold	17,715	148,190	85,388	13,584	97,175
Miscellaneous Receipts	8,358	5,948	0	0	0
Total	<u>36,481,984</u>	<u>42,239,843</u>	<u>17,309,130</u>	<u>15,007,367</u>	<u>17,416,281</u>

* Effective January 1, 1979, 50% of the oil and gas bonus payments received by the common schools trust fund was apportioned and distributed to the schools. This practice continued until June of 1982, when an amendment to Section 1 of Article IX of the North Dakota Constitution mandated that all bonus monies be retained as part of the permanent Common Schools trust fund.

**Comparative Schedule of
Interest and Income Cash Receipts**

Description	<u>7/81 to 6/83</u>	<u>7/83 to 6/85</u>	<u>7/85 to 6/87</u>	<u>7/87 to 6/89</u>	<u>7/89 to 6/91</u>
Interest on Securities	27,282,271	37,290,003	41,160,250	43,731,436	44,813,082
Interest on Loans*	8,044,741	9,727,229	9,086,422	9,951,789	11,248,168
Interest on Contracts	875,982	675,356	500,137	396,019	246,148
Oil and Gas Lease Rentals	1,733,807	1,243,150	870,121	632,934	611,480
Surface Rentals	3,497,877	3,776,873	3,942,797	4,165,530	4,318,827
Oil and Gas Bonus**	4,894,353	0	0	0	0
Interest Penalty	0	0	25,362	62,595	155,618
Total	<u>46,329,031</u>	<u>52,712,611</u>	<u>55,585,089</u>	<u>58,940,303</u>	<u>61,393,323</u>

* Interest on loans for the 1989-91 biennium consists of \$9,675,641 in interest received from the Farm Loan Pool managed for the funds by the Bank of North Dakota; and \$1,572,527 in interest to the Common Schools trust fund from the Developmentally Disabled Facilities loans.

** Effective January 1, 1979, 50% of the oil and gas bonus payments received by the Common Schools trust fund was apportioned and distributed to the schools. This practice continued until June of 1982, when an amendment to Section 1 of Article IX of the North Dakota Constitution mandated that all bonus monies be retained as part of the permanent Common Schools trust fund.

DISTRIBUTIONS & EXPENDITURES

Comparative Statement of Income Distributed to Institutions

Description	7/81 to 6/83	7/83 to 6/85	7/85 to 6/87	7/87 to 6/89	7/89 to 6/91
Common Schools*	38,403,282	44,062,283	49,678,908	48,554,825	45,233,365
N.D.S.U.	1,009,000	1,216,500	1,385,000	1,247,000	1,411,000
School for Blind	217,900	270,000	278,000	255,000	270,000
School for Deaf	337,800	361,500	365,000	296,000	366,000
State Hospital	278,100	352,500	370,000	330,000	357,000
Ellendale State College**	252,700	271,600	266,350	239,400	276,850
Valley City State University	309,400	331,500	335,000	292,000	342,000
Mayville State University	200,900	213,500	223,000	192,000	231,000
Industrial School	418,300	493,500	516,000	423,000	491,000
State College of Science	264,900	283,000	285,000	273,000	320,000
School of Mines	327,700	328,500	338,000	330,000	373,000
Veterans' Home	219,600	243,500	239,500	208,000	242,000
U.N.D.	613,400	659,000	659,000	608,000	679,000
Total	42,852,982	49,086,883	54,938,758	53,248,225	50,592,215

* Effective January 1, 1979, 50% of the oil and gas bonus payments received by the Common Schools trust fund were apportioned and distributed to the schools. This practice continued until June of 1982, when an amendment to Section 1 of Article IX of the North Dakota Constitution mandated that all bonus monies be retained as part of the permanent Common Schools trust fund. The amount of bonus payments distributed totalled \$8,207,540 during the 1981-83 biennium.

** The receipts from acreage held by the Ellendale trust fund are allocated equally among the following institutions: Dickinson State University, Minot State University, NDSU-Bottineau, School for the Blind, Veterans' Home, State Hospital, and State College of Science.

State Land Department Statement of Appropriations and Expenditures

Land Department Budget	1989-91 Appropriations	1989-91 Expenditures	Unexpended Appropriations
Salaries and Wages	1,179,089	1,113,572	65,517
Operating Expenses	485,722	484,242	1,480
Central Data Processing	21,650	20,410	1,240
Equipment	43,960	43,823	137
Grants-Benefits-Claims (surface mgmt.)	100,000	99,996	4
Grants-Benefits-Claims (oil grants)	2,000,000	1,853,093	146,907
Grants-Special Assessment	1,440,000	1,347,552	92,448
Carryover oil grants 83-85	3,638	3,638	0
Carryover coal grants 85-87	208,045	208,045	0
Carryover oil grants 87-89	448,344	448,344	0
Carryover coal grants 87-89	252,510	200,525	51,985
Foreclosed Properties Mgmt.	89,000	89,000	0
Contingency-Dakota Gas Closure	5,000,000	0	5,000,000
Noxious Weed Control (special)	34,500	20,974	13,526
Contingencies	50,000	0	50,000
Total	11,356,458	5,933,214	5,423,244

Funding for the Land Department's Budget is received from the state Lands Maintenance fund established by Section 15-03-01.1, N.D.C.C. This fund consists of the fees charged by the department for issuing leases, easements, deeds, etc.; and a portion of the income generated by the funds managed by the department. The expenses covered by this funding source are salaries and wages, operating expenses, central data processing, equipment, \$100,000 in grants-benefits-claims (surface mgmt.) and contingencies.

The state General Fund provided \$109,008 for the Energy Development Impact Office's portion of the budget covering expenses for salaries and wages, operating expenses and equipment. Expenditures for \$2 million in grants-benefits-claims (oil grants) and all carryover oil and coal grants were made from the state General Fund and from transfers from special revenue funds.

Foreclosed properties management expenses were paid by management fees deducted from foreclosed properties income transferred to the Bank of North Dakota.

Noxious weed control (special) for the Little Missouri River and Burlington Project was funded by the Lands & Minerals trust fund.

OTHER FUNDS

State Capitol Fund

Fund Balance July 1, 1989

\$3,393,615

Revenues:

Oil and gas royalties	16,264
Oil and gas bonuses	43,303
Principal on land contracts	19,486
Interest on land contracts	8,103
Mineral rental	3,759
Surface rental	77,629
Coal rental	720
Interest on investments	475,682
Interest penalties on late royalties	936
Total Revenues	645,882

Expenditures:

Director of Institutions	800,000
Capitol Grounds Planning Commission	16,000
Legislative Assembly	134,000
North Dakota Historical Society	70,000
Total Expenditures	1,020,000

Fund Balance June 30, 1991

\$3,019,497

Balance Sheet

Assets:

Commercial Paper	\$1,226,117
Yankee CD	1,037,127
US Treasury Notes	29,991
GNMA Pass-thru	6,913
Accrued interest receivable	10,433
Land Contracts	16,276
Money Market Account	692,640
Total Assets	3,019,497

Equity:

Fund Balance June 30, 1991	3,019,497
Total Equity	3,019,497

Lands and Minerals Trust Fund

This fund is created by N.D.C.C. ch. 15-08.1 and sec. 61-33-07. It consists of revenues from minerals formerly held by the Bank of North Dakota, and revenues from the beds of navigable rivers, lakes, and streams. The beds of these navigable bodies of water, together with the former BND minerals, are leased for oil and gas exploration and production. (All riverbed leases prohibit "surface" occupancy; what is actually being leased is the right to participate in a spacing unit for oil and gas production.) All monies collected by this fund are subject to legislative appropriation each biennium.

This fund also serves as a funding vehicle for the repayment of the Developmentally Disabled Facilities Loan funds. (At the close of the biennium, \$7,579,175 had been borrowed from the Common Schools trust fund for D.D. Loan Funds #2 and #3.) The actual administration of these loan programs is the responsibility of the Bank of North Dakota, with loan collections being deposited in the Lands and Minerals trust fund. The total amount due to the Common Schools trust fund is then appropriated from all revenues to the Lands and Minerals trust fund.

Fund Balance July 1, 1989

\$4,480,254

Revenues:

Oil and gas royalties	2,756,315
Coal royalties	27,979
Lease rentals	231,922
Oil and gas bonuses	1,270,087
Interest on investments	646,038
D.D. loan repayment	997,000
Interest penalties on late royalties	67,684
Total Revenues	5,997,025

Expenditures:

Southwest Water Pipeline: SB 2029	1,800,000
Appropriation to Industrial Commission	4,590,328
Little Mo. River-Leafy Spurge	20,974
Disabled Facility Loan #2: HB #1009	962,008
Disabled Facility Loan #3: HB #2249	610,519
Administrative Costs	285,688
Total Expenditures	8,269,517

Fund Balance June 30, 1991

\$2,207,762

Balance Sheet

Assets:

Commercial Paper	\$1,500,000
Accrued interest receivable	10,875
Money market account	1,127,154
Total assets	2,638,029

Liabilities:

Due to other funds	430,267
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Equity:

Fund Balance June 30, 1991	2,207,762
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Total Liabilities and Equity	2,638,029
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Coal Development Trust Fund

The Coal Development trust fund is established by Section 21 of Article X of the Constitution of North Dakota, and Section 57-62-02 of the North Dakota Century Code. The monies in the fund are derived from a 15 percent share of the coal severance tax. The principal balance of the fund is available for loans to counties, cities, and school districts that have been impacted by coal development. (Temporary legislation from 1985 through 1989 also authorized loans to oil-impacted subdivisions.) The unloaned balance of the fund is invested by the Board of University and School Lands.

Effective July 1, 1990, the constitution was amended to provide that up to 50 percent of the taxes collected and deposited in this fund during a biennium may be appropriated by the legislature for "lignite research, development, and marketing as provided by law."

The Board of University and Schools Lands approved three coal warrant loans totaling \$600,000 during the 1989-91 biennium.

Fund Balance - July 1, 1989 **\$35,786,675**

Revenues:

Coal severance tax funds	7,550,455
Interest on coal warrants	893,216
Interest on oil and gas warrants	391,179
Interest income from investments	<u>4,541,507</u>
Total revenues	<u>13,376,357</u>

Expenditures:

Earnings transferred to General Fund	5,079,565
Transfer to Energy Impact Fund	<u>1,347,552</u>
Total expenditures	<u>6,427,117</u>

Fund Balance - June 30, 1991 **\$42,735,915**

Balance Sheet

Assets:

Commercial paper	\$16,993,833
Yankee CDs	14,113,865
Amortized discount	17,830
Due from other agencies	365,088
Accrued interest receivable	376,769
Money market account	1,584,015
Oil and gas impact loans	2,951,196
Coal impact loans	<u>6,773,380</u>
Total assets	<u>43,175,976</u>

Liabilities:

Due to State General Fund	440,061
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Equity:

Fund Balance June 30, 1991	42,735,915
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Total Liabilities and Equity	<u>\$43,175,976</u>
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**State Of
North Dakota**

STATE LAND DEPARTMENT

Commissioner of University and School Lands

Fiftieth Biennial Report

to the
Governor
and to the
Office of Management and Budget



July 1, 1991 to June 30, 1993



**North Dakota
STATE LAND DEPARTMENT**

918 East Divide Avenue, Suite 410
P.O. Box 5523
Bismarck, ND 58502-5523

Timothy L. Kingstad
COMMISSIONER

Phone: (701) 224-2800
Fax: (701) 224-3650

December 1, 1993

The Honorable Edward T. Schafer
Governor of North Dakota
State Capitol
Bismarck, ND 58505

Mr. Rod Backman
Director, Office of Management and Budget
State Capitol
Bismarck, ND 58505

Dear Governor Schafer and Mr. Backman:

In accordance with Chapter 15-02-08 of the North Dakota Century Code, I am privileged to submit for your consideration the Fiftieth Biennial Report of the Commissioner of University and School Lands. The report covers departmental activities from July 1, 1991 through June 30, 1993.

This report is submitted on behalf of Timothy L. Kingstad, who was Land Commissioner during the reporting period. Credit should be given to the division directors for the presentation of their respective areas. It is these people and their dedicated staffs that provide the day-to-day commitment to accomplish the agency's functions.

Sincerely,

A handwritten signature in cursive script, appearing to read "Rick D. Larson".

Rick D. Larson
Acting Land Commissioner

RDL/llk

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Agency Overview

- ♦ The primary service provided by the Land Department is the generation of income for distribution to local school districts and other institutions throughout the state of North Dakota. This income is generated through prudent management of the trust property, consisting of over 725,000 surface acres, over 2.5 million mineral acres, and over \$329 million in permanent trust funds. The surface acres (an area larger than several North Dakota counties) 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." These permanent trust funds now total more than \$329 million, and have been invested in the Farm Loan Pool administered by the Bank of North Dakota, U.S. Treasury notes and bonds, and other prudent investments. The income from these investments, together with surface and mineral rentals, is distributed to the schools and institutions at specified intervals throughout the biennium.
- ♦ The Land Department also serves as "trustee" for the Lands and Minerals trust fund. This trust fund consists of 663,310 mineral acres formerly owned by the Bank of North Dakota, and the minerals located under navigable streams, rivers, and lakes, which are owned by North Dakota as a "sovereign" state.
- ♦ The Land Department also enforces the Unclaimed Property Act, collects "unclaimed property" (uncashed checks, unused bank accounts, etc.), and attempts to find the property's owner.
- ♦ During the 1989-91 biennium, the Energy Development Impact Office (EDIO) was combined with the Land Department. The EDIO allocates funds appropriated by the state Legislature to assist local political subdivisions deal with problems arising from coal and oil development. In the allocation of these funds, the director of the office accepts applications for funding, travels to visit with subdivisions requesting the funding, allocates the funds, and administers the payout of the funds to the grantees.

Mission Statement

The mission of the State Land Department, under the direction of the Board of University and School Lands, is to serve as a "trustee" for the benefit of the common schools, various institutions of higher education, and certain other state institutions.

Land Department Statement of Goals

The overall departmental goal is to achieve and maintain a high level of management ability so that the long-term benefits to the trust beneficiaries are maximized. To achieve this primary goal, the following subgoals have been established:

1. To develop and maintain a comprehensive, multiple-use management program for the administration of surface lands.
2. To develop and pursue a strong, effective minerals management program which maximizes revenue to the trust funds.
3. To develop and pursue an aggressive, fair minerals audit program to ensure that the trust funds receive all royalties.
4. To continue to improve compliance with the Abandoned Property Law.

5. To manage the investments of the department.
6. To preserve the purchasing power of the funds while maintaining income stability to the fund beneficiaries.

Energy Development Impact Office Statement of Goals

The primary goal of the office is to ensure that local subdivisions hosting energy activity are not asked to bear a disproportionate share of the costs associated with that activity (both in its "boom" and "bust" manifestations). The office motto is that "we North Dakotans will ensure that, as we benefit through the extraction of energy resources, that benefit will not be gained at the expense of those whose lives or property are disturbed in the process."

Historical Overview

LAND GRANT

On February 22, 1889, Congress passed "An act to provide for the division of Dakota into two states, and to enable the people of North Dakota, South Dakota, Montana and Washington to form constitutions and state governments . . ." (commonly known as the Enabling Act). Section 10 of this act granted sections 16 and 36 in every township to the new states "for the support of common schools." Where portions of these sections had been sold prior to statehood, indemnity or "in-lieu" selections were allowed. In North Dakota, this grant of land totalled over 2.5 million acres.

Under sections 12, 14, 16 and 17 of the Enabling Act (and other acts referred to therein), Congress provided further land grants to the state of North Dakota for the support of colleges, universities, the state capitol and other public institutions. These additional grants totalled approximately 668,000 acres, bringing the grand total of Enabling Act land grants to nearly 3.2 million acres.

LAND SALES & ACQUISITIONS

Since statehood in 1889, much of the grant land has been sold. However, beginning in 1939, whenever the state sold grant land, it reserved five percent of the minerals. In 1941, the reservation was increased to 50 percent; and, since July 28, 1960, the North Dakota Constitution has mandated a 100 percent mineral reservation. Today, the Land Department manages in excess of 650,000 of the original, grant land surface acres, and over 1.8 million of the original mineral acres. Approximately 55,000 acres have since been acquired through foreclosure or other means, bringing the total surface acreage to well over 700,000 acres.

Also, in 1977, the legislature transferred management authority to the Department for minerals acquired by the Bank of North Dakota and for the minerals under sovereign land (navigable rivers and lakes). This brings the total minerals managed to over 2.5 million acres.

CONSTITUTIONAL AUTHORITY

North Dakota's Constitution, adopted on October 1, 1889, entrusted the management of these lands (both acquired land and grant land) to the "board of university and school lands." The board was initially made up of the superintendent of public instruction, the secretary of state, the governor, the attorney general, and the state auditor. On June 10, 1986, a constitutional amendment replaced the state auditor with the state treasurer.

For the first 18 months of the 1991-93 biennium, members of the Board were Governor George Sinner, Attorney General Nicholas J. Spaeth, Secretary of State Jim Kusler, State Treasurer Robert Hanson, and Superintendent of Public Instruction Wayne G. Sanstead.

The Land Board currently consists of the following members:

*Governor Edward T. Schafer
Attorney General Heidi Heitkamp
Secretary of State Alvin A. Jaeger
State Treasurer Kathi Gilmore
Supt. of Public Instruction Wayne Sanstead*

COMMISSIONER OF UNIVERSITY & SCHOOL LANDS

Under N.D.C.C. § 15-02-01, the Board of University and School Lands is required to appoint a commissioner to act on their behalf. Specific responsibilities of the Board and the Commissioner are set out in N.D.C.C. ch. 15-01 through ch. 15-08.1.

Land Management Responsibilities. The Commissioner's general land management responsibilities, as set out in N.D.C.C. § 15-02-05, are as follows:

- ♦ Have general charge and supervision of all grant lands.
- ♦ Act as general agent of the board.
- ♦ Have custody of all maps, books, and papers relating to grant lands.
- ♦ Procure the books, maps, and plats required to keep a complete record of all grant lands, and keep a true record of all conveyances made under his direction.
- ♦ Direct all appraisements, sales and leases, and execute all contracts, subject to board approval.
- ♦ Certify the book and page number of all contracts, leases or permits recorded by him.

Other Responsibilities. Since 1975, the Land Commissioner has been responsible for the enforcement of the Unclaimed Property Act (N.D.C.C. § 15-02-05.2 and ch. 47-30.1). Also, in 1989, the Energy Development Impact Office became a division of the office of the Commissioner (Land Department). The director of this office is, however, appointed directly by the Board of University and School Lands (N.D.C.C. § 57-62-04).

Funding Sources

- ♦ Funding for the State Land Department is received through the Lands Maintenance fund. This fund consists of fees charged for services and a portion of interest and income earned by trusts administered (N.D.C.C. § 15-03-01.1).
- ♦ Noxious weed control expenses for Lands and Minerals trust fund properties are paid for by that fund.
- ♦ Foreclosed properties management expenses are paid for by management fees which the Land Department charges the Bank of North Dakota for managing foreclosed properties.
- ♦ Funds for oil impact grants are requested from the oil impact grant fund, and the administration of the Energy Development Impact Office is covered by the state's general fund and special revenue funds.

Other Information Regarding the Land Department

PUBLICATIONS

In addition to this report, the Department publishes:

- ♦ A semi-annual newsletter distributed to its surface tenants and other interested parties;
- ♦ Lists of tracts to be leased at quarterly oil and gas lease sales, together with a compilation of the results of these sales;
- ♦ Lists of individuals entitled to unclaimed property (see N.D.C.C. § 47-30.1-19.1); and
- ♦ Summaries of grant awards made by the Energy Development Impact Office.

Notice of the leasing and sale of surface and mineral tracts is given by publication in the official county newspaper where the land is located.

MEETINGS

The Board of University and School Lands meets monthly, usually on the last Thursday of the month.

Minutes of the Board and other information regarding the activities of the State Land Department can be obtained from:

*State Land Department
918 E. Divide #410
P.O. Box 5523
Bismarck, ND 58502-5523
(701) 224-2800*

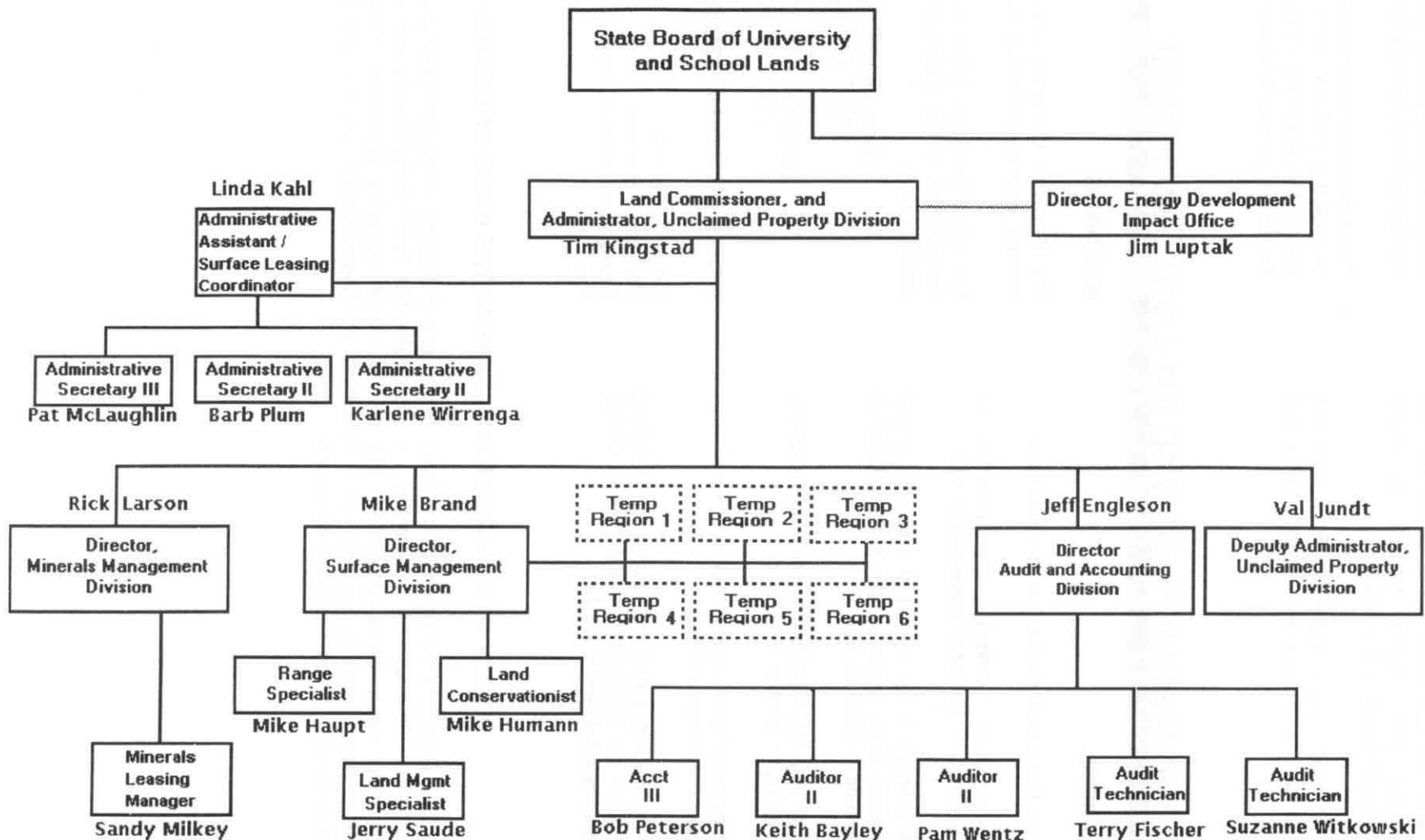
OTHER PHONE NUMBERS

Minerals Leasing	701-224-2803
Unclaimed Property	701-224-2805
Energy Development Impact Office	701-224-3188
Fax	701-224-3650

POLICY OF NON-DISCRIMINATION ON THE BASIS OF DISABILITY

The State Land Department does not discriminate on the basis of disability in the admission or access to, or treatment or employment in, its programs or activities. A coordinator has been designated to ensure compliance with the non-discrimination requirements contained in §35.107 of the Dept. of Justice regulations. Please call (701) 224-2800 for information concerning the provisions of the Americans with Disabilities Act and the rights provided thereunder as they relate to the agency and access to its records.

Organizational Chart for the North Dakota State Land Department



Audit and Accounting Division

The Audit and Accounting Division is responsible for performing the audit and accounting duties of the department. These duties include budgetary and payroll functions, investment accounting, financial accounting, contracts for deed management, royalty audit/royalty management, and auditing for compliance with North Dakota's unclaimed property statute.

ACCOUNTING

This division accounts for all receipts and disbursements of the State Land Department and maintains the accounting records for the 15 permanent trust funds and two other funds managed and controlled by the Board of University Lands. This division also handles the budgetary and payroll functions of the department, coordinates the department's annual audit, and assists other divisions as needed.

The State Lands Information Management System (SLIMS) computer software continued to be used to enter and summarize all of the department's receipts. Various reports, generated by SLIMS and converted to Great Plains accounting software, greatly simplified and reduced the work associated with accounting for the 17 funds managed by the department. This, and other increases in efficiency in the division allowed accounting personnel to spend more time on revenue generating and expense reducing functions involving accounting for and managing the department's \$340 million in assets as of June 30, 1993.

During the biennium, the department continued to diversify its investments and began to take a more active role in the management of its assets. As the biennium progressed, "cash management" was analyzed. In the fall of 1992, as part of the investment diversification process, a short-term bond manager was hired. This manager was also given cash management responsibilities in an effort to improve returns in that area. In April 1993, an income "sweeping" program was implemented in an effort to minimize the amount of cash earning only money market rates.

In addition, during the past year of the biennium we researched and prepared to take over the investment accounting and cash movement functions that the Land Board had been paying the Retirement and Investment Office (RIO) to perform.

Effective July 1, 1993, the Department began performing all of the investment accounting and cash movement functions previously performed by RIO. Fee savings of at least \$150,000/year are expected during the 1993-95 biennium as a result of this change.

ROYALTY MANAGEMENT AND AUDIT

During the 1991-93 biennium, royalty management and audit efforts resulted in total collections of over \$625,000. That figure includes \$365,364 in miscellaneous royalty collections, \$36,170 in penalty and interest collections, and \$224,597 in royalty audit collections from companies submitting incorrect reports and payments. Miscellaneous collections are generally a result of contacts made by an audit technician in an effort to resolve discrepancies and errors identified by the SLIMS Royalty Management and Accounting system. Audit collections are royalties and interest collected as a result of detailed reviews of past royalty payments. Penalties and interest include penalties and interest collected on miscellaneous collections and on voluntary late payments made by companies.

The volume and value variance reports, automated penalty and interest billings, and other features of the SLIMS Royalty Management and Accounting system have proven to be valuable tools in our efforts to ensure we are paid correctly, and on time. The large decrease in interest collections during the last two years, as compared to previous biennia, indicates that our compliance efforts are working. Although companies still fail to pay us, or pay us incorrectly, with SLIMS we identify the problem sooner. Thus, less penalty and interest are collected.

The division continues to look for new ways to increase revenues through improved royalty management efforts. We work closely with other state agencies involved in activities relating to oil and gas and are active participants on the Western States Land Commissioners Association's Royalty Management committee.

Two royalty management ideas being considered for next biennium include:

1. Contracting with a marketing specialist to see if we can learn more about how and why we receive the price we do for oil and gas in North Dakota, and,
2. Looking at the possibility of taking our production "in-kind" as a means of increasing the price we receive for our oil and gas.

Computer enhancements continue to increase our ability to identify and resolve royalty reporting and payment problems, as they occur. The downloading of Tax Department and Industrial Commission data directly onto our computers has increased the efficiency of both our royalty management and audit functions, and has resulted in our office having royalty management

capabilities that are second to none.

Royalty audit efforts during the past biennium have also proven to be very successful. Our increased computer capabilities allow us to audit most royalty payors without having to do field audits. Using Dbase and other PC software, our auditor has developed a program that "automatically" compares volume and value data reported to the Tax Department, the Industrial Commission and the Land Department to quantify the reasonableness of royalty payments made to this office. This allowed us to focus our collection efforts on areas with the largest revenue potential, while making it easier to identify and collect smaller amounts due that might not have been worth pursuing in the past.

UNCLAIMED PROPERTY AUDITING

Over \$471,000 in unclaimed property and interest were collected from holders as a result of unclaimed property audits completed by the division during the biennium. The unclaimed property audit program was started in May 1991. To date, we have completed 30 audits of financial institutions, medical facilities and other entities, with an average return of over \$200 for each hour spent auditing. The program was so successful that our request for an additional auditor was granted by the 1993 Legislature.

During the coming biennium, we plan to expand our unclaimed property audit efforts into other areas. A desk audit program is currently being developed. Along with improvements to the unclaimed property computer system, this will allow us to increase our day-to-day compliance efforts and identify future audit candidates.

Investment Management

HISTORY AND LEGISLATION

During the last four years, a quiet revolution has taken place in the management of the hundred of millions of dollars entrusted to the Land Board for investment.

Prior to 1990, the Land Board placed these monies in a very limited portfolio of investments: U.S. government and agency bonds, and Bank of North Dakota certificates of deposits. All of the income from these investments was distributed to the fund beneficiaries each year. Although this investment strategy provided good current income for the beneficiaries, it ignored one critical reality of financial life: **inflation**.

Each year the purchasing power of the principal of the trust fund was being eroded by inflation. This erosion of

We plan to start auditing different holder categories such as retail businesses, insurance companies, county governments and oil and gas companies, to increase compliance in those areas. We also plan to share our oil and gas expertise with other states by performing joint audits of oil companies.

LAND SALE CONTRACTS

During the biennium, the number and value of the land sales contracts managed by the division showed a significant decrease as shown below:

	# of Contracts	Outstanding Principal
June 30, 1991	201	\$896,171
June 30, 1993	61	\$342,083

As of June 30, 1993, there were no delinquent contracts in our portfolio, and we expect no cancellations of outstanding contracts.

SUMMARY

Over the past two years, the Audit and Accounting Division generated nearly \$1.1 million in additional revenue for the trust fund beneficiaries. This is the result of more efficient performance of the accounting, audit, and compliance functions of the division. We expect that the next biennium will be just as interesting as the previous as we continue to improve our automated systems and expand our audit and compliance efforts into new areas.

the fund principal obviously affected distributions as well, since the purchasing power of the earnings was also being eaten up by inflation. The effects of inflation on fund balances and earnings became more acute as additions to the fund from mineral revenues declined with oil prices; and interest rates dropped sharply from earlier highs. To deal with the problem of inflation, the Board realized it would need to change its investment strategy -- and begin to place some of its money in investments (stocks and bond) whose value could be expected to grow over a period of years. Although this change in investment activity would entail some short-term risk (the value of stocks and bonds can decline), history has shown that a well-diversified, professionally managed portfolio of stocks and bonds is the best way to achieve long-term growth and earn a "real" (greater than inflation) return on your money.

Thus, during the 1989 Legislative Assembly the Board secured introduction and passage of legislation which removed restrictions on its investment authority. In place of the old law, the "prudent investor rule" was enacted to govern the Board's investment decisions. This rule (N.D.C.C. §15-03-04) gives the Board broad authority to invest in a variety of bonds, stocks and other assets -- as long as the Board does so in a careful and prudent manner, consistent with good management and its fiduciary duty to present and future fund beneficiaries.

Along with the prudent investor rule, other related legislation established accounting rules to deal with investment gains and losses, and to clarify how "investment income" and distributions to beneficiaries would be calculated. This legislation, proposed by the Land Board, also codifies two important goals for the Board's new investment strategy: maintain income stability to the fund beneficiaries in the short run; plus, achieve growth in the value of the fund so that its purchasing power is preserved in the long run.

IMPLEMENTATION

Following further study and review of various options, the Land Board began, in 1990, to implement an entirely new investment program designed to achieve the two goals of income stability and long-term fund growth. The first step in this process was the hiring of the Bank of North Dakota to manage a portfolio of government, agency and corporate bonds. This bond portfolio was much more diversified than the Board's prior bond holdings, and was designed to replicate the performance of the Shearson-Lehman Government Corporate Bond Index. Another new manager was also hired to invest a portion of the fund in convertible securities (bonds and preferred stock).

The Board's investment diversification program continued during the 1991-93 biennium with the addition of five new money managers. These managers invest the Board's funds in the following "styles" of investments: high dividend yield stocks; growth stocks; intermediate term bonds; short term bonds and cash. By the end of the biennium, the diversification of investments for the common schools trust fund was largely complete, with \$270,550,130 invested by this group of managers. At the end of the biennium, plans were also being finalized to add the other trust funds managed by the Board to this diversified investment program, forming an investment "pool" of over \$330 million.

RESULTS

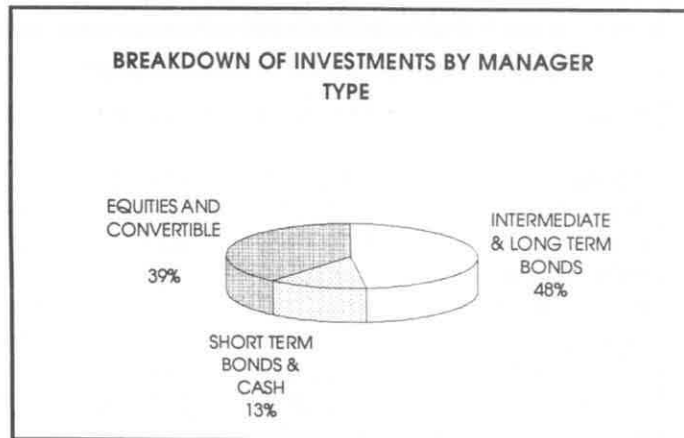
To date, this new investment program has been very successful. As to the first goal (income stability), income

has been maintained at least as well as it would have been under the old investment strategy. Despite a drop in interest rates of nearly 50% during the last several years, distributions from the common schools trust fund have remained stable. As to the second investment goal (long term growth in fund value to preserve purchasing power), early results have been quite positive. Since the implementation of this program began on July 1, 1990, the common schools trust fund has realized investment gains of over \$10.2 million. It is even more encouraging to note that over \$8 million of this gain was realized during the last fiscal year (ending June 30, 1993), when the new investment strategy was most completely in place.

In addition to these realized investment gains, the investment portfolio of the common schools trust fund had unrealized gain (market appreciation) of \$11.6 million at the close of the biennium. This means that in just three years -- as the new investment program was slowly and cautiously phased-in to avoid excess risk -- the investment changes made by the Board have added over \$20 million in value to the common schools trust fund. Obviously, as market conditions change, relative investment performance in future years will also fluctuate. There may even be losses in some years. Nothing that happens in the future, however, can undermine the significance of what the Board has done during the last three years.

SUMMARY

The investment portfolio has been successfully diversified and professional management is in place. Results to date have shown significant progress toward the goal of preserving the purchasing power of the funds, and providing a cushion against any future market value fluctuations. Thus, the investment strategy now in place has laid the foundation for fund growth that will ensure that fund distributions in years to come will make the same contribution to the education of our grandchildren and great-grandchildren as current distributions are making to the education of our children.



Energy Development Impact Office

The Energy Development Impact Office (EDIO) came into existence in 1975 when the Legislature authorized the Coal Development Impact Program under N.D.C.C. ch. 57-62. On July 1, 1989, the EDIO was combined with the State Land Department and is currently under the direction of the Board of University and School Lands. The coal program began in 1975 and expired in 1989. The Oil Impact Grant Program began in 1981 and is still in existence.

During the 1991-93 biennium, the Oil Impact Grant Program helped reduce the financial hardships of local political subdivisions which resulted directly from activities of the oil industry. The program is funded from 1/3 of the first 1/5 of the Oil & Gas Gross Production Tax. For the 1991-93 biennium, that allocation amounted to approximately \$4 million. The allocation cannot exceed \$5 million for a biennium.

The Oil Impact Grant Program had two components. The first is the infrastructure program, designed to help local subdivisions in oil country keep roads, streets, and other local infrastructure in working condition. The second is the special assessment deficiency relief program.

INFRASTRUCTURE PROGRAM

During the 1991-93 biennium, the office conducted two infrastructure grant rounds, one in the spring of 1992 and the other in the spring of 1993.

To receive funding, applicants must show:

1. That oil activity in the area has created a financial hardship which cannot be handled without help from the Oil Impact Grant Program;
2. That the project will alleviate the hardship that resulted from oil activity; and
3. That the applicant's financial resources to handle the project are insufficient (this implies that the applicant has made a diligent local taxing effort to accomplish its goal).

1991-93 Biennium Oil Impact Grant Application and Requests for Infrastructure

Summary by County

County	\$ Requested	\$ Awarded	%
Bottineau	2,765,230	120,100	5
Bowman	851,561	103,900	4
Burke	756,614	164,200	6
Divide	348,245	103,900	4
Dunn	963,924	115,000	4
G. Valley	685,700	109,600	4
McHenry	4,384	0,000	0
McKenzie	383,765	44,500	2
McLean	137,169	28,500	1
Mercer	22,500	0,000	0
Mountrail	1,829,182	212,100	8
Renville	786,045	228,000	9
Slope	7,500	3,500	0
Stark	5,401,688	804,500	31
Ward	58,400	11,300	0
Williams	3,719,913	525,900	20
TOTAL	<u>18,721,820</u>	<u>2,575,000</u>	<u>100</u>

1991-93 Biennium Oil Impact Grant Application and Requests for Infrastructure

Summary by Class of Subdivision

Class	\$ Requested	\$ Awarded	%
County	5,517,921	644,000	25
School	1,231,677	345,000	13
City	7,729,898	909,500	35
Park District	489,538	31,000	1
Airport Auth.	80,000	0	0
Township	2,549,891	374,350	15
Fire District	1,122,896	271,150	11
TOTAL	<u>18,721,820</u>	<u>2,575,000</u>	<u>100</u>

These funds are awarded by the EDIO director following visits with representatives of the local political subdivisions requesting funding. Following these visits with the applicants, the director considers information received during these meetings, information included in the application, and any other compiled data relating to oil production, oil taxation, and property taxation. Information is also obtained through the state's mainframe computer from the Oil & Gas Division of the Industrial Commission showing oil wells, oil production, and salt water production. This information helps establish the degree of oil-related traffic in each township. In addition, the EDIO collects oil tax and property tax data from various sources, including the State Treasurer's Office, the State Tax Commissioner's Office, the State Department of Public Instruction, and the ND League of Cities.

The tables on the previous page summarize the amounts allocated by county and by class of subdivision for the infrastructure program. Counties and townships accounted for 40% of the total amount awarded, most of which was for road projects. Cities accounted for another 35% of the total. Local political subdivisions in Stark and Williams Counties received over 50% of the funds allocated for infrastructure-related projects.

A listing of individual grants made during the 1991-93 biennium is available upon request from the Energy Development Impact Office.

SPECIAL ASSESSMENT DEFICIENCY RELIEF PROGRAM

The second of the two programs administered through the Oil Impact Grant Program by the EDIO is the special assessment deficiency relief program. From the mid-1980s, cities in western North Dakota experienced deficiencies in collecting special assessments for improvements made during the peak of the oil boom. As early as 1984, the EDIO began to issue grants to the City of Belfield to assist it with the problems it experienced. In addition, the EDIO, with the Board of University and School Lands, helped the City of Gladstone emerge from a major special assessment deficiency crisis. The EDIO contribution to that settlement was a grant of \$110,000.

In 1985, the Legislature authorized the use of a portion of Coal Development Trust Fund income for loans to oil-impacted subdivisions. That program was reauthorized in 1987. However, in 1989, the Legislature chose not to reauthorize the program. Instead, \$1,440,000 (an amount equal to the interest earnings at 6% on \$12 million in the Coal Development Trust Fund) was dedicated for grants to cities in oil counties experiencing major tax collection problems (1989 S.L., ch. 61). This program, known as the Special Assessment Deficiency Relief Program, was designed to be an interim program only. In 1989, legislation was also passed providing for funding of the Oil Impact Grant Program (1989 S.L., ch. 733). For this biennium, both the regular impact requests and the special assessment requests were dealt with through the Oil Impact Grant Program.

In making its decisions on special assessment applications, the EDIO collected financial data from the applicant cities to develop a cash flow for each applicant that would show the annual cost to the city over the next seven years to manage its debt. Those cities whose annual costs exceeded 40 mills were most likely to

receive funding.

The EDIO conducted two grant rounds in the 1991-93 biennium and allocated \$1,375,000 as shown in the chart below. All cities that received funding in the 1991-93 biennium have maintained tax levies above average for cities of their size. The grants are intended to allow these cities to reduce their property tax levies to less onerous levels. The more reasonable property taxes, in turn, can serve as an incentive for new economic growth which might otherwise be discouraged.

1991-93 Biennium Oil Impact Grant Application and Requests for Special Assessments			
Summary by County			
County	\$ Requested	\$ Awarded	%
Bottineau	7,000	0	0
Golden Valley	309,641	30,000	2
Renville	5,000	0	0
Stark	4,513,000	365,000	27
Williams	<u>1,526,673</u>	<u>980,000</u>	<u>71</u>
TOTAL	<u>6,361,314</u>	<u>1,375,000</u>	<u>100</u>

SUMMARY FOR BOTH PROGRAMS

Altogether, the EDIO allocated a total of \$3,950,000 in the 1991-93 biennium. A total of 262 grants were issued in the two programs to counties, cities, townships, schools, fire and ambulance districts and other local units of government in an area west of a line from Bottineau to Bowman.

The two tables on the following page illustrate the allocation of the total from both programs by function (basic governmental service) and by object of expenditure.

CONCLUSION

The activity reported here concerns grant awards only. Grant payments are made as projects are completed. Therefore, grants made in one biennium may be paid out in another. Grant payment activity is recorded in our annual audit reports. The EDIO has been a program that successfully gets help where it is most needed, at minimum operational expense to the State of North Dakota.

1991-93 BIENNIUM
OIL IMPACT GRANT APPLICATION AND REQUESTS FOR BOTH PROGRAMS

Summary by Function of Project

FUNCTION	REQUESTED	AWARDED	%
Law Enforcement	\$485,948	\$64,500	2
Education	1,231,677	345,000	9
Health	433,777	196,000	5
Transportation	10,715,698	1,385,350	35
Recreation	747,838	21,000	1
Civil Defense	45,680	9,000	0
Fire Protection	1,308,066	265,650	7
Potable Water	2,787,536	149,000	4
Sewage Treatment	393,500	112,500	3
Garbage Disposal	150,000	5,000	0
Water And Sewer	2,500	0	0
Other	45,000	0	0
Local Administration	<u>6,735,914</u>	<u>1,397,000</u>	<u>35</u>
TOTAL	<u>\$25,083,134</u>	<u>\$3,950,000</u>	<u>100</u>

1991-93 BIENNIUM
OIL IMPACT GRANT APPLICATION AND REQUESTS FOR BOTH PROGRAMS

Summary by Object of Expenditure

OBJECT	REQUESTED	AWARDED	%
Personnel	\$91,312	\$2,000	0
Supplies & Materials	500	0	0
Light Vehicles	501,391	132,500	3
Heavy Vehicles	1,419,961	165,600	4
Minor Equipment	364,595	126,050	3
Major Equipment	547,233	56,500	1
Street Construction	3,265,800	424,500	11
Road Construction	6,451,066	941,350	24
Bridge Construction	166,600	9,000	0
Building Construction	1,487,500	325,500	8
Building Renovation	744,027	110,000	3
Sanitation Systems	137,500	17,500	0
Water Systems	2,380,536	149,000	4
Landscaping	200,000	20,500	1
Park Facilities	64,700	0	0
Water & Sewer	588,500	95,000	2
Other	<u>6,671,914</u>	<u>1,375,000</u>	<u>35</u>
TOTAL	<u>\$25,083,134</u>	<u>\$3,950,000</u>	<u>100</u>

Surface Management Division

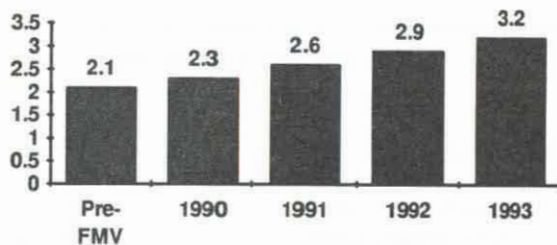
This division leases and manages surface acres held in trust for various schools and institutions. The major source of income from these lands is grazing and agricultural leases, with additional revenue being generated by issuing rights-of-way, and authorizing gravel and scoria mining.

The objective of this division is to obtain a "fair market" return from the lands while improving their condition and value.

FAIR MARKET VALUE LEASING SYSTEM

The goal of this program was to develop a method of leasing school lands that provided a fair return to the trust without overcharging our lessees. Planning for the grassland portion began in 1987-89 biennium and implementation is now 80% complete. Implementation has been an unqualified success. Acceptance by livestock producers has been excellent, with 99.6% of the land being leased. Annual lease income has also increased to \$3.2 million since 1989. That means an additional \$1.1 million is distributed to the schools and institutions each year.

Surface Rental \$ in Millions



Development and implementation of the cropland/hayland portion of the fair market value system this biennium was spurred by the passage of House Bill 1103 which required that the Board make an in-lieu of tax payment on cropland and hayland. This payment was previously made by the lessee in the form of an unpopular leasehold tax. The legislature wanted to shift this payment to the Board to reduce local dissent. Because most cropland and hayland was at one time on the local tax roles, it seemed appropriate that an in-lieu payment should be made.

The cropland/hayland system was developed with input from various user groups. It is conceptually similar to the grassland system in that it is based on the

U.S.D.A./Agricultural Statistics Service survey of county level rents and has adjustments for land quality. This system should produce about \$80,000 in additional rent annually, enough to make the in-lieu payments. It will be applied to all cropland/hayland leases without phase-in as they expire.

LEASING

The Surface Management Division issued about 2,100 grazing and agricultural leases during this biennium. Public auctions were held each spring and fall with the leases going to the highest bidder.

With the implementation of the fair market value leasing system, we have carefully monitored leasing success. There has been no decrease in the percentage of tracts leased nor has competition for leases declined. It appears that the higher rates have resulted in tenants paying their rent later in the year.

NOXIOUS WEED CONTROL

Leafy spurge was controlled on approximately 6,000 acres with about 140 lessees participating in the cost share program. This is an increase from the previous biennium because of additional funding and the dedication of additional staff time to this problem. A major improvement in this program was the initiation of biological control of leafy spurge using insects. The Land Department participated financially in the establishment of two insectories in Logan and Morton Counties. These sites should help distribute the insect statewide and encourage biological control. The Land Department will participate in additional releases and monitor their success.

RANGE INVENTORY AND INSPECTION

The Department's range inventory program continued this biennium with the inventory of 62,512 acres in Billings, Golden Valley and McKenzie Counties. Since 1980, a total of 518,078 acres or about 73% of all school lands have been inventoried for condition. We have also implemented a program of having field personnel inspect each tract at least once every five years. This allows us to keep our land database current and helps discourage illegal trash dumping on school lands. There may be more of a tendency to illegally dump trash now that most of the local landfills in the state have been closed and people are forced to travel further to regional landfills.

LAND IMPROVEMENT

Land improvement includes reseeding marginal cropland to permanent cover, grazing management, mechanical land improvement and development of livestock water. The higher rents under the fair market value leasing system have encouraged many lessees to look more critically at the condition of the land that they lease creating a demand for land improvement. We have cooperated in reseeding 1,350 acres of marginal cropland to permanent cover, implemented 27 grazing plans on 8,324 acres, provided technical assistance on 571 acres of chiseling for clubmoss and blue gramma control in western North Dakota and provided rent credits or amortization on 63 dugouts/dams/wells for livestock water. All of these practices work toward improving the overall leasability and condition of school lands.

Surface Acres By Trust Fund As Of June 30, 1993

Trust Fund	Acres
Common Schools	635,627.91
School for the Blind	3,477.87
State Capitol	9,981.17
School for the Deaf	4,828.85
Ellendale State College ¹	4,984.17
State Hospital	2,203.91
Industrial School	3,899.43
School of Mines	3,392.03
N.D.S.U.	15,117.68
Veterans' Home	2,913.69
U.N.D.	9,616.98
Valley City State University	640.00
ND State College of Science ²	3,731.31
Mayville State University	640.00
Valley City/Mayville ²	6,820.31
Mixed Funds ³	<u>7,948.74</u>
Total	<u>715,824.05</u>

1. Receipts from acreage held by the Ellendale trust fund are allocated equally among the following institutions: Dickinson State University, Minot State University, NDSU-Bottineau, School for the Blind, Veterans' Home, State Hospital, and State College of Science
2. Receipts from acreage held by Valley City and Mayville State Universities are allocated 62.5% to Valley City and 37.5% to Mayville.
3. Receipts from acreage held by mixed funds is distributed by formula to all of the above funds except the State Capitol fund.

EASEMENTS, AGGREGATE, AND RECLAMATION

The number of easements issued this biennium has been relatively low because of the low level of oil and gas development. Fifty-six easements and permits were issued with a total value of \$121,544. This allowed us to put more effort into ensuring proper reclamation of oil and gas related activities. Reclamation was completed

on five oil well sites with 22 sites currently in progress. The sale of construction aggregate increased significantly, primarily because of two active pits and an out-of-court settlement of a clay theft case for \$96,169. Aggregate sales totaled \$202,743.

GEOGRAPHIC INFORMATION SYSTEM

A Geographic Information System (GIS) will provide the division with a geographic interface into land management data and the ability to manipulate geographic data. For example, leafy spurge is a serious noxious weed on rangelands. By recording the locations of spurge on school lands, we can use a GIS to geographically locate other school lands at risk of infestation because of proximity to infested lands and concentrate efforts on keeping those lands weed free. We can also "watch" the pattern of new infestations as they are found. This allows us to develop a geographically targeted approach to noxious weed control. Implementation of a GIS began with the acquisition of equipment and ARC/INFO software. This development will continue into the next biennium with GIS being available on every desktop.

FORECLOSED PROPERTY

The acres of foreclosed property on inventory declined during this biennium. We sold 36,073 acres for \$8,672,719, leaving 7,013 acres to be managed under contract with the State Treasurer and Bank of ND. From the Board's own farm loan pool, we sold 15,809 acres producing \$2,210,407 in this biennium.

Land Sales and Acquisitions 1991 - 1993

Acquisitions:	Acres
Mixed Funds (Farm Loan Pool)	6,679.30
Adjustments and Accretion	<u>152.25</u>
Total Acquisitions	6,831.55

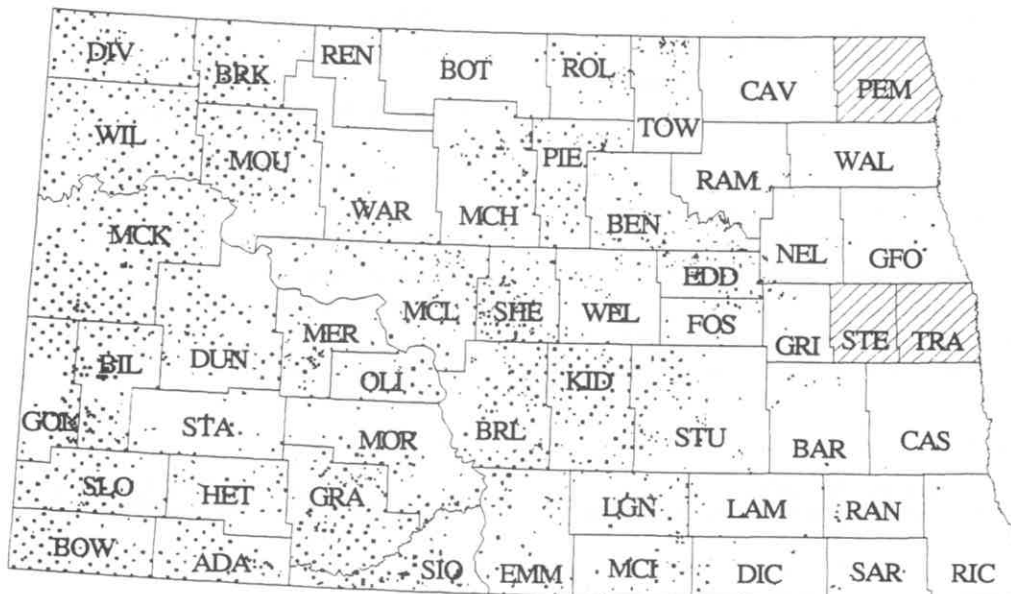
Sales:	
NDCC ch. 15-09 (public purpose)	(75.34)
NDCC ch. 15-07 (foreclosed property)	(15,808.91)
NDCC ch. 15-06 (grant land)	<u>(185.14)</u>
Total Sales	(16,069.39)

SUMMARY

Income from leasing increased 52% since 1989 with no indication that it will decline or that leasing success will decrease. Significant numbers of range improvement projects have been started and biological control of leafy spurge has been initiated. We have seen a decrease in foreclosures and the decline in foreclosed property on inventory. It has been a successful biennium with many positive trends in leasing, land management and agriculture in general.

SURFACE ACRES BY COUNTY

County	Acres	County	Acres	County	Acres
Adams	17,115.78	Golden Valley	28,971.60	Ramsey	2,056.50
Barnes	2,803.32	Grant	33,643.95	Ransom	1,120.00
Benson	12,765.28	Griggs	1,741.24	Renville	1,910.12
Billings	31,093.23	Hettinger	10,752.01	Richland	513.68
Bottineau	3,472.09	Kidder	28,643.79	Rolette	6,845.92
Bowman	29,310.48	LaMoure	1,435.72	Sargent	1,127.79
Burke	16,119.43	Logan	9,564.92	Sheridan	26,425.02
Burleigh	27,921.22	McHenry	23,344.42	Sioux	23,435.06
Cass	40.00	McIntosh	7,631.88	Slope	23,605.32
Cavalier	596.47	McKenzie	64,714.78	Stark	6,542.14
Dickey	3,663.93	McLean	21,036.54	Stutsman	15,663.01
Divide	21,141.44	Mercer	14,925.35	Towner	8,076.00
Dunn	26,122.70	Morton	18,275.02	Walsh	201.02
Eddy	10,274.62	Mountrail	32,445.36	Ward	11,360.50
Emmons	13,698.03	Nelson	2,853.66	Wells	5,248.63
Foster	3,111.51	Oliver	7,671.26	Williams	38,417.61
Grand Forks	2,073.77	Pierce	14,300.93	Total	<u>715,824.05</u>



DISTRIBUTION OF SCHOOL LANDS

School Lands
 No School Land



Compiled on June 30, 1993

Minerals Management Division

The Minerals Management Division administers the mineral interests held in trust for the benefit of various schools and institutions of North Dakota. The division also administers mineral interests formerly owned by the Bank of North Dakota and the minerals under navigable rivers and lakes.

OIL AND GAS ROYALTY

The Land Department received a share of the production from 347 wells in the state, resulting in payment on average monthly production of 26,300 barrels of oil and 32,013 mcf of gas. The price of oil varied slightly during the biennium. In July 1991, the average price received for a barrel of oil was \$18.76. The average for the entire biennium was \$18.06. However, beginning in 1993, we began a downward trend with the average price in June being \$15.98.

OIL AND GAS ACTIVITY

The Tracy Mountain Field discovery in Billings County resulted in five wells being drilled on state-owned mineral tracts. The producing formation is the Tyler, which produces a very high quality oil. This field was already being analyzed at the end of the biennium for the possibility of unitization.

The state shared in production in two wells drilled in the Raub Field in McLean County. A third well on state-owned minerals and three others on private minerals resulted in dry holes and further development of the area appears to be unlikely.

The horizontal drilling activity which highlighted the last biennium was limited by fewer companies actively drilling in the Bakken formation. Three companies continuing to drill horizontally in the Bakken are Meridian Oil Inc., Conoco, and Slawson Exploration Company, Inc. The horizontal technology was being studied for use in other formations. Axem Resources drilled a

horizontal well in the Heath formation in the Fryburg Field which resulted in production. Horizontal drilling for oil in conventional reservoirs is quite prevalent just north of the border in Canada. Consequently, several other companies have been looking at the northern counties of the state for possible utilization of this technique.

Just before the end of the biennium, Conoco drilled a prolific well just north of Dickinson, which produced from the Lodgepole formation. The well was capable of producing more than 2000 barrels of oil per day and leasing of state-owned minerals in that area increased dramatically.

COAL PRODUCTION

Coal royalty receipts for state-owned minerals showed a substantial increase during the biennium. Coal mining activity has been as follows:

- ♦ **Coteau Properties Company** leased six tracts of state-owned minerals in their new East Mine area. Mining began on two of these leases just before the end of the biennium. Coteau also began mining on two other tracts in their Freedom Mine of which the state owns 50% of the minerals.
- ♦ **Falkirk Mining Company** reached a 50% state-owned tract early in the biennium; and were preparing to begin on a second when the biennium ended.
- ♦ **Knife River Coal Mining Company** was continuing to mine coal from a state-owned tract they have under lease.
- ♦ **Basin Cooperative Services** completed mining state-owned coal at the Glenharold Mine, as part of the last area they mined before closing the mine.

Total revenue from coal royalty was \$2,194,573.

Mineral Division Receipts

	1989-1991	1991-1993
Oil and gas royalty	\$14,462,232	\$12,514,163
Oil and gas bonus	6,439,135	1,616,209
Coal royalty	329,767	2,194,573
Oil and gas rental	842,064	717,653
Well site damages	99,663	95,142
Salt water disposal fees	NA	191,766
Geophysical exploration	3,639	200
TOTAL	\$22,176,500	17,329,506

Oil and Gas Leasing Activity

	1989-1991	1991-1993
Gross Mineral Acres Owned*	2,538,012	2,534,418
Acres Under Lease 6/30/93	462,714	401,133
# of Oil/Gas Lease Sales	8	8
Net Mineral Acres Leased	152,859	65,295
Ave. Bonus/Net Mineral Acre	27.35	16.15

*Approximate acreage only. Total acreage will vary due to estimates of the acreage owned by the state under navigable rivers and lakes.

OIL AND GAS LEASE SALE RESULTS (91-93 BIENNIUM)

COUNTY		Aug-91	Nov-91	Feb-92	May-92	Aug-92	Nov-92	Feb-93	May-93	TOTAL
BILLINGS	TOTAL \$	\$121,799.79	\$4,057.60	\$17,357.52	\$11,600.00	\$405,680.83	\$43,054.56	\$10,160.00	\$7,264.88	\$620,975.18
	MIN. ACRES	519.79	1,476.00	482.28	760.00	4,481.83	915.22	1,080.00	238.74	9,953.86
	\$/MIN ACRE	\$234.32	\$2.75	\$35.99	\$15.26	\$90.52	\$47.04	\$9.41	\$30.43	\$62.39
BOTTINEAU	TOTAL \$	\$160.00	\$313.50	\$104.00	\$163.40	\$80.00	\$1,560.00	\$194.41	\$220.00	\$2,795.31
	MIN. ACRES	160.00	204.25	88.00	163.40	80.00	40.00	194.41	100.00	1,030.06
	\$/MIN ACRE	\$1.00	\$1.53	\$1.18	\$1.00	\$1.00	\$39.00	\$1.00	\$2.20	\$2.71
BOWMAN	TOTAL \$	\$400.00	\$0.00	\$0.00	\$0.00	\$0.00	\$1,200.00	\$0.00	\$48,926.76	\$50,526.76
	MIN. ACRES	200.00	0.00	0.00	0.00	0.00	80.00	0.00	5,565.65	5,845.65
	\$/MIN ACRE	\$2.00	\$0.00	\$0.00	\$0.00	\$0.00	\$15.00	\$0.00	\$8.79	\$8.64
BURKE	TOTAL \$	\$760.00	\$1,040.00	\$479.67	\$2,440.00	\$399.25	\$160.00	\$0.00	\$0.00	\$5,278.92
	MIN. ACRES	220.00	80.00	439.67	380.00	399.25	160.00	0.00	0.00	1,678.92
	\$/MIN ACRE	\$3.45	\$13.00	\$1.09	\$6.42	\$1.00	\$1.00	\$0.00	\$0.00	\$3.14
DIVIDE	TOTAL \$	\$280.00	\$100.00	\$0.00	\$3,480.00	\$7,661.56	\$1,868.53	\$555.08	\$4,448.00	\$18,393.17
	MIN. ACRES	160.00	80.00	0.00	440.00	963.08	875.57	315.08	96.00	2,929.73
	\$/MIN ACRE	\$1.75	\$1.25	\$0.00	\$7.91	\$7.96	\$2.13	\$1.76	\$46.33	\$6.28
DUNN	TOTAL \$	\$2,118.72	\$673.29	\$41,700.00	\$640.00	\$2,160.00	\$240.00	\$0.00	\$206,215.84	\$253,747.85
	MIN. ACRES	1,230.72	634.53	576.00	640.00	1,840.00	8.00	0.00	9,454.81	14,384.06
	\$/MIN ACRE	\$1.72	\$1.06	\$72.40	\$1.00	\$1.17	\$30.00	\$0.00	\$21.81	\$17.64
FOSTER	TOTAL \$	\$560.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$560.00
	MIN. ACRES	560.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	560.00
	\$/MIN ACRE	\$1.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$1.00
G. VALLEY	TOTAL \$	\$1,120.00	\$0.00	\$0.00	\$0.00	\$140,255.00	\$0.00	\$0.00	\$0.00	\$141,375.00
	MIN. ACRES	1,120.00	0.00	0.00	0.00	5,948.00	0.00	0.00	0.00	7,068.00
	\$/MIN ACRE	\$1.00	\$0.00	\$0.00	\$0.00	\$23.58	\$0.00	\$0.00	\$0.00	\$20.00
MCHENRY	TOTAL \$	\$0.00	\$480.00	\$0.00	\$5,440.00	\$2,757.14	\$930.00	\$0.00	\$9,312.00	\$18,919.14
	MIN. ACRES	0.00	480.00	0.00	160.00	88.94	840.00	0.00	368.00	1,936.94
	\$/MIN ACRE	\$0.00	\$1.00	\$0.00	\$34.00	\$31.00	\$1.11	\$0.00	\$25.30	\$9.77
MCKENZIE	TOTAL \$	\$746.83	\$3,920.00	\$39,188.04	\$1,560.15	\$0.00	\$40,640.00	\$375.84	\$28,248.00	\$114,678.86
	MIN. ACRES	357.81	560.00	1,957.04	34.67	0.00	1,120.00	375.84	568.00	4,973.36
	\$/MIN ACRE	\$2.09	\$7.00	\$20.02	\$45.00	\$0.00	\$36.29	\$1.00	\$49.73	\$23.06
MCLEAN	TOTAL \$	\$6,760.00	\$5,867.87	\$10,307.94	\$1,840.00	\$0.00	\$0.00	\$0.00	\$960.00	\$25,735.81
	MIN. ACRES	200.00	327.93	1,139.46	80.00	0.00	0.00	0.00	320.00	2,067.39
	\$/MIN ACRE	\$33.80	\$17.89	\$9.05	\$23.00	\$0.00	\$0.00	\$0.00	\$3.00	\$12.45
MERCER	TOTAL \$	\$0.00	\$0.00	\$0.00	\$0.00	\$700.00	\$0.00	\$0.00	\$0.00	\$700.00
	MIN. ACRES	0.00	0.00	0.00	0.00	560.00	0.00	0.00	0.00	560.00
	\$/MIN ACRE	\$0.00	\$0.00	\$0.00	\$0.00	\$1.25	\$0.00	\$0.00	\$0.00	\$1.25
MORTON	TOTAL \$	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$696.00	\$696.00
	MIN. ACRES	0.00	0.00	0.00	0.00	0.00	0.00	0.00	696.00	696.00
	\$/MIN ACRE	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$1.00	\$1.00
MOUNTRAIL	TOTAL \$	\$2,472.64	\$2,177.60	\$0.00	\$3,886.68	\$1,352.00	\$260.00	\$5,368.08	\$3,776.00	\$19,293.00
	MIN. ACRES	2,308.26	127.90	0.00	466.68	88.00	160.00	641.01	728.00	4,519.85
	\$/MIN ACRE	\$1.07	\$17.03	\$0.00	\$8.33	\$15.36	\$1.63	\$8.37	\$5.19	\$4.27
RENVILLE	TOTAL \$	\$281.47	\$7,055.00	\$2,240.00	\$1,420.00	\$2,578.18	\$0.00	\$3,798.83	\$4,800.00	\$22,173.48
	MIN. ACRES	80.42	722.50	80.00	400.00	478.39	0.00	470.01	320.00	2,551.32
	\$/MIN ACRE	\$3.50	\$9.76	\$28.00	\$3.55	\$5.39	\$0.00	\$8.08	\$15.00	\$8.69
ROLETTE	TOTAL \$	\$80.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$328.00	\$600.00	\$1,008.00
	MIN. ACRES	80.00	0.00	0.00	0.00	0.00	0.00	328.00	600.00	1,008.00
	\$/MIN ACRE	\$1.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$1.00	\$1.00	\$1.00
SLOPE	TOTAL \$	\$0.00	\$0.00	\$0.00	\$0.00	\$19,133.60	\$0.00	\$0.00	\$120.00	\$19,253.60
	MIN. ACRES	0.00	0.00	0.00	0.00	15,788.97	0.00	0.00	120.00	15,908.97
	\$/MIN ACRE	\$0.00	\$0.00	\$0.00	\$0.00	\$1.21	\$0.00	\$0.00	\$1.00	\$1.21
STARK	TOTAL \$	\$357.00	\$4,320.00	\$0.00	\$20,758.71	\$0.00	\$8,351.46	\$15,609.57	\$122,177.99	\$171,574.73
	MIN. ACRES	337.00	320.00	0.00	1,148.71	0.00	2,936.03	1,169.57	1,905.58	7,816.89
	\$/MIN ACRE	\$1.06	\$13.50	\$0.00	\$18.07	\$0.00	\$2.84	\$13.35	\$64.12	\$21.95
WARD	TOTAL \$	\$2,381.78	\$7,875.34	\$6,609.93	\$11,916.00	\$379.84	\$100.00	\$0.00	\$7,243.25	\$36,506.14
	MIN. ACRES	413.05	1,769.74	159.03	1,160.00	379.84	80.00	0.00	385.25	4,346.91
	\$/MIN ACRE	\$5.77	\$4.45	\$41.56	\$10.27	\$1.00	\$1.25	\$0.00	\$18.80	\$8.40
WILLIAMS	TOTAL \$	\$200.00	\$0.00	\$0.00	\$6,216.70	\$0.00	\$5,440.00	\$0.00	\$634.72	\$12,491.42
	MIN. ACRES	160.00	0.00	0.00	859.32	0.00	480.00	0.00	634.72	2,134.04
	\$/MIN ACRE	\$1.25	\$0.00	\$0.00	\$7.23	\$0.00	\$11.33	\$0.00	\$1.00	\$5.85
TOTALS	TOTAL \$	\$140,478.23	\$37,880.20	\$117,987.10	\$71,361.64	\$583,137.40	\$103,804.55	\$36,389.81	\$445,643.44	\$1,536,682.37
	MIN. ACRES	8,107.05	6,782.85	4,921.48	6,692.78	31,096.30	7,694.82	4,573.92	22,100.75	91,969.95
	\$/MIN ACRE	\$17.33	\$5.58	\$23.97	\$10.66	\$18.75	\$13.49	\$7.96	\$20.16	\$16.71

State Owned Mineral Acres Leased for Oil and Gas

County	Owned	Leased	County	Owned	Leased
Billings*	59,915	39,103	McLean*	121,227	14,902
Bottineau*	36,697	7,482	Mercer	60,503	648
Bowman*	63,208	15,142	Morton	101,018	696
Burke*	47,763	11,804	Mountrail*	101,927	57,241
Divide*	72,354	8,808	Renville*	24,191	11,237
Dunn*	89,336	46,863	Rolette	29,378	1,008
Foster	20,752	560	Slope*	52,546	15,838
Golden Valley*	41,901	12,734	Stark*	54,193	17,845
Hettinger*	54,103	160	Ward*	72,679	24,419
McHenry*	66,598	2,630	Williams*	90,945	30,272
McKenzie*	135,393	81,739	Total**	1,396,627	401,131

*Counties with oil and gas production

** In counties with active leases

Unclaimed Property Division

The Unclaimed Property Division administers and enforces the Uniform Unclaimed Property Act (N.D.C.C. ch. 47-30.1). The purpose of the Act is to collect and safeguard property reported by the holder; to ensure compliance; to have one place for the owners to search for their funds; to make the maximum reasonable effort to locate all owners of unclaimed property; to pay claimants their funds; and to support the common schools with the interest earned on the remaining unclaimed funds.

OVERVIEW

During the 1991-93 biennium, collections exceeded \$2.5 million, a 50% increase over the prior biennium. Over 700 claims were processed representing over \$671,000 being returned to the rightful owner (an increase of 78%). In addition to the increase of collections and claims, over 6500 reports were received and processed, a concentrated holder outreach program was established, an audit training program was initiated, and a full-time auditor was designated to audit specifically for unclaimed property compliance.

LOCATING OWNERS

Before filing their report with the division, the holder is required by law to send a notice to the owners at their last known address prior to reporting them as "abandoned." After the report is filed, but prior to the receipt of any money, the division publishes the names of the owners in the county of their last known residence.

After the property is remitted to the division, other efforts are made to locate owners. The division:

- ♦ Provides lists of owners to various television and radio stations throughout the state which announce them free of charge;
- ♦ Secures a booth during the North Dakota State Fair to further educate the public and reunite owners with their property;
- ♦ Distributes educational brochures;
- ♦ Provides information to the media;
- ♦ Makes presentations at various community and business functions

As a result of these combined efforts, North Dakota has become a leader in the nation for the percentage of property reported being reunited with the owners.

COLLECTION EFFORTS

An unclaimed property auditor was hired in May, 1991. Three staff auditors and the deputy administrator participated in an extensive six-month training session. The division recovered over \$400,000 as the result of the audits performed during the training program.

The division worked closely with a higher education institution that ultimately resulted in approximately \$80,000 being reported to the division. This property primarily consisted of unclaimed book refunds held by the university book store. After the initial report was filed with the division and the names were published, over half of those prior students collected their property.

1993 LEGISLATIVE CHANGES

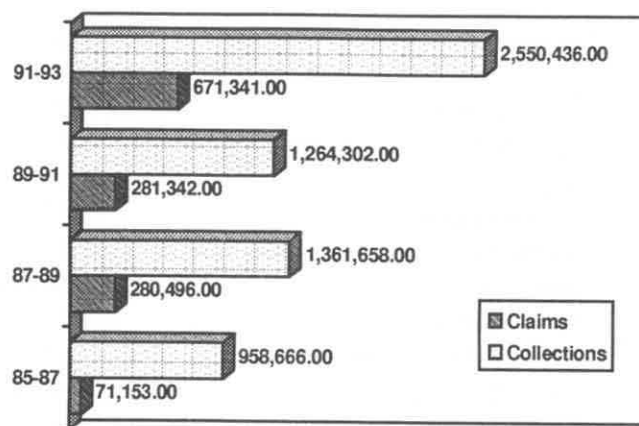
The division was successful in reducing the dormancy period on underlying shares from seven years to five. Other legislation provided that records obtained during the course of an audit be closed to public inspection and imposed a penalty in the event this information was disclosed to other outside sources. Legislation that would have seriously crippled our audit program by limiting the period that could be audited to seven years, was withdrawn due to the efforts of the deputy administrator and others.

HOLDER EDUCATION/OUTREACH EFFORTS

In August, 1991, Val Jundt, the deputy administrator of the division was elected to serve as a regional vice-president of the National Association of Unclaimed Property Administrators. From 1991-93, she actively participated as a national board member; was instrumental in the creation of national holder education seminars; participated as a featured speaker at six national holder education seminars; and served as a co-host for the 1991 annual conference in Rapid City, SD. Over 700 holders participated in the national seminars with representatives from Fortune 500 companies, major stock brokerage houses, national insurance companies, and large national banks attending.

The division conducts holder education seminars designed to assist the holder in completing reports, to provide awareness of the specifics of the law, and to

encourage voluntary compliance with the law. As part of a continuing educational outreach, the deputy administrator also spoke at the annual convention of ND Clerks of Court and the ND Credit Union League.



SUMMARY

As a result of the audit program and the extended holder outreach program established during the past two years, the division increased its collections and claims by greater than 50%. The claims and collections chart shown above reflects the increases during the 1991-93 biennium.

Legal Activities

LITTLE MISSOURI RIVER

The ownership of the Little Missouri River was once and for all decided by the U.S. Eighth Circuit Court of Appeals. The Little Missouri River was declared to not have been navigable at statehood, so it is not owned by the state under the "equal footing doctrine" and the Enabling Act. The bed of this river is owned by the adjacent land owners to the center of the river. The Court's decision has resulted in the need to refund over \$250,000 in oil and gas lease bonuses and rentals.

LAND DEPARTMENT V. CITY OF SHERWOOD

This case involved litigation with the city of Sherwood regarding whether minerals are conveyed to a purchaser under N.D.C.C. ch. 15-09. The Renville County District Court had ruled in the favor of the Department saying that the conveyance was the equivalent of an easement, and that minerals were not part of the transaction. The city of Sherwood appealed the decision to the North Dakota Supreme Court. The Supreme Court reversed the district court and ruled that the conveyance was a deed and the mineral interest in dispute was owned by the city.

Permanent Funds

Comparative Statement of Permanent Fund and Other Fund Investment Balances

<u>Permanent Funds</u>	<u>6/30/85</u>	<u>6/30/87</u>	<u>6/30/89</u>	<u>6/30/91</u>	<u>6/30/93</u>
Common Schools	216,156,378	232,230,246	246,850,470	267,081,350	300,231,040
Unclaim Prop/Common Schools	1,601,731	2,489,244	3,545,361	4,671,089	1,121,005
N.D.S.U.	6,304,614	6,675,753	6,562,417	6,778,802	6,937,301
School for Blind	1,352,272	1,395,520	1,273,499	1,330,121	1,383,942
State Capitol	2,342,104	2,382,986	2,435,119	2,395,539	908,306
School for Deaf	1,545,408	1,550,602	1,642,056	1,858,891	1,953,193
State Hospital	1,712,600	1,801,925	1,769,950	1,829,898	1,852,606
Ellendale State College*	1,271,950	1,277,834	1,283,557	1,297,383	1,309,758
Valley City State Univ.	1,566,384	1,584,122	1,602,977	1,641,454	1,656,965
Mayville State Univ.	1,068,928	1,079,575	1,099,227	1,128,604	1,133,056
Industrial School	2,242,317	2,303,341	2,371,227	2,468,579	2,537,480
State College of Science	1,398,745	1,472,791	1,525,098	1,595,908	1,823,272
School of Mines	1,653,497	1,712,043	1,769,398	1,839,855	1,882,944
Veterans' Home	1,164,478	1,162,568	1,186,392	1,210,479	1,315,563
U.N.D.	3,036,468	3,084,950	3,028,384	3,101,442	3,133,970
Total	244,417,874	262,203,500	277,945,132	300,229,394	329,180,401
Other Funds					
Coal Development Trust	20,591,422	28,553,702	35,786,675	42,735,915	43,678,761
Land & Minerals Trust	4,178,440	0	4,480,254	2,207,762	688,500
Total	24,769,862	28,553,702	40,266,929	44,943,677	44,367,261

* The receipts from acreage held by the Ellendale Trust Fund are allocated equally among the following institutions: School for Blind, Dickinson State University, NDSU-Bottineau, Minot State University, Veterans' Home, State Hospital, and State College of Science

Comparative Schedule of Permanent Fund Cash Receipts

<u>Description</u>	<u>7/83 to 6/85</u>	<u>7/85 to 6/87</u>	<u>7/87 to 6/89</u>	<u>7/89 to 6/91</u>	<u>7/91 to 6/93</u>
Oil and Gas Royalty	23,307,464	11,980,895	7,897,912	11,410,466	10,112,213
Oil and Gas Bonus	13,332,669	2,569,607	5,216,774	5,169,048	1,343,844
Coal Royalty	5,190,632	2,408,303	1,557,445	301,788	1,358,942
Gravel and Scoria Royalty	21,138	31,842	17,214	31,229	202,743
Test Holes and Easements	233,802	233,095	304,438	406,575	457,664
Land Sold	148,190	85,388	13,584	1,072,067	1,826,579
Miscellaneous Receipts	5,948	0	0	0	0
Total	42,239,843	17,309,130	15,007,367	18,391,173	15,301,985

Breakdown of Permanent Fund Investments

	Common Schools	UP Comm. Schools	N.D.S U.	School for Blind	State Capitol	School for Deaf	State Hospital	Ellendale
US. Treasury Notes			108,350			39,400	9,850	
Commercial Paper			4,945,000	977,000	809,000	1,270,000	1,479,000	829,000
Stock		333,050						
Farm Loan Pool Money Mkt	1,229,148		62,773	13,451		21,522	11,957	16,142
Farm Loan Pool Securities	2,631,680		134,400	28,800		46,080	25,600	34,560
Securities at Northern Trust	256,254,283							
Farm Loan Pool Loans	30,954,910		1,580,868	338,758		542,012	301,118	406,509
Real Estate Owned	1,118,278		57,106	12,140		19,579	10,877	14,684
Contracts Receivable	300,076		9,792					
DD Loan Fund #2	4,251,990							
DD Loan Fund #3	2,703,968							
Money Market Account	786,707	787,955	39,012	13,793	99,306	14,600	14,204	8,863
Total	300,231,040	1,121,005	6,937,301	1,383,942	908,306	1,953,193	1,852,606	1,309,758

	Valley City	Mayville	Industrial School	College of Science	School of Mines	Veterans' Home	U.N.D.	Total
US. Treasury Notes	9,850	49,250		9,850			29,550	256,100
Commercial Paper	1,053,000	757,000	1,976,000	1,375,000	1,317,000	853,000	1,861,000	19,510,000
Stock								333,050
Farm Loan Pool Money Mkt	19,729	10,761	18,533	14,348	18,832	15,544	41,848	1,494,588
Farm Loan Pool Securities	42,240	23,040	39,680	30,720	40,320	33,280	89,600	3,200,000
Securities at Northern Trust								256,254,283
Farm Loan Pool Loans	496,844	271,006	466,733	361,341	474,261	391,453	1,053,912	37,639,725
Real Estate Owned	17,948	9,790	16,860	13,053	17,132	14,140	38,070	1,359,657
Contracts Receivable	5,901	3,541	2,256	5,076	2,198		4,912	333,752
DD Loan Fund #2								4,251,990
DD Loan Fund #3								2,703,968
Money Market Account	11,453	8,668	17,418	13,884	13,201	8,146	15,078	1,852,288
Total	1,656,965	1,133,056	2,537,480	1,823,272	1,882,944	1,315,563	3,133,970	329,180,401

Comparative Schedule of Interest and Income Cash Receipts

Description	7/83 to 6/85	7/85 to 6/87	7/87 to 6/89	7/89 to 6/91	7/91 to 6/93
Interest on Securities	37,290,003	41,160,250	43,731,436	44,813,082	35,232,232
Interest on Loans ⁽¹⁾	9,727,229	9,086,422	9,951,789	11,248,168	10,719,485
Interest on Contracts	675,356	500,137	396,019	246,148	150,689
Oil and Gas Lease Rentals	1,243,150	870,121	632,934	611,480	516,450
Surface Rentals	3,776,873	3,942,797	4,165,530	4,894,185	5,995,034
Net Realized Gains on the Sale of Investments ⁽²⁾	0	0	0	238,943	9,974,637
Gains on Sale of OREOs	0	0	0	129,946	318,503
Interest Penalty	0	25,362	62,595	155,618	122,592
Total	52,712,611	55,585,089	58,940,303	62,337,570	63,029,622

(1) Interest on loans for this biennium consists of \$9,189,248 in interest received from the Farm Loan Pool Loans managed for the funds by the Bank of ND; and \$1,530,237 in interest to the Common Schools Trust Fund from the Developmentally Disabled Facilities loans.

(2) In accordance with N.D.C.C. § 15-03-05.1, gains realized on the sale of investments must be amortized to investment income in equal installments over a period of 10 years.

Comparative Statement of Income Distributed to Institutions

Permanent Funds	7/83 to 6/85	7/85 to 6/87	7/87 to 6/89	7/89 to 6/91	7/91 to 6/93
Common Schools	44,062,283	49,678,908	48,554,825	45,233,365	45,233,366
N.D.S.U.	1,216,500	1,385,000	1,247,000	1,411,000	1,108,000
School for Blind	270,000	278,000	255,000	270,000	212,000
School for Deaf	361,500	365,000	296,000	366,000	314,000
State Hospital	352,500	370,000	330,000	357,000	262,000
Ellendale State College	271,600	266,350	239,400	276,850	225,400
Valley City State Univ.	331,500	335,000	292,000	342,000	276,000
Mayville State Univ.	213,500	223,000	192,000	231,000	190,000
Industrial School	493,500	516,000	423,000	491,000	386,000
State College of Science	283,000	285,000	273,000	320,000	270,000
School of Mines	328,500	338,000	330,000	373,000	274,000
Veterans' Home	243,500	239,500	208,000	242,000	206,000
U.N.D.	659,000	659,000	608,000	679,000	558,000
Total	49,086,883	54,938,758	53,248,225	50,592,215	49,514,766

The receipts from acreage held by the Ellendale Trust Fund are allocated equally among the following institutions: Dickinson State University, Minot State University, NDSU-Bottineau, School for the Blind, Veterans' Home, State Hospital, and State College of Science.

Land Department Statement of Appropriations and Expenditures

Land Department Budget	1991-1993 Appropriations	1991-1993 Expenditures	Unexpended Appropriations
Salaries and wages	1,351,539	1,332,543	18,996
Operating Expenses	623,664	523,950	99,714
Central Data Processing	65,034	42,831	22,203
Equipment	63,200	63,108	92
Grants-Benefits-Claims (surface mgmt.)	152,000	133,200	18,800
Grants, Benefits and Claims (oil grants)	4,933,086	2,495,710	2,437,376
Carryover oil grants 89-91	1,363,415	1,126,363	237,052
Carryover coal grants 87-89	51,985	0	51,985
Noxious Weed Control (general fund)	34,500	23,544	10,956
Contingencies	20,000	0	20,000
Total	8,658,423	5,741,249	2,917,174

Funding for the Land Department's Budget is received from the state Land Maintenance fund established by Section 15-03-01.1, N.D.C.C. This fund consists of the fees charged by the department for issuing leases, easements, deeds, etc.; and a portion of the income generated by the funds managed by the department. The expenses covered by this funding source are salaries and wages, operating expenses, central data processing, equipment, Grants-Benefits-Claims (surface mgmt.) and contingencies.

The Oil and Gas Grant Impact Fund provided \$66,914 for the Energy Development Impact Office's portion of the budget covering expenses for salaries and wages, and some operating expenses. The Oil and Gas Grant Impact Fund also provided funds for the Grants-Benefits-Claims (oil grants), carryover oil grants, while coal grants were made from a special revenue fund.

Noxious weed control for the Little Missouri River was funded by the Land and Minerals Trust Fund.

Other Funds

State Capitol Fund

Fund Balance July 1, 1991		Balance Sheet	
\$3,120,398			
Revenues:		Assets:	
Oil and gas royalties	14,114	Money Market Account	\$99,306
Oil and gas bonuses	1,006	Accrued Interest Receivable	2,975
Coal royalties	5,189	Contracts Receivable	8,332
Gravel royalties	38,872	Commercial Paper	809,000
Interest on land contracts	2,646	Land	99,812
Mineral rentals	3,179	Total Assets	\$1,019,425
Surface rentals	95,128		
Coal rentals	1,920	Liabilities:	
Investment income	252,564	Investment Expenses	\$210
Gain on sale of investments	400		
Damages	100	Equity:	
Miscellaneous income	107	Fund Balance June 30, 1993	1,019,215
Total revenues	415,225	Total Liabilities and Equity	\$1,019,425
Expenditures:			
Investment expenses	2,300		
Facility Management	2,498,000		
Land Maintenance Fund	16,108		
Total expenditures	2,516,408		
Fund Balance June 30, 1993	\$1,019,215		

Coal Development Trust Fund

The Coal Development trust fund is established by Section 21 of Article 57-62-02 of the North Dakota Century Code. The monies in the fund are derived from a 15 percent share of the coal severance tax. The principal balance of the fund is available for loans to counties, cities, and school districts that have been impacted by coal development. (Temporary legislation from 1985 through 1989 also authorized loans to oil-impacted subdivisions.) The unloaned balance of the fund is invested by the Board of University and School Lands.

Effective July 1, 1990, the constitution was amended to provide that up to 50% of the taxes collected and deposited in this fund during a biennium may be appropriated by the legislature for "lignite research development, and marketing as provided by law."

Fund Balance July 1, 1991		Balance Sheet	
\$42,735,915			
Revenues:		Assets:	
Investment income	3,304,528	Money Market Account	\$175,952
Interest on Coal Warrants	792,724	Accrued Interest Receivable	134,180
Interest on Oil and Gas Warrants	333,702	Commercial Paper	35,893,000
Coal Severance Tax Receipts	6,733,652	Coal Warrants	5,175,834
Total revenues	11,164,606	Oil and Gas Warrants	2,433,975
		Due from State Treasurer	363,432
Expenditures:		Total Assets	\$44,176,373
Investment expenses	36,414		
Transfer to Lignite Research	5,125,757	Liabilities:	
Transfer to State General Fund	4,672,537	Due to State General Fund	\$41,663
Land Maintenance Fund	67,636	Due to Lignite Research	131,024
Total expenditures	9,902,344	Investment Expenses	5,509
		Total Liabilities	178,196
Fund Balance June 30, 1993	\$43,998,177	Equity:	
		Fund Balance June 30, 1993	43,998,177
		Total Liabilities and Equity	\$44,176,373

Lands and Minerals Trust Fund

This fund is created by N.D.C.C. ch. 15-08.1 and sec. 61-33-07. It consists of revenues from minerals formerly held by the Bank of North Dakota, and revenues from the beds of navigable rivers, lakes, and streams. the beds of these navigable bodies of water together with the former BND minerals, are leased for oil and gas exploration and production. (All riverbed leases prohibit "surface" occupancy; what is actually being leased is the right to participate in a spacing unit for oil and gas production.) All monies collected by this fund are subject to legislative appropriation each biennium.

This fund also serves as a funding vehicle for the repayment of the Developmentally Disabled facilities Loan funds. (At the close of the biennium, \$6,955,958 had been borrowed from the Common Schools trust fund for D.D. Loan Funds #2 and #3.) The actual administration of these loan programs is the responsibility of the Bank of North Dakota, with loan collections being deposited in the Lands and Minerals trust fund. The total amount due to the Common Schools trust fund is then appropriated from all revenues to the lands and Minerals trust fund.

Fund Balance July 1, 1991 **\$2,207,762**

Revenues:

Oil and gas royalties	2,401,950
Oil and gas bonuses	272,165
Coal royalties	835,632
Mineral rentals	201,203
DD Loan Repayments	1,269,667
Investment income	85,279
Interest/Penalty on Leases	30,713
Surface rentals	1,016
Total revenues	5,097,625

Expenditures:

Investment expenses	350
Little Missouri- Leafy Spurge	23,543
Agriculture Department	115,000
Industrial Commission	4,292,775
Human Services- DD Loans	1,840,954
Human Services- State Hospital	437,146
N.D.S.U.- range study	15,000
Management Fees	255,875
Mineral receipt correction	110,527
Mineral taxes	418
Total expenditures	7,091,588

Fund Balance June 30, 1993 **\$213,799**

Balance Sheet

Assets:

Money Market Account	\$688,485
Cash- State Treasurer	15
Due from Bank of North Dakota	56,038
Total Assets	\$744,538

Liabilities:

Management fees	\$70,500
Due to Human Services	460,239
Total Liabilities	530,739

Equity:

Fund Balance June 30, 1993	213,799
Total Liabilities and Equity	\$744,538

**State Of
North Dakota**

***BOARD OF UNIVERSITY AND
SCHOOL LANDS***

State Land Department

Fifty-first Biennial Report

to the
Governor
and to the
Secretary of State



July 1, 1993 to June 30, 1995



Robert J. Olheiser
COMMISSIONER

North Dakota
STATE LAND DEPARTMENT

918 East Divide Avenue, Suite 410
P.O. Box 5523
Bismarck, ND 58506-5523

Phone: (701) 328-2800
Fax: (701) 328-3650

December 1, 1995

The Honorable Edward T. Schafer
Governor of North Dakota
State Capitol
Bismarck, ND 58505

Mr. Alvin A. Jaeger
Secretary of State
State Capitol
Bismarck, ND 58505

Dear Governor Schafer and Mr. Jaeger:

In accordance with section 54-06-04 of the North Dakota Century Code, I am submitting for your review the 1993-95 Biennial Report of the Board of University and School Lands, covering the periods from July 1, 1993 through June 30, 1995.

In submitting this report we wish to recognize the employees of the Land Department for their unwavering loyalty and dedication to our mission of providing funding for education in North Dakota. The people in the Department are a wonderful example of professional individuals, working together, to achieve a common goal.

Sincerely,

A handwritten signature in cursive script, reading "Robert J. Olheiser".

Robert J. Olheiser
Land Commissioner

RJO/llk

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POLICY OF NON-DISCRIMINATION ON THE BASIS OF DISABILITY

The State Land Department does not discriminate on the basis of disability in the admission or access to, or treatment or employment in, its programs or activities. Interested persons may call (701) 328-2800 for information concerning the provisions of the Americans with Disabilities Act and the rights provided thereunder as they relate to the agency and access to its records.

Agency Overview

- ♦ 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 712,000 surface acres, over 2.5 million mineral acres, and over \$356 million in permanent trust loans, 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 663,310 mineral acres formerly owned by the Bank of North Dakota, and the 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 attempts to find the property's owner. This property is held in trust for the owner forever, and the income earned on it is distributed to public grades K-12.
- ♦ The Energy Development Impact Office (EDIO) is also a part of the Land Department. The EDIO allocates funds appropriated by the state Legislature to assist local political subdivisions in dealing with problems arising from oil development. In the allocation of these funds, the Director of the office accepts applications for funding, travels to visit with subdivisions requesting the funding, allocates the funds, and administers the payout of the funds to the grantees.

Mission Statement

The mission of the State Land Department, under the direction of the Board of University and School Lands, is to serve as a trustee for the benefit of the common schools (public grades K-12), various institutions of higher education, and certain other state institutions.

Land Department Statement of Goals

The primary goal of the Department is to maximize distributable income and trust growth within the parameters allowed by state law, board policy, the prudent investor rule and sound land and mineral management practices. To achieve this primary goal, the following subgoals have been established:

1. To develop and maintain a comprehensive, multiple-use management program for the administration of surface lands.
2. To develop and pursue a strong and effective minerals management program which maximizes revenue to the trust funds.
3. To develop and pursue an aggressive and fair minerals audit program to ensure that the trust funds receive all royalties.
4. To continue to encourage and improve compliance with the Abandoned Property Law.

5. To preserve the purchasing power of the funds by maintaining and increasing, relative to inflation, the income distributable to fund beneficiaries.
6. To manage the assets of the Trusts within the guidelines of the Prudent Investor Rule.

Energy Development Impact Office Statement of Goals

The primary goal of the office is to ensure that local subdivisions hosting energy activity are not required to bear a disproportionate share of the costs associated with that activity (both in its "boom" and "bust" cycles). The guiding principle of the office is to ensure that the benefit to all of the people of North Dakota, from the extraction of energy resources, will not be gained at the expense of those whose lives or property are disturbed, without adequate compensation, in the process.

Historical Overview

LAND GRANT

On February 22, 1889, Congress passed "An act to provide for the division of Dakota into two states, and to enable the people of North Dakota, South Dakota, Montana and Washington to form constitutions and state governments . . ." This Act is commonly known as the Enabling Act. Section 10 of this act granted sections 16 and 36 in every township to the new states "for the support of common schools." Where portions of these sections had been sold prior to statehood, indemnity or "in-lieu" selections were allowed. In North Dakota, this grant of land totaled over 2.5 million acres.

Under sections 12, 14, 16 and 17 of the Enabling Act (and other acts referred to therein), Congress provided further land grants to the state of North Dakota for the support of colleges, universities, the state capitol and other public institutions. These additional grants totaled approximately 668,000 acres, bringing the grand total of Enabling Act land grants to nearly 3.2 million acres.

LAND SALES & ACQUISITIONS

Since statehood in 1889, much of the grant land has been sold. Beginning in 1939, whenever the state sold grant land, it reserved five percent of the minerals. In 1941, the reservation was increased to 50 percent; and, since July 28, 1960, the North Dakota Constitution has mandated a 100 percent mineral reservation. Today, the Land Department manages in excess of 660,000 of the original, grant land surface acres, and over 1.8 million of the original mineral acres. Approximately 51,000 acres have since been acquired through foreclosure or other means, bringing the total surface acreage to approximately 712,000 acres.

In 1977, the legislature transferred management authority for minerals acquired by the Bank of North Dakota and for the minerals under sovereign land (navigable rivers and lakes) to the Department. This brings the total minerals managed to over 2.5 million acres.

CONSTITUTIONAL AUTHORITY

North Dakota's Constitution, adopted on October 1, 1889, entrusted the management of these lands (both acquired land and grant land) to the "board of university and school lands." The Board was initially made up of the Governor as chairperson, the Secretary of State as vice-chair, the Attorney General, Superintendent of Public Instruction, and the State Auditor. On June 10,

1986, a constitutional amendment replaced the State Auditor with the State Treasurer.

The Land Board currently consists of the following members:

Governor Edward T. Schafer, Chairman

Secretary of State Alvin A. Jaeger, Vice Chairman

Attorney General Heidi Heitkamp

State Treasurer Kathi Gilmore

Supt. of Public Instruction Wayne Sanstead

COMMISSIONER OF UNIVERSITY & SCHOOL LANDS

Under N.D.C.C. § 15-02-01, the Board of University and School Lands is required to appoint a commissioner to act on their behalf. Specific responsibilities of the Board and the Commissioner are set out in N.D.C.C. ch. 15-01 through ch. 15-08.1.

Land Management Responsibilities. The Commissioner's general land management responsibilities, as set out in N.D.C.C. § 15-02-05, are as follows:

- ♦ Have general charge and supervision of all grant lands.
- ♦ Act as the general agent for the board.
- ♦ Have custody of all maps, books, and papers relating to grant lands.
- ♦ Procure the books, maps, and plats required to keep a complete record of all grant lands, and keep a true record of all conveyances made under his direction.
- ♦ Direct all appraisements, sales and leases, and execute all contracts, subject to board approval.
- ♦ Certify the book and page number of all contracts, leases or permits recorded by him.

Other Responsibilities. Since 1975, the Land Commissioner is responsible for the enforcement of the Unclaimed Property Act (N.D.C.C. § 15-02-05.2 and ch. 47-30.1). Also, in 1989, the Energy Development Impact Office became a division of the Office of the Commissioner (Land Department). However, the EDIO Director is appointed directly by the Board of University and School Lands (N.D.C.C. § 57-62-04).

Funding Sources and Expenses

- ♦ Funding for the State Land Department is received through the State Lands Maintenance fund. This fund consists of a portion of the fees, interest and income earned by the various trusts (N.D.C.C. § 15-03-01.1).
- ♦ Noxious weed control expenses for Lands and Minerals trust fund properties are paid for by that fund.
- ♦ Foreclosed properties management expenses are paid through management fees which the Land Department charges the Bank of North Dakota for managing foreclosed properties.
- ♦ Funds for oil impact grants are obtained from the oil impact grant fund. The administration of the Energy Development Impact Office is covered by the State's general fund and special revenue funds.

Other Information Regarding the Land Department

PUBLICATIONS

In addition to this report, the Department publishes:

- ♦ A semi-annual newsletter which is distributed to surface lessees and other interested parties;
- ♦ Lists of tracts to be leased at quarterly oil and gas lease sales, together with a summary of the results of these sales;
- ♦ Lists of individuals entitled to unclaimed property (N.D.C.C. § 47-30.1-19.1); and
- ♦ Summaries of grant awards made by the Energy Development Impact Office.

Notice of the leasing and sale of surface and mineral tracts is given by publication in the official county newspaper where the land is located.

MEETINGS

The Board of University and School Lands meets monthly. The regular meeting day is the last Thursday of the month, however board members' schedules may sometimes require changes in this schedule.

Minutes of the Board and other information regarding the activities of the State Land Department can be obtained from:

*State Land Department
918 E. Divide #410
P.O. Box 5523
Bismarck, ND 58506-5523*

General Information	701-328-2800
Minerals Leasing	701-328-2803
Unclaimed Property	701-328-2805
Energy Development Impact Office	701-328-3188
Fax	701-328-3650

Internal Reorganization

The Commissioner of University and School Lands serves as the equivalent of a Chief Executive Officer of the State Land Department. Effective April 1, 1994 the Land Board appointed Robert J. Olheiser to this position.

Subsequent to this appointment, the Department was reorganized internally along the lines of four profit centers: investments, abandoned property, surface management and minerals management. (The Energy Development Impact Office administers the program for awarding energy related grants and loans. Because this office does not proactively generate income it is not considered a profit center.) This reorganization was precipitated by the Commissioner's and staff's renewed recognition that the Department is essentially a diversified "for-profit" organization, with our Trust beneficiaries as clients. We recognize that we have the same objectives, bottom line motivation and ability to use resources as any private company. Each profit center's director is responsible for using their resources to maximize the net return to our Trusts. In this respect, "return on assets", "return on equity", "net income" and "total return" have enhanced meaning and are used to guide and evaluate our activities. Our Department is in a position to personify the suggestion that "government should run more like a business", and we constantly strive to do so.

The table on the next page reflects the structure of the Department following reorganization. Unlike the traditional "top down" organizational chart, we use this grid to reflect employee relationships, interdependence and cross-training required in the Department. Because we are a relatively small "company", our success depends, like any other company, on hiring and keeping good people and expecting each person to do their job to the best of their ability.

ND STATE LAND DEPARTMENT
Management Grid/Personnel Time Allocation

	Investments Division	Minerals Division	Surface Division	Unclaimed Property Division	Energy Development Impact Office	
Directors	*Jeff Engleson (90%)	*Rick Larson (85%)	*Mike Brand (80%)	*Val Jundt (100%)	**Jim Luptak (30%)	
Accounting	Terry Fischer (4%) *Bob Peterson (20%)	Terry Fischer (4%) *Bob Peterson (20%) Barb Plum (4%) Sam Witkowski (10%)	Terry Fischer (4%) *Bob Peterson (20%) Barb Plum (9%)	Terry Fischer (4%) *Bob Peterson (20%) Barb Plum (4%)	*Bob Peterson (20%) Barb Plum (3%)	
Administration	*Rick Larson (5%) ***Bob Olheiser (35%)	***Bob Olheiser (20%)	*Rick Larson (5%) ***Bob Olheiser (25%)	*Rick Larson (5%) ***Bob Olheiser (20%)		
Administrative Support	*Linda Kahl (5%) Barb Plum (5%) Vacant (20%)	*Linda Kahl (13%) Pat McLaughlin (5%) Sandy Milkey (30%) Barb Plum (16%) Vacant (20%)	*Linda Kahl (15%) Pat McLaughlin (90%) Barb Plum (36%) Vacant (20%)	Terry Fischer (84%) *Linda Kahl (12%) Pat McLaughlin (5%) Barb Plum (11%) Vacant (20%)	*Linda Kahl (5%) Barb Plum (12%) Vacant (20%)	
Auditing		Keith Bayley (100%) *Jeff Engleson (5%) Sam Witkowski (90%)		*Jeff Engleson (5%) Pam Wentz (100%)		
Computer Services	**Jim Luptak (7%) Tech (13%)	*Mike Brand (10%) **Jim Luptak (19%) Tech (30%)	*Mike Brand (10%) **Jim Luptak (19%) Tech (25%)	**Jim Luptak (18%) Tech (25%)	**Jim Luptak (7%) Tech (7%)	
Leasing Services		Sandy Milkey (70%)	Linda Kahl (50%) Jerry Saude (20%)			
Resource Management			Mike Haupt (100%) Mike Humann (100%) Jerry Saude (80%)			
Total FTE	2.04	5.51	7.08	4.33	1.04	20.0

* Division Directors, Supervisory & Advisory Personnel Who Report Directly To The Commissioner

** Director of EDIO -- Appointed by Land Board. Also Functions as Head of Computer Services

*** Land Commissioner

Surface Management

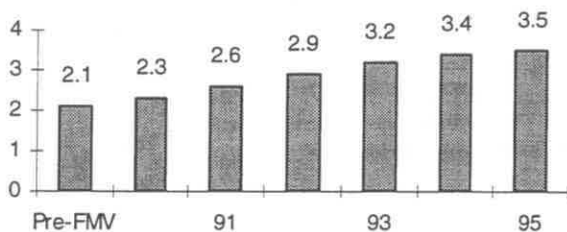
This Division leases and manages surface acres held in trust for various schools and institutions. The major source of income from these lands is grazing and agricultural leases, with additional revenue being generated from rights-of-way, and gravel and scoria mining.

The objective of this division is to obtain a "fair market" return from the lands while improving their condition and value.

FAIR MARKET VALUE LEASING SYSTEM

This program was first implemented in the 1990 lease year. The phase-in of the grassland portion of this program was completed in 1994 as new leases were issued. The goal was to develop a method of leasing school lands that provided a fair return to the trusts without overcharging our lessees. Annual lease income has shown steady growth to the current level of \$3.5 million in the second year of the biennium while leasing success was maintained at 99.9%.

Surface Rental \$ in Millions



The cropland/hayland part of this program was implemented in the 1994 lease year and will be fully implemented in 1997. Results have been excellent in the first two years with no negative impacts on leasing success.

LEASING

A total of 2,071 grazing and agricultural leases were issued during this biennium. Public auctions were held each spring and fall with the leases going to the highest bidder.

Legislation was passed which allows the State Land Department, rather than the counties, to clerk the lease auctions. This change resulted in a significant savings in the cost of conducting the auctions. Computer software was developed in-house to clerk the auctions. This computer program will also reduce the potential for transcription errors.

NOXIOUS WEED CONTROL

Significant progress was made in leafy spurge control with the establishment of 22 insect rearing sites for flea beetles on school lands. These insects show promise in reducing the need for chemical control of leafy spurge. As the insect populations increase, they will be harvested and moved to other leafy spurge infested school lands. There are now a total of 27 flea beetle insectory sites on school lands.

Spotted knapweed is now a major concern on North Dakota's rangelands and has been found on 4 tracts of school land in Hettinger, Kidder, McKenzie and Golden Valley Counties. In the spring of 1995, lessees within 10 miles of all known knapweed infestations in the State were contacted with information about identification and control. The objective is to prevent spotted knapweed from becoming as big a problem as leafy spurge.

RANGE INVENTORY AND INSPECTION

About 75,678 acres of rangeland in Burke, Divide and Williams Counties were inventoried. A total of 593,756 acres or about 83% of all school lands have been inventoried for condition since 1980. This information is the basis for land improvement projects and is also the basis against which we measure long-term change in the land's condition.

LAND IMPROVEMENT

Examples of land improvement activities include implementing projects for reseeding marginal cropland to permanent cover for grazing management, mechanical land improvement, trash dump clean-up, and development of livestock water. We have cooperated in reseeding 856 acres of marginal cropland to permanent cover, implemented 27 grazing plans on 8,344 acres, provided technical assistance on 185 acres of chiseling for clubmoss and blue grama control in western North Dakota and provided rent credits or amortization schedules on 39 dugouts/dams/wells for livestock water. Cooperative trash site clean-ups were completed on 36 sites with 81 in progress. All of these practices work toward improving the overall leasability and condition of school lands.

A cooperative research study was also started with North Dakota State University in the spring of 1994 to investigate ways to balance livestock grazing with the need to improve the condition of overgrazed tracts. The goal is to return the land to productive condition as quickly as possible while maintaining the maximum lease income during the improvement period. This information

will contribute to a more cost effective land improvement program.

**Surface Acres
As Of June 30, 1995**

Trust Fund	Acres
Common Schools	635,469.47
School for the Blind	3,477.87
State Capitol	9,981.17
School for the Deaf	4,828.85
Ellendale State College ¹	4,984.17
State Hospital	2,203.91
Industrial School	3,899.43
School of Mines	3,392.03
N.D.S.U.	15,117.68
Veterans' Home	2,913.69
U.N.D.	9,616.98
Valley City State University	640.00
ND State College of Science ²	3,731.31
Mayville State University	640.00
Valley City/Mayville ²	6,818.08
Farm Loan Pool ³	<u>4,488.00</u>
Total	<u>712,202.64</u>

1. Receipts from acreage held by the Ellendale trust fund are allocated equally among the following institutions: Dickinson State University, Minot State University, NDSU-Bottineau, School for the Blind, Veterans' Home, State Hospital, and State College of Science
2. Receipts from acreage held by Valley City and Mayville State Universities are allocated 62.5% to Valley City and 37.5% to Mayville.
3. Receipts from this acreage is distributed by formula to all of the above funds except the State Capitol fund.

EASEMENTS, AGGREGATE, AND RECLAMATION

The number of easements issued this biennium has been relatively low because of the continued low level of oil and gas development. Thirty-seven easements and permits were issued with a total value of \$41,553. Reclamation was completed on nine oil well sites with 33 sites currently in progress. Six new oil well sites were constructed and a total of \$28,670 in damages was received.

The sale of construction aggregate was steady at \$175,483. The recovery of damages for an unauthorized taking of gravel in Mountrail County and for the taking of sand, gravel and clay in McLean County was initiated. The amount taken in Mountrail County is still under investigation while the McLean County amounts have been measured at 382,107.37 cubic yards of sand and gravel and 540,193 cubic yards of clay.

AUTOMATED SYSTEMS

Programming was started on a field module for auctioning surface leases. The program runs on a laptop computer and is capable of printing consolidated settlement sheets on-site. Two major advantages of this system are; 1) The lessee can sign the settlement sheet at the auction indicating agreement with the conditions of the lease, and 2) The auction results can be electronically downloaded to reduce the potential for errors and decrease data input time.

Geographic Information Systems (GIS) have been used to track noxious weed infestations and target weed control efforts, and have also been integrated into a world wide web to allow better communication on lease auction issues.

FORECLOSED PROPERTY

The acres of foreclosed property on inventory declined for the second consecutive biennium. Under a contract with the State Treasurer and Bank of North Dakota, 4,850.59 acres were sold for \$1,391,704, leaving 3,295.91 acres on inventory. From the Board's acquired property, we sold 4,101.46 acres for \$860,750.

**Land Sales and Acquisitions
1993 - 1995**

Acquisitions:	Acres
Farm Loan Pool	631.04
Adjustments and Accretion	<u>48.08</u>
Total Acquisitions	679.12

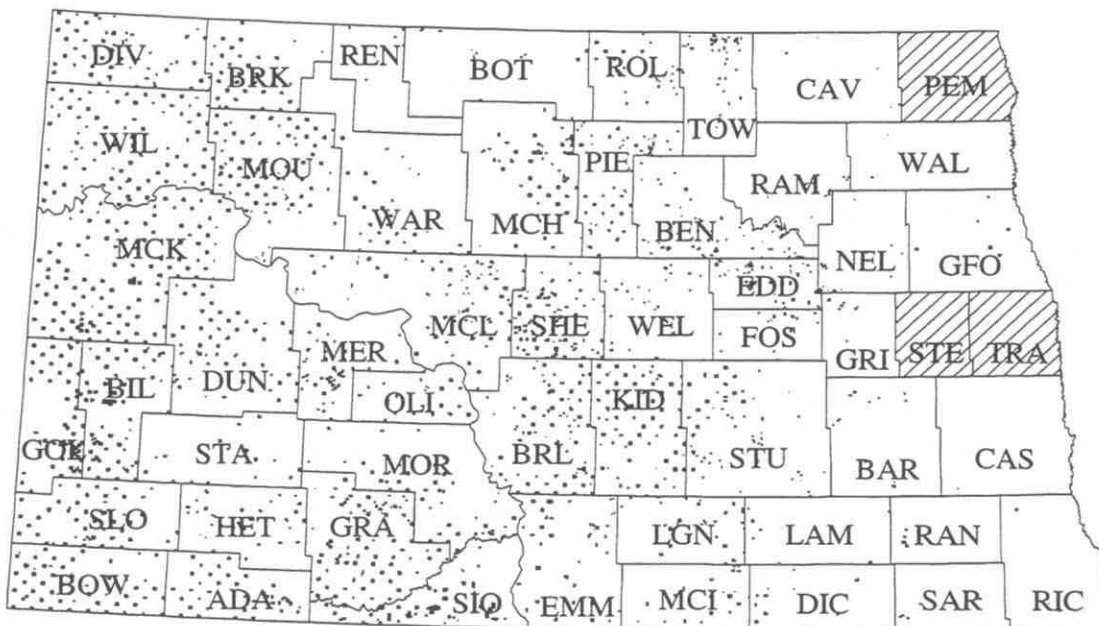
Sales:	
NDCC ch. 15-09 (public purpose)	(44.26)
NDCC ch. 15-07 (acquired property)	(4,101.46)
NDCC ch. 15-06 (grant land)	<u>(154.81)</u>
Total Sales	(4,300.53)

SUMMARY

Income from leasing has steadily increased and leasing success has remained high. There was also significant progress in biological control of leafy spurge and an aggressive program of spotted knapweed identification and control was started with our lessees. Easements and permits remained steady while a major project to recover damages for unauthorized sand, gravel, and clay mining was started. Foreclosed property on inventory declined continuing the downward trend begun in the previous biennium. It has been a successful biennium with many positive trends in leasing, land management and agriculture in general.

SURFACE ACRES BY COUNTY

County	Acres	County	Acres	County	Acres
Adams	17,115.78	Golden Valley	28,971.60	Ramsey	2,056.50
Barnes	2,803.32	Grant	33,638.72	Ransom	1,120.00
Benson	12,765.28	Griggs	1,741.24	Renville	1,910.12
Billings	31,073.71	Hettinger	9,879.60	Richland	513.68
Bottineau	3,437.94	Kidder	28,643.79	Rolette	6,845.92
Bowman	29,310.48	LaMoure	1,435.72	Sargent	1,127.79
Burke	16,119.43	Logan	9,404.92	Sheridan	25,825.02
Burleigh	27,921.22	McHenry	23,344.42	Sioux	23,411.56
Cass	45.47	McIntosh	6,357.50	Slope	23,605.32
Cavalier	596.47	McKenzie	64,714.78	Stark	6,453.34
Dickey	3,660.69	McLean	21,036.54	Stutsman	15,664.01
Divide	21,141.44	Mercer	14,969.40	Towner	8,076.00
Dunn	26,122.70	Morton	18,109.89	Walsh	201.02
Eddy	10,274.62	Mountrail	32,445.36	Ward	11,360.50
Emmons	13,676.80	Nelson	2,853.66	Wells	5,248.63
Foster	3,111.51	Oliver	7,588.41	Williams	<u>38,406.82</u>
Grand Forks	2,073.77	Pierce	14,300.93	Total	<u>712,513.34</u>



DISTRIBUTION OF SCHOOL LANDS

School Lands
 No School Land



Compiled on June 30, 1995

Energy Development Impact Office

The Energy Development Impact Office (EDIO) came into existence in 1975 when the Legislature authorized the Coal Development Impact Program under N.D.C.C. ch. 57-62. On July 1, 1989, the EDIO was combined with the State Land Department and is currently under the direction of the Board of University and School Lands. The coal program began in 1975 and expired in 1989. The Oil Impact Grant Program began in 1981 and is still in existence.

During the 1993-95 biennium, the Oil Impact Grant Program helped reduce the financial hardships of local political subdivisions which resulted directly from activities of the oil industry. The program is funded from 1/3 of the first 1/5 of the Oil & Gas Gross Production Tax. For the 1993-95 biennium, that allocation amounted to approximately \$3 million. By law, the allocation cannot exceed \$5 million for a biennium.

INFRASTRUCTURE PROGRAM

During the 1993-95 biennium, the office conducted two grant rounds, one in the spring of 1994 and the other in the spring of 1995.

To receive funding, applicants must show:

1. That oil activity in the area has created a financial hardship which cannot be handled without help from the Oil Impact Grant Program;
2. That the project will alleviate the hardship that resulted from oil activity; and
3. That the applicant's financial resources to handle the project are insufficient (this implies that the applicant has made a diligent local taxing effort to accomplish its goal).

1993-95 Biennium Oil Impact Grant Applications and Awards

Summary by County

County	\$ Requested	\$ Awarded	%
Bottineau	1,186,642	190,300	7
Bowman	527,980	110,000	4
Burke	518,640	109,200	4
Divide	386,430	78,100	2
Dunn	405,000	60,000	2
G. Valley	325,000	98,500	3
McKenzie	484,920	54,500	2
McLean	18,800	4,200	0
Mountrail	633,450	115,700	4
Renville	879,029	118,500	4
Stark	7,531,475	926,000	32
Ward	169,025	18,500	1
Williams	3,897,196	1,039,000	35
TOTAL	\$16,963,587	\$2,922,500	100

1993-95 Biennium Oil Impact Grant Applications and Awards

Summary by Class of Subdivision

Class	\$ Requested	\$ Awarded	%
County	3,032,447	651,500	22
School	5,205,160	255,000	9
City	5,643,509	1,621,200	56
Park District	314,480	13,000	0
Township	1,649,560	266,400	9
Fire District	1,118,431	115,400	4
TOTAL	16,963,587	2,922,500	100

These funds are awarded by the EDIO Director following visits with the local political subdivisions requesting the funding. Following these visits, the Director considers information received during these meetings, information from the application, and any other compiled data relating to oil production, oil taxation, and property taxation. Information is also obtained through the state's mainframe computer from the Oil & Gas Division of the Industrial Commission showing oil wells, oil production, and salt water production, which helps establish the degree of oil-related traffic in each township. Also, the EDIO collects oil tax and property tax data from various sources, including the State Treasurer's Office, the State Tax Commissioner's Office, the State Department of Public Instruction, and the ND League of Cities.

The tables on this page summarize the amounts allocated by county and by class of subdivision for the infrastructure program. Counties and townships accounted for 31% of the total amount awarded, most of which was for road projects. Cities accounted for 56% of the total. Local political subdivisions in Stark and Williams Counties received over 67% of the funds allocated.

A listing of individual grants made during the 1993-95 biennium is available upon request from the Energy Development Impact Office.

SUMMARY

Altogether, the EDIO allocated a total of \$2,922,500 during the 1993-95 biennium. A total of 197 grants were issued in the two grant rounds to counties, cities, townships, schools, fire and ambulance districts and other local units of government in an area west of a line from Bottineau to Bowman.

CONCLUSION

The activity reported here relates to grant awards only. Grant payments are made as projects are completed and grants awarded in one biennium may be paid out in another. Grant payment activity is recorded in our annual audit reports. The EDIO is a program that successfully channels financial help to where it is most needed, at minimum operational expense to the State of North Dakota.

Investments

The Investment Division is the newest addition to the Land Department. It was formed in June 1994 when the Department was reorganized into profit centers. The Division is responsible for directing, implementing, coordinating and monitoring all aspects of the Land Department's investment program.

The investment assets managed by the Division include:

- ♦ **Marketable Securities:** As of June 30, 1995, the financial assets for which the Land Board is responsible included marketable securities with a value in excess of \$340 million. Most of these securities are held at our custodian bank, The Northern Trust Company, and are managed by investment professionals hired by the Land Board to achieve specific investment goals and objectives. Some securities are purchased through the Bank of North Dakota (BND) and held in custody there.
- ♦ **Farm Loan Pool:** As of June 30, 1995, the trust funds under the control of the Land Board owned over \$36 million in farm loans. Although the BND handles the day to day operations of the farm loan pool, the investment division works closely with the Bank in developing and implementing policies, goals and strategies for farm loans and in monitoring and evaluating the program on an ongoing basis.
- ♦ **School Construction Loan Program:** As of June 30, 1995, the Land Board had approved and funded school construction loans from the Coal Development trust fund totaling over \$10.4 million. Although the BND and Department of Public Instruction (DPI) perform the day-to-day functions of administering the school construction loan program, the investment division works closely with the Bank and DPI in developing and implementing policies, goals and strategies for school construction loans and in monitoring and evaluating the program on an ongoing basis.

During the 1993-95 biennium, the Land Board's investment program continued the evolutionary process that began in 1990. This evolution has moved us from a passive investment strategy, that bought and held fixed income government securities (bonds) to maturity, to an active strategy with a well-diversified portfolio of stocks, bonds and other investment assets.

Taking Control of Our Investment Future

Prior to July 1993, the Land Board contracted with the Retirement and Investment Office (RIO) for certain investment accounting and management services. These services included providing the Land Board with accounting reports, transferring cash to/from managers, assisting the Land Board in the hiring of money managers and monitoring the performance of the Land Board's investment securities. Without RIO's assistance, we could not have begun to diversify our portfolio when we did.

However, as we began to learn more about the investment process in general, and about the investment needs of endowments or permanent trust funds such as those managed by the Land Board, two things became apparent. The first was that investing for a pension plan is different than investing for an endowment or a permanent trust. The goals, objectives and needs of the Land Board's investment program are different than those of a pension fund. In addition, we also began to realize that nobody understood those goals, objectives and needs better than the staff of the Land Department. Therefore, effective July 1, 1993, the Land Department took control of its investment future, and began performing the investment accounting and management functions that had previously been done by RIO. This change resulted in saving over \$200,000 for the biennium.

Investment Pool of Marketable Securities

Another major change in the Land Board's investment program was also implemented in July 1993. Prior to that time, only the Common Schools Trust Fund had been participating in the diversified investment portfolio that had been established in July 1990. The other permanent funds managed by the Land Board continued to be invested in a "buy and hold" fixed income strategy. An analysis of the benefits that diversification had on the investments of the Common Schools Trust Fund led to the conclusion that all of the permanent trust funds under the control of the Land Board could, and should, benefit from a diversified investment program.

After much research and planning, on July 13, 1993, \$55 million in cash from the other (non-common schools) permanent trust funds was moved to The Northern Trust Company, our custodian in Chicago, and an investment "pool" was formed. This pool, which initially totaled approximately \$330 million, is run much like a mutual fund, with each trust fund sharing proportionately in the interest, dividends, expenses and capital gains or losses generated by the portfolio, based on its share of the total market value of the pool.

All of the permanent trust funds managed by the Land Board were initially included in the investment pool. Because the Land and Minerals and Capitol Trusts are not permanent trusts, they were excluded. These two trusts have different, shorter term investment goals and objectives, and therefore do not belong in the investment pool. Although the Coal Development trust fund was initially included in the investment pool, it was later removed when further analysis showed that its investment goals and objectives were shorter than those

of the other permanent trusts. The Abandoned Property trust is invested through the Common Schools Trust Fund.

One Step Back

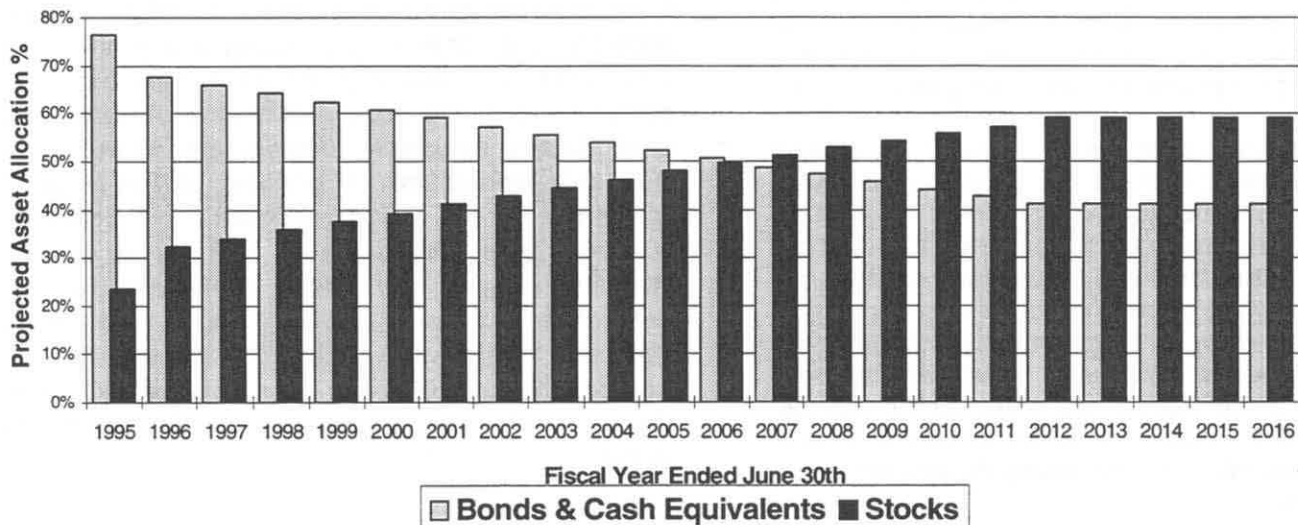
In early 1994, with interest rates as low as they had been for years, a review of our portfolio indicated that we would not be able to generate the cash income needed to maintain distributions to trust beneficiaries during fiscal year 1995, unless our investment portfolio was restructured. This required a "step back" from our long-term goal of increasing the equity exposure of the permanent trusts. In July 1994, we liquidated our growth equity manager's assets and took funds which we had planned to invest in international securities and redirected those funds into a short-term fixed income strategy that would generate a minimum of 6% interest income.

The "forced" restructuring of our portfolio, to more of a fixed-income strategy, insured that we would make expected distributions during fiscal year 1995. It also caused us to question our existing investment goals, objectives and strategies. How could we better balance the trust funds' short-term need for distributable income with a long-term goal of making the trust funds' investment assets grow at the rate of inflation? After a detailed internal review of the issues surrounding this question, the Land Board decided to hire an investment consultant to help it establish a long-term plan for the investment of the trust assets under its control.

Asset Allocation Study

In January 1995, a request for proposal (RFP) was sent to 22 investment consulting firms recommended by current money managers, and other entities we had

**ND Board of University and School Lands
Projected Asset Allocation Percentages**



contacted. Eight consultants responded to the RFP. A committee appointed by the Land Board narrowed the field to two firms. Following interviews conducted in Bismarck, in late February, the committee unanimously recommended that the Board hire Yanni•Bilkey Investment Consulting; a Pittsburgh, Pennsylvania based firm, with considerable experience in working with endowments and foundations such as our permanent trusts. The Land Board agree with the recommendation and hired Yanni•Bilkey to perform a study of the Land Board's investment program.

On April 13, 1995, Yanni•Bilkey presented the results of the study to the Land Board. The study included considerable investment theory and historical information relating to the average returns of various asset classes and the variability of those returns. The two main conclusions of the report were that 1) we needed to increase our exposure to equities (common stocks) if we are to grow trust assets at the rate of inflation, and 2) our income distributions, as a percent of total assets, were excessive. Yanni•Bilkey also recommended, for the Board's consideration, a plan to implement their suggested asset allocation.

After the presentation of the study to the Board, and following discussion of the matter with the Board to determine its concerns and feeling towards the study, the staff of the Land Department set about trying to adapt the investment theory presented in the study to the legal and fiscal realities that limit the Land Board's management of these funds. A computer model was built to project the income and growth that could be generated under dozens of different combinations of investment assumptions and scenarios. Following much discussion, analysis, projection and planning, an Asset Allocation Implementation schedule was presented to the Board on June 29, 1995.

The major points of the plan are:

- ◆ We must increase our exposure to equities, to at least 60% of our investment assets, if we are to keep the trust funds' principal, and distributions, growing at the rate of inflation.
- ◆ We need to maintain and increase distributions to trust beneficiaries, as we work toward making the trust fund principal grow at the rate of inflation.
- ◆ We are currently distributing excess income, relative to the size of our trusts. We need to reduce the rate of distributions from the current rate of approximately 6.5% of trust assets, to a rate closer to 5%.
- ◆ We cannot rely on mineral royalties and bonuses for trust growth in the future. Our investment assets must provide their own growth.
- ◆ We are not market timers, and therefore, should gradually move toward our target asset allocation over time.

At its June 29, 1995, meeting, the Land Board gave initial approval to an Asset Allocation Implementation schedule, under the guidelines noted above. Their approval included a provision that the Commissioner and staff solicit legislative input on implementation of the asset allocation plan. The Board recognized its responsibility to make the final decision on asset allocation, however, because full implementation of the asset allocation schedule will take several years, the Board believes that legislative suggestions are important to consider.

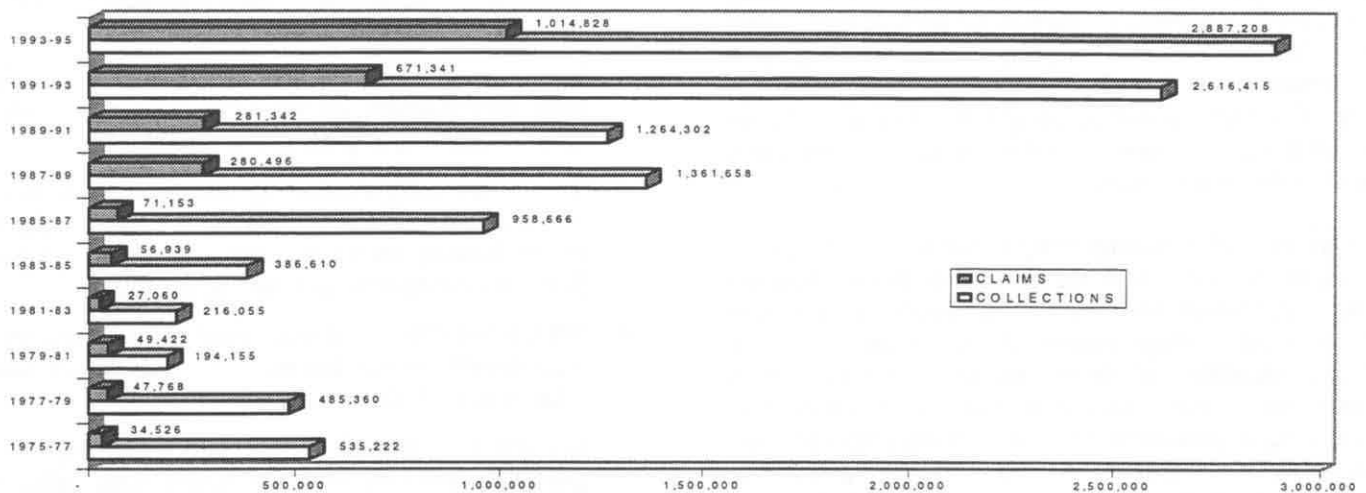
With this decision, the Board has strengthened a foundation that will continue to guide our management of trust fund assets for years to come.

**Investment Assets, By Money Manager
As Of June 30, 1995**

<u>Manager</u>	<u>Investment Style</u>	<u>\$ Assets Managed</u>	<u>Appr. % of Portfolio</u>
Bank of North Dakota	Fixed Income Securities	109,832,533	32
Payden & Rygel	Fixed Income Securities	101,644,863	30
Investment Advisors, Inc.	Fixed Income Securities	31,606,527	10
Trust Company of The West	Convertible Stocks & Bonds	31,013,134	9
Spare, Kaplan, Bischell & Associates	Stocks (dividend emphasis)	33,279,099	10
Cutler & Company	Stocks (dividend emphasis)	31,128,796	9
Total Investment Assets		\$338,504,951	100%

Unclaimed Property

History of Claims and Collections (As of June 30, 1995)



The Unclaimed Property Profit Center administers and enforces the Uniform Unclaimed Property Act (NDCC ch. 47-30.1). The purpose of the Act is: to collect and safeguard property remitted by holders; to make efforts to locate owners, and to support the common schools with interest earned on the remaining unclaimed funds.

OVERVIEW

The Unclaimed Property Law has been in effect since July 1, 1975. Over the past 20 years, there have been significant changes in our law. As a result, we have experienced substantial increases in collections and claims. In 1991, we hired and trained an auditor to specifically audit for unclaimed property. Total collections exceeded \$2.8 million during the 1993-95 biennium (an increase of 10% over the previous biennium). Over 800 claims, which returned property to its rightful owner, were processed exceeding \$1 million (an increase of 51% over previous biennium). In 1993, the Division held its first-ever safe deposit box auction. In the 1993-95 biennium, enforcement efforts were increased and cooperative efforts with other state agencies were developed.

ENFORCEMENT EFFORTS

During the 1993-95 biennium, the following activities were carried out:

- ♦ Audits were conducted on 12 financial institutions, four medical facilities, two counties and one corporation. Total collections as a result of these audits exceeded \$997,000 (a 60% increase over the previous biennium).
- ♦ Report forms and surveys were mailed to over 250 retailers. As a result of this mailing, the Division received over \$20,000 from retailers that had never filed unclaimed property reports in the past.

- ♦ Representatives from the Unclaimed Property Division met with officials from the ND Banking Department, State Insurance Department and State Auditor's office to discuss the possibility of cooperative efforts in auditing. Training programs and work papers were developed to assist the auditors from these agencies in identifying unclaimed property.
- ♦ North Dakota is one of 28 states that agreed to participate in joint audits with other states. A newly created national audit program (States National Audit Program-SNAP) should result in increased compliance efforts and revenue.

CLAIMS

After property is remitted to the Division, various attempts are made to locate owners by:

- ♦ Publishing a list of the names in the county of the owner's last known residence;
- ♦ Securing a booth during the ND State Fair to further educate the public and reunite owners with their funds;
- ♦ Distributing educational brochures;
- ♦ Providing information to the media;
- ♦ Making presentations at various community and business functions.

As a result of these combined efforts, North Dakota has become a national leader in the percentage of property reunited with its owner(s). The majority of states average 25-30% success in reuniting owners with their property; North Dakota is currently at 45-50%.

OTHER ACTIVITIES

The safe deposit box auction held in July 1993 contained various items which were sold to the highest bidder. Over 300 lots were sold with items that consisted of jewelry, collectable postage stamps, currency and coins, old stock certificates, pipes, pens and other miscellaneous items. The sale was well attended (drawing potential bidders from across North Dakota, surrounding states, and Canada). Gross revenue from the auction exceeded \$17,000.

Delaware v. New York - In 1988, Delaware sued the State of New York for property confiscated by New York from holders that were incorporated in the State of Delaware. Thirty-seven states intervened in the lawsuit, contending that a formula for distributing the property across a broader base of states is more equitable. The US Supreme Court upheld the decision of Texas v. New Jersey directing that all "address unknown" property revert to the State of the holder's corporate domicile. The States attempted to utilize Congressional legislation to overturn the Court's decision. Delaware and New York proposed a settlement agreement to the States and as a result, North Dakota will receive ten annual payments totaling \$1 million. Our first payment was received in January 1995.

1995 LEGISLATIVE CHANGES

Significant legislative changes were adopted during the 1995 legislative session which will improve the

administration of the Unclaimed Property Law. Some of the most notable changes include:

- ♦ Report/remit--all property is now remitted at the time the report is filed.
- ♦ The deadline for publication has been extended--this allows the Division to stagger the volume of claims.
- ♦ With the exception of deposit accounts, the dormancy period for nearly all other property was reduced from five years to three. This change should help reunite more owners with their property.
- ♦ The requirement to track dividends was eliminated. Property from shareholders and deposit accounts will now be treated equally.
- ♦ A separate Century Code section was created for Mineral Proceeds.

HOLDER EDUCATION/OUTREACH EFFORTS

During the 1993-95 biennium, eight compliance presentations were conducted for potential unclaimed property holders including: ND Credit Union League, ND League of Cities, Health Care Providers, ND State Auditors Conference, and various Fortune 500 companies that attended the DISC/APECS Conference in March 1994 (DISC/APECS specializes in developing software for large corporations who report to multiple states).

Minerals Management

State Owned Mineral Acres Leased for Oil and Gas (As of June 30, 1995)

County	Owned	Leased	County	Owned	Leased
Adams*	58,206	8	McLean*	121,451	15,437
Billings*	59,829	45,614	Mercer	60,508	14,052
Bottineau*	37,035	9,496	Morton	101,178	696
Bowman*	63,171	40,111	Mountrail*	101,909	15,688
Burke*	47,802	13,046	Renville*	24,174	7,666
Divide*	72,450	9,584	Rolette	29,588	408
Dunn*	89,359	58,945	Slope*	53,289	16,846
Foster	20,802	160	Stark*	54,193	42,244
Golden Valley*	41,883	15,083	Ward*	72,678	10,085
Hettinger*	54,106	160	Williams*	90,945	20,407
McHenry*	66,669	1,190			
McKenzie*	135,450	44,007	Total**	1,456,675	380,934

*Counties with oil and gas production

** In counties with active leases

The Minerals Management Division administers mineral interests held in trust for the benefit of various schools and institutions of North Dakota. The Division also administers mineral interests formerly owned by the Bank of North Dakota and the minerals under navigable rivers and lakes. In the 1994 reorganization of the Land Department, the previous Accounting and Auditing Division (as it related to minerals) was absorbed into the Minerals Management Division.

OIL AND GAS ROYALTY

The Land Department received a share of the production from 375 wells and 160 tracts in unitized fields, resulting in payment on average monthly production of 23,216 barrels of oil and 31,133^{mcf} of gas. The total revenue from oil and gas royalties was \$9,091,298.

OIL AND GAS ACTIVITY

Horizontal drilling technology is now being used in formations other than the Bakken formation, which was the first formation to use this technique in North Dakota. Axem Resources drilled a horizontal well in the Tyler formation in the Fryburg Field which resulted in production. Horizontal drilling is prevalent just north of the US border in Canada. Consequently, several companies, including several Canadian companies, have been actively leasing and drilling in the northern counties of the state and are utilizing this technique. We have also seen major activity in Bowman County in the Red River formation. If the success rates continue, drilling and production will continue for many years.

Oil and Gas Leasing Activity

	1991-1993	1993-1995
Gross mineral acres owned*	2,534,418	2,544,100
Acres under lease	401,133	380,934
# of oil/gas lease sales	8	8
Net mineral acres leased	92,333	139,525
Ave. bonus/net mineral acre	\$17.15	\$50.57

*Approximate acreage only. Total acreage will vary due to estimates of the acreage owned by the state under navigable rivers and lakes.

In February 1993, Conoco drilled a prolific well just north of Dickinson, which produces from the Lodgepole formation. The well was capable of producing more than 2,000 barrels of oil per day. Because of rapid pressure decline, the area has since been unitized to prolong the field's productive life. Many new relatively small Lodgepole fields are being discovered south of Dickinson. The potential for new fields is predicted by the North Dakota Geological Survey to include an area running from the Montana border in a J-shape up into Canada. Interest in leasing our minerals in the J-shaped area has increased substantially. At the May 1995, oil and gas lease sale we received the largest total bonus (\$5,563,103.32) since August 1981 and the largest ever average bonus per acre (\$262.42).

The primary tool used by oil companies to decide where a Lodgepole well should be drilled is 3-D seismic. This new geophysical tool provides a more definitive picture of what is two miles below the surface. While it is not infallible, it is the best technology available to find these small dome-like fields.

New oil and gas discoveries in the State, along with our increased lease marketing efforts, have helped generate more drilling and leasing activity for our Department. We have been proactive in notifying oil companies about

the need to file lease assignments with us, and have begun to more aggressively pursue releases of undeveloped acreage on old leases, which are being held by production from other acreage on the same lease. Efforts in these areas have been time consuming, but beneficial.

ROYALTY AUDIT AND COMPLIANCE

During the 1993-95 biennium, royalty compliance and audit efforts resulted in total collections of over \$701,666. That figure includes \$87,388 in royalty compliance collections, \$245,834 in royalty audit collections from companies submitting incorrect reports and payments, and \$368,444 in penalty and interest collections. Compliance and audit collections are royalties and interest collected as a result of detailed reviews of past royalty payments. The State Land Information Management System (SLIMS) has increased our ability to identify and resolve royalty reporting and payment problems as they occur. The downloading of Tax Department and Industrial Commission data directly into our computers, with computer identification of discrepancies, has increased the efficiency of both our royalty management and audit functions.

COAL PRODUCTION

Total revenue from coal royalty during the biennium was \$4,441,256. Coal royalty receipts for state-owned minerals continued to show a substantial increase. Coal mining activity has been as follows:

♦ **Coteau Properties Company** began mining state-owned minerals in their new East Mine area. Coteau also continued mining on two other tracts at their North Mine in which the state owns 50% of the minerals. At the end of the biennium, negotiations were begun for new leases on state minerals with estimated reserves of over 10 million tons.

♦ **Falkirk Mining Company** is mining a 50% state-owned tract in their Northeast Mine. They have applied for leases on two quarter sections in which the state owns a 50% interest in their Riverdale area.

♦ **Knife River Coal Mining Company** continues to mine coal from a state-owned tract they lease.

Mineral Division Receipts

	1991-1993	1993-1995
Oil and gas royalty	\$11,924,201	\$8,759,076
Oil and gas bonus	\$1,616,209	\$7,068,418
Coal royalty	\$2,194,573	\$4,441,256
Oil and gas rental	\$717,653	\$559,227
Salt water disposal fees	\$191,766	\$172,749
Geophysical exploration	\$200	\$3,631
Royalty/collection efforts	\$589,962	\$333,222
Interest/collection efforts	\$36,170	\$368,444
TOTAL	\$17,270,734	\$21,705,023

OIL AND GAS LEASE SALE RESULTS (93-95 BIENNIUM)

COUNTY		Aug-93	Nov-93	Feb-94	May-94	Aug-94	Nov-94	Feb-95	May-95	TOTAL
ADAMS	TOTAL \$	\$0.00	\$0.00	\$0.00	\$187.97	\$280.00	\$0.00	\$0.00	\$0.00	\$467.97
	MIN. ACRES	0.00	0.00	0.00	187.97	280.00	0.00	0.00	0.00	467.97
	\$/MIN ACRE	\$0.00	\$0.00	\$0.00	\$1.00	\$1.00	\$0.00	\$0.00	\$0.00	\$1.00
BILLINGS	TOTAL \$	\$7,440.00	\$4,960.00	\$9,760.00	\$2,485.94	\$9,836.66	\$0.00	\$18,540.00	\$1,579,808.61	\$1,632,831.21
	MIN. ACRES	600.00	360.00	1,280.00	561.32	798.41	0.00	1,160.00	7,889.93	12,649.66
	\$/MIN ACRE	\$12.40	\$13.78	\$7.63	\$4.43	\$12.32	\$0.00	\$15.98	\$200.23	\$129.08
BOTTINEAU	TOTAL \$	\$962.80	\$100.00	\$0.00	\$7,648.15	\$0.00	\$13,311.81	\$240.00	\$4,376.00	\$26,638.76
	MIN. ACRES	160.56	100.00	0.00	1,371.61	0.00	1,855.66	80.00	333.50	3,901.33
	\$/MIN ACRE	\$6.00	\$1.00	\$0.00	\$5.58	\$0.00	\$7.17	\$3.00	\$13.12	\$6.83
BOWMAN	TOTAL \$	\$0.00	\$78,171.43	\$13,596.90	\$38,585.18	\$28,570.03	\$1,386.96	\$150,046.16	\$293,981.86	\$604,338.52
	MIN. ACRES	0.00	10,024.67	717.14	7,781.00	1,906.29	231.16	3,613.41	3,157.64	27,431.31
	\$/MIN ACRE	\$0.00	\$7.80	\$18.96	\$4.96	\$14.99	\$6.00	\$41.52	\$93.10	\$22.03
BURKE	TOTAL \$	\$5,571.94	\$14,720.00	\$160.00	\$0.00	\$871.44	\$19,083.31	\$23,170.40	\$6,040.00	\$69,617.09
	MIN. ACRES	735.22	1,280.00	160.00	0.00	631.44	1,991.31	2,252.12	128.00	7,178.09
	\$/MIN ACRE	\$7.58	\$11.50	\$1.00	\$0.00	\$1.38	\$9.58	\$10.29	\$47.19	\$9.70
DIVIDE	TOTAL \$	\$240.00	\$5,880.00	\$0.00	\$887.68	\$2,726.16	\$2,391.40	\$0.00	\$15,640.00	\$27,765.24
	MIN. ACRES	80.00	520.00	0.00	718.84	2,005.77	395.70	0.00	320.00	4,040.31
	\$/MIN ACRE	\$3.00	\$11.31	\$0.00	\$1.23	\$1.36	\$6.04	\$0.00	\$48.88	\$6.87
DUNN	TOTAL \$	\$40,699.92	\$158,789.36	\$35,180.76	\$10,407.33	\$20,485.20	\$8,160.00	\$60,510.43	\$101,200.00	\$435,433.00
	MIN. ACRES	7,172.89	7,979.78	4,233.68	1,448.75	1,120.26	880.00	1,861.43	328.00	25,024.79
	\$/MIN ACRE	\$5.67	\$19.90	\$8.31	\$7.18	\$18.29	\$9.27	\$32.51	\$308.54	\$17.40
FOSTER	TOTAL \$	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$160.00	\$0.00	\$0.00	\$160.00
	MIN. ACRES	0.00	0.00	0.00	0.00	0.00	160.00	0.00	0.00	160.00
	\$/MIN ACRE	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$1.00	\$0.00	\$0.00	\$1.00
G. VALLEY	TOTAL \$	\$0.00	\$0.00	\$27,520.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$27,520.00
	MIN. ACRES	0.00	0.00	1,280.00	0.00	0.00	0.00	0.00	0.00	1,280.00
	\$/MIN ACRE	\$0.00	\$0.00	\$21.50	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$21.50
MCKENZIE	TOTAL \$	\$6,248.03	\$7,360.00	\$2,933.08	\$10,287.92	\$65,628.64	\$14,262.96	\$91,386.97	\$6,720.00	\$204,827.60
	MIN. ACRES	305.66	960.00	737.92	2,506.48	2,194.07	7,942.96	2,614.27	640.00	17,901.36
	\$/MIN ACRE	\$20.44	\$7.67	\$3.97	\$4.10	\$29.91	\$1.80	\$34.96	\$10.50	\$11.44
MERCER	TOTAL \$	\$80.00	\$0.00	\$4,100.90	\$9,492.00	\$643.96	\$0.00	\$0.00	\$0.00	\$14,316.86
	MIN. ACRES	80.00	0.00	470.15	1,176.00	643.96	0.00	0.00	0.00	2,370.11
	\$/MIN ACRE	\$1.00	\$0.00	\$8.72	\$8.07	\$1.00	\$0.00	\$0.00	\$0.00	\$6.04
MOUNTRAIL	TOTAL \$	\$100.00	\$0.00	\$0.00	\$4,725.99	\$6,478.93	\$2,152.00	\$0.00	\$0.00	\$13,456.92
	MIN. ACRES	80.00	0.00	0.00	503.33	1,916.60	1,254.75	0.00	0.00	3,754.68
	\$/MIN ACRE	\$1.25	\$0.00	\$0.00	\$9.39	\$3.38	\$1.72	\$0.00	\$0.00	\$3.58
RENVILLE	TOTAL \$	\$1,920.00	\$560.00	\$2,000.00	\$338.53	\$1,440.00	\$0.00	\$800.00	\$5,485.22	\$12,543.75
	MIN. ACRES	160.00	160.00	80.00	119.51	240.00	0.00	80.00	161.33	1,000.84
	\$/MIN ACRE	\$12.00	\$3.50	\$25.00	\$2.83	\$6.00	\$0.00	\$10.00	\$34.00	\$12.53
SLOPE	TOTAL \$	\$0.00	\$0.00	\$0.00	\$320.00	\$0.00	\$0.00	\$0.00	\$3,840.00	\$4,160.00
	MIN. ACRES	0.00	0.00	0.00	320.00	0.00	0.00	0.00	800.00	1,120.00
	\$/MIN ACRE	\$0.00	\$0.00	\$0.00	\$1.00	\$0.00	\$0.00	\$0.00	\$4.80	\$3.71
STARK	TOTAL \$	\$44,293.82	\$32,581.78	\$11,080.00	\$23,920.00	\$90,863.25	\$3,125.00	\$173,882.40	\$3,546,011.63	\$3,925,757.88
	MIN. ACRES	3,749.26	937.34	640.00	1,000.00	7,023.19	1,893.00	1,117.32	7,440.47	23,800.58
	\$/MIN ACRE	\$11.81	\$34.76	\$17.31	\$23.92	\$12.94	\$1.65	\$155.62	\$476.58	\$164.94
WARD	TOTAL \$	\$1,840.00	\$240.00	\$100.00	\$1,169.97	\$896.00	\$0.00	\$3,760.00	\$0.00	\$8,005.97
	MIN. ACRES	320.00	240.00	80.00	219.97	168.00	0.00	80.00	0.00	1,107.97
	\$/MIN ACRE	\$5.75	\$1.00	\$1.25	\$5.32	\$5.33	\$0.00	\$47.00	\$0.00	\$7.23
WILLIAMS	TOTAL \$	\$0.00	\$17,680.00	\$0.00	\$240.00	\$3,360.00	\$15,510.74	\$11,234.56	\$0.00	\$48,025.30
	MIN. ACRES	0.00	320.00	0.00	120.00	480.00	3,961.83	1,454.56	0.00	6,336.39
	\$/MIN ACRE	\$0.00	\$55.25	\$0.00	\$2.00	\$7.00	\$3.92	\$7.72	\$0.00	\$7.58
TOTALS	TOTAL \$	\$109,396.51	\$321,042.57	\$106,431.64	\$110,696.66	\$232,080.27	\$79,544.18	\$533,570.92	\$5,563,103.32	\$7,055,866.07
	MIN. ACRES	13,443.59	22,881.79	9,678.89	18,034.78	19,407.99	20,566.37	14,313.11	21,198.87	139,525.39
	\$/MIN ACRE	\$8.14	\$14.03	\$11.00	\$6.14	\$11.96	\$3.87	\$37.28	\$262.42	\$50.57

Permanent Funds

Statement of Permanent Fund and Other Fund Balances

<u>Permanent Funds</u>	<u>6/30/87</u>	<u>6/30/89</u>	<u>6/30/91</u>	<u>6/30/93</u>	<u>6/30/95</u>
Common Schools	232,230,246	246,850,470	267,081,350	300,231,040	327,805,926
North Dakota State University	6,675,753	6,562,417	6,778,802	6,937,301	7,407,344
School for the Blind	1,395,520	1,273,499	1,330,121	1,383,942	1,461,699
School for the Deaf	1,550,602	1,642,056	1,858,891	1,953,193	2,087,725
State Hospital	1,801,925	1,769,950	1,829,898	1,852,606	2,015,629
Ellendale State College	1,277,834	1,283,557	1,297,383	1,309,758	1,408,755
Valley City State University	1,584,122	1,602,977	1,641,454	1,656,965	1,799,127
Mayville State University	1,079,575	1,099,227	1,128,604	1,133,056	1,217,174
Industrial School	2,303,341	2,371,227	2,468,579	2,537,480	2,872,505
State College of Science	1,472,791	1,525,098	1,595,908	1,823,272	1,960,396
School of Mines	1,712,043	1,769,398	1,839,855	1,882,944	2,015,534
Veterans Home	1,162,568	1,186,392	1,210,479	1,315,563	1,406,915
University of North Dakota	3,084,950	3,028,384	3,101,442	3,133,970	3,441,161
Total permanent fund balance	257,331,270	271,964,652	293,162,766	327,151,090	356,899,890
Other Funds					
Capitol Building Fund	2,382,986	2,435,119	2,395,539	908,306	1,243,984
Abandoned Property Fund	2,489,244	3,545,361	4,671,089	1,121,005	868,000
Coal Development Fund	28,553,702	35,786,675	42,735,915	43,678,761	48,504,790
Land & Minerals Fund	0	4,480,254	2,207,762	688,500	1,752,130
Total other fund balance	29,601,210	34,482,049	47,373,137	48,460,221	52,368,904

Schedule of Permanent Fund Receipts

<u>Description</u>	<u>7/85 to 6/87</u>	<u>7/87 to 6/89</u>	<u>7/89 to 6/91</u>	<u>7/91 to 6/93</u>	<u>7/93 to 6/95</u>
Oil and gas royalty	11,980,895	7,897,912	11,410,466	10,112,213	7,202,485
Oil and gas bonus	2,569,607	5,216,774	5,169,048	1,343,844	5,559,280
Coal royalty	2,408,303	1,557,445	301,788	1,358,942	2,736,172
Gravel and scoria royalty	31,842	17,214	31,229	202,743	159,375
Test holes and damages	233,095	304,438	406,575	457,664	262,117
Land sold	85,388	13,584	1,072,067	1,826,579	5,936
Total permanent fund receipts	17,309,130	15,007,367	18,391,173	15,301,985	15,925,365

Schedule of Interest and Income Receipts

<u>Description</u>	<u>7/85 to 6/87</u>	<u>7/87 to 6/89</u>	<u>7/89 to 6/91</u>	<u>7/91 to 6/93</u>	<u>7/93 to 6/95</u>
Interest on securities	41,160,250	43,731,436	44,813,082	35,232,232	30,987,485
Interest on loans ⁽¹⁾	9,086,422	9,951,789	11,248,168	10,719,485	8,186,649
Interest on contracts	500,137	396,019	246,148	150,689	40,332
Oil and gas lease rentals	870,121	632,934	611,480	516,450	411,086
Surface rentals	3,942,797	4,165,530	4,894,185	5,995,034	6,792,743
Realized gains- sale of investment ⁽²⁾	0	0	238,943	9,974,637	4,356,422
Gain on sale of OREOs	0	0	129,946	318,503	0
Interest penalty	25,362	62,595	155,618	122,592	329,001
Total interest & income receipts	55,585,089	58,940,303	62,337,570	63,029,622	51,103,718

⁽¹⁾ Interest on loans for this biennium consists of \$6,728,090 in interest received from the Farm Loan Pool Loans managed for the funds by the Bank of ND; and \$1,458,559 in interest to the Common Schools Trust Fund from the Developmentally Disabled Facilities loans.

⁽²⁾ In accordance with N.D.C.C. § 15-03-05.1, gains realized on the sale of investments must be amortized to investment income in equal installments over a period of 10 years.

Statement of Income Distributed to Institutions

<u>Permanent Funds</u>	<u>7/85 to 6/87</u>	<u>7/87 to 6/89</u>	<u>7/89 to 6/91</u>	<u>7/91 to 6/93</u>	<u>7/93 to 6/95</u>
Common Schools	49,678,908	48,554,825	45,233,365	45,233,366	45,233,366
North Dakota State University	1,385,000	1,247,000	1,411,000	1,108,000	1,102,818
School for the Blind	278,000	255,000	270,000	212,000	212,000
School for the Deaf	365,000	296,000	366,000	314,000	314,000
State Hospital	370,000	330,000	357,000	262,000	236,831
Ellendale State College	266,350	239,400	276,850	225,400	225,400
Valley City State University	335,000	292,000	342,000	276,000	276,000
Mayville State University	223,000	192,000	231,000	190,000	186,412
Industrial School	516,000	423,000	491,000	386,000	355,037
State College of Science	285,000	273,000	320,000	270,000	270,000
School of Mines	338,000	330,000	373,000	274,000	274,000
Veterans Home	239,500	208,000	242,000	206,000	206,000
University of North Dakota	659,000	608,000	679,000	558,000	558,000
Total	54,938,758	53,248,225	50,592,215	49,514,766	49,449,864

Income from the assets held by the Ellendale Trust Fund are allocated equally among the following institutions: Dickinson State University, Minot State University, NDSU-Bottineau, School for the Blind, Veterans Home, State Hospital, and State College of Science.

Land Department Statement of Appropriations and Expenditures

<u>Land Department Budget</u>	<u>1993-1995 Appropriations</u>	<u>1993-1995 Expenditures</u>	<u>Unexpended Appropriations</u>
Salaries and wages	\$1,461,914	\$1,411,747	\$50,167
Operating expenses	560,021	386,333	173,688
Central data processing	50,288	28,373	21,915
Equipment	59,750	58,953	797
Grants	221,000	198,668	22,332
Contingency	50,000	0	50,000
Mineral leasing refund	266,000	226,680	39,320
Sub-total Land Department budget	\$2,668,973	\$2,310,754	\$358,219
<u>Energy Development Impact Office</u>			
Salaries and wages	\$32,725	\$32,725	\$0
Operating expenses	5,680	5,680	0
Grants	4,944,454	1,372,001	3,572,453
Carryover oil grants	1,710,000	1,517,226	192,774
Carryover coal grants 87-89	51,985	6,170	45,815
Sub-total EDIO budget	\$6,744,844	\$2,933,802	\$3,811,042
Total Land Department budget	\$9,413,817	\$5,244,556	\$4,169,261

Permanent Trust Funds For The Fiscal Year Ending June 30, 1995

The Nonexpendable Trust Funds were created in section 11 through 19 of the Enabling Act of 1889. Article IX of the Constitution and section 15-01-02 of the North Dakota Century Code describe in further detail the use of these funds.

Balance Sheet (as of June 30, 1995)

Assets:

Money market account	\$474,028
Cash with Bank of North Dakota	575,866
Cash with State Treasurer	460,259
Accrued interest receivable	5,212,307
Contracts receivable	120,457
Farm loan pool	36,109,981
Due from trust funds	5,270
Due from L&M- mgmt fees	67,095
Investments	299,475,156
DD loans #2 & #3	6,573,561
Real estate owned	848,576
Land	6,977,334
Total assets	<u>\$356,899,890</u>

Liabilities:

Investment expenses	\$188,051
Due to BND- mgmt fees	67,095
Advance from abandoned property	485,934
Total liabilities	<u>741,080</u>

Equity:

Total equity	356,158,810
Total liabilities and equity	<u>\$356,899,890</u>

Statement of revenues, expenses & changes in Fund equity

Operating Revenues:

Investment income	\$30,987,485
Interest on land contracts	40,332
Interest on loans	8,186,649
Interest penalty	329,001
Oil and gas royalty	7,202,485
Oil and gas bonus	5,559,280
Coal royalty	2,736,172
Gravel and scoria royalty	159,375
Surface rentals	6,792,743
Oil and gas lease rentals	411,086
Test holes and damages	262,117
Miscellaneous income	57
Total operating revenues	<u>62,666,782</u>

Operating expenses:

Investment expenses	1,586,240
In-lieu property taxes	127,967
Administrative expenses	1,737,805
Total operating expenses	<u>3,452,012</u>

Nonoperating revenues:

Gain on sale of investments	4,356,423
Gain on sale of land	298,982
Land sold	5,936
Total nonoperating revenues	<u>4,661,341</u>

Operating transfers:

Transfer from abandoned property	2,685,066
Transfer to public instruction	(45,233,366)
Transfer to other funds	(4,216,498)
Total operating transfers	<u>(46,764,798)</u>

Net income 17,111,313

Fund equity July 1, 1993 339,047,497

Fund equity June 30, 1995 \$356,158,810

The 13 permanent funds reported on this page are identified under "permanent funds" on Page 16

Expendable Trust Funds

State Capitol Fund

This fund was created in section 12 of the Enabling Act of 1889. Section 17 of the Act made an additional grant of 50,000 acres available for public building with the Capitol.

Balance Sheet (as of June 30, 1995)

Assets:	
Money market account	\$90,802
Accrued interest receivable	1,935
Contracts receivable	4,255
Investments	1,047,180
Land	99,812
Total assets	<u>\$1,243,984</u>
Liabilities:	
Equity:	
Fund balance June 30, 1995	\$1,243,984
Total liabilities and equity	<u>\$1,243,984</u>

Statement of revenues, expenses & changes in Fund balance

Revenues:	
Investment income	\$88,309
Interest on land contracts	1,049
Oil and gas royalty	33,623
Oil and gas bonus	1,329
Coal royalty	288,332
Gravel and scoria royalty	13,898
Surface rentals	113,865
Oil and gas lease rentals	1,519
Test holes and damages	174
Total revenues	<u>542,098</u>
Expenditures:	
Investment expenses	351
In-lieu property taxes	1,769
Administrative expenses	15,209
Total expenditures	<u>17,329</u>
Other financing sources:	
Appropriation to facility mgmt.	300,000
Total other financing sources	<u>300,000</u>
Revenues over (under) expenditures and other financing sources	224,769
Fund balance July 1, 1993	1,019,215
Fund balance June 30, 1995	<u>\$1,243,984</u>

Abandoned Property Fund

This fund was created by the Uniform Unclaimed Property Act N.D.C.C. 47-30.1. Its purpose is to collect and safeguard property reported, ensure compliance in reporting and have one place for owners to search for their funds.

Balance Sheet (as of June 30, 1995)

Assets:	
Money market account	\$88,954
Cash with State Treasurer	23,817
Stock	269,295
Advance to common schools	485,934
Total assets	<u>\$868,000</u>
Liabilities:	
Claimant liability	<u>\$868,000</u>
Total liabilities	868,000
Equity:	
Fund balance June 30, 1995	
Total liabilities and equity	<u>\$868,000</u>

Statement of revenues, expenses & changes in Fund balance

Revenues:	
Investment income	\$26,352
Interest penalty	104,365
Abandoned property revenue	2,887,208
Total revenues	<u>3,017,925</u>
Expenditures:	
Abandoned property claims	1,500,740
Total expenditures	<u>1,500,740</u>
Other financing sources:	
Transfer to common schools	(2,685,066)
Total other financing sources	<u>(2,685,066)</u>
Revenues over (under) expenditures and other financing sources	(1,167,881)
Fund balance July 1, 1993	1,167,881
Fund balance June 30, 1995	<u>\$0</u>

Special Revenue Funds

Coal Development Trust Fund

The Coal Development Trust Fund is established by section 21 of article 57-62-02 of the North Dakota Century Code. The monies in the fund are derived from a 15% share of the coal severance tax. The fund must be held in trust and administered by the Board of University and School Lands for loans to coal impacted counties, cities and school districts as provided in section 57-62-03, and for loans to school districts pursuant to chapter 15-60. The unloaned balance of the funds is invested by the Board of University and School Lands.

Effective July 1, 1990, the Constitution was amended to provide that up to 50% of the taxes collected and deposited in this fund during a biennium may be appropriated by the legislature for "lignite research development, and marketing as provided by law."

Effective July 4, 1994, the Constitution was amended to provide than an additional 20% of the taxes collected and deposited in this fund during a biennium may be appropriated by the Legislature for "lignite research development, and marketing as provided by law."

Balance Sheet (as of June 30, 1995)

Assets:

Money market account	\$91,610
Accrued interest receivable	427,166
Coal warrants	5,723,234
Oil and gas warrants	1,935,514
Due from State Treasurer	339,473
Investments	29,576,534
School construction loans	10,411,259
Total assets	<u>\$48,504,790</u>

Liabilities:

Due to lignite research fund	\$122,469
Investment expenses	17,757
Total liabilities	<u>140,226</u>

Equity:

Fund balance	48,364,564
Total liabilities and equity	<u>\$48,504,790</u>

Statement of revenues, expenses & changes in Fund balance

Revenues:

Coal severance tax receipts	\$7,148,564
Investment income	3,836,763
Interest on coal warrants	600,461
Interest on oil and gas warrants	269,616
Interest on school construction bonds	110,289
Realized gain on sale of investments	487,166
Total revenues	<u>12,452,859</u>

Expenditures:

Investment expenses	192,735
Administrative expenses	168,986
Total expenditures	<u>361,721</u>

Other financing sources:

Transfer to lignite research fund	(3,574,282)
Transfer to state general fund	(4,150,469)
Total other financing sources	<u>(7,724,751)</u>

Revenues over (under) expenditures and other financing sources	4,366,387
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Fund balance July 1, 1993	43,998,177
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Fund balance June 30, 1995	<u>\$48,364,564</u>
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Land and Minerals Trust Fund

This fund is created by N.D.C.C. section 15-08-1 and section 61-33-07. It consists of revenues from minerals formerly held by the Bank of North Dakota, and revenues from the beds of navigable rivers, lakes and streams. The beds of these navigable bodies of water together with the former Bank of North Dakota minerals, are leased for oil and gas exploration and production. (All riverbed leases prohibit "surface" occupancy; what is actually being leased is the right to participate in a spacing unit for oil and gas production.) All monies collected by this fund are subject to legislative appropriation each biennium.

This fund also serves as a funding vehicle for the repayment of the Developmentally Disabled Facilities Loan program. (At the close of the biennium \$6,573,561 had been borrowed from the Common Schools Trust Fund for Developmentally Disabled Loans #2 and #3.) The actual administration of these loan programs is the responsibility of the Bank of North Dakota, with loan collections being deposited in the Land and Minerals fund. The total amount due the Common Schools Trust Fund for the biennium is then appropriated from all revenues of the Land and Minerals fund.

Balance Sheet (as of June 30, 1995)

Assets:

Money market account	\$399,921
Accrued interest receivable	9,933
Investments	1,292,202
Due from Bank of North Dakota	50,074
Total assets	\$1,752,130

Liabilities:

Due to permanent trust funds	\$67,095
Total liabilities	67,095

Equity:

Fund balance	1,685,035
Total liabilities and equity	\$1,752,130

Statement of revenues, expenses & changes in Fund balance

Revenues:

Investment income	\$115,969
DD loan income	1,231,868
Interest penalty	44,714
Oil and gas royalty	1,855,190
Oil and gas bonus	1,507,809
Coal royalty	1,416,752
Oil and gas lease rentals	146,622
Total revenues	6,318,924

Expenditures:

Investment expenses	528
Mineral taxes	1,096
Little Missouri mineral lease refund	226,680
Total expenditures	228,304

Other financing sources:

Transfer to state general fund	(2,500,000)
Transfer to human services	(1,840,954)
Transfer to permanent trust	(278,430)
Total other financing sources	(4,619,384)

Revenues over (under) expenditures and other financing sources	1,471,236
Fund balance July 1, 1993	213,799
Fund balance June 30, 1995	\$1,685,035

**State Of
North Dakota**

***BOARD OF UNIVERSITY AND
SCHOOL LANDS***

State Land Department

Fifty-second Biennial Report

to the
Governor
and
Secretary of State



July 1, 1995 to June 30, 1997

Phone: (701) 328-2800
Fax: (701) 328-3650
www.land.state.nd.us

North Dakota
STATE LAND DEPARTMENT
1707 N 9th Street
PO Box 5523
Bismarck, ND 58506-5523



Robert J. Olheiser
COMMISSIONER

December 1, 1997

The Honorable Edward T. Schafer
Governor of North Dakota
State Capitol
Bismarck, ND 58505

Mr. Al Jaeger
Secretary of State
State Capitol
Bismarck, ND 58505

Dear Governor Schafer and Mr. Jaeger:

In accordance with section 54-06-04 of the North Dakota Century Code, I am submitting for your review the 1995-97 Biennial Report of the Board of University and School Lands. The report covers the period from July 1, 1995 through June 30, 1997.

An obvious highlight for the period covered by this report is the purchase and renovation, by the Common Schools Trust, of the office building at 1707 North 9th Street in Bismarck. The long-term operational stability and investment potential that this purchase represents deserves to be a source of pride and accomplishment for the Land Board.

This biennium, as in the past, the cooperative spirit of Land Department personnel deserves recognition. It is only through a collective attitude of dedication and cooperation that 19 people are able to manage \$427 million in financial assets, 714,000 surface acres, 2.5 million mineral acres and produce over \$101 million in net operating revenue, while protecting the rights of unclaimed property owners and assisting energy-impacted counties. I am pleased to be able to direct the activities of these professionals.

Sincerely,

A handwritten signature in cursive script, reading "Robert J. Olheiser".

Robert J. Olheiser
Land Commissioner

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Special Revenue Funds

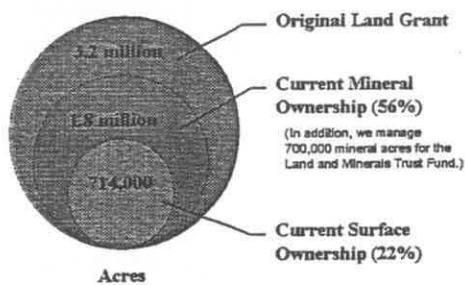
Coal Development Trust Fund	20
Lands and Minerals Trust Fund	21

POLICY OF NON-DISCRIMINATION ON THE BASIS OF DISABILITY

The State Land Department does not discriminate on the basis of disability in the admission or access to, or treatment or employment in, its programs or activities. A coordinator has been designated to ensure compliance with the non-discrimination requirements contained in §35.107 of the Dept. of Justice regulations. Please call (701) 328-2800 for information concerning the provisions of the Americans with Disabilities Act and the rights provided thereunder as they relate to the agency and access to its records.

Historical Overview

COMPARISON OF ORIGINAL LAND GRANT TO CURRENT OWNERSHIP



LAND GRANT

On February 22, 1889, Congress passed "An act to provide for the division of Dakota into two states, and to enable the people of North Dakota, South Dakota, Montana and Washington to form constitutions and state governments . . ." This Act is commonly known as the Enabling Act. Section 10 of this act granted sections 16 and 36 in every township to the new states "for the support of common schools." In cases where portions of sections 16 and 36 had been sold prior to statehood, indemnity or "in-lieu" selections were allowed. In North Dakota, this grant of land totaled over 2.5 million acres.

Under sections 12, 14, 16 and 17 of the Enabling Act (and other acts referred to therein), Congress provided further land grants to the state of North Dakota for the support of colleges, universities, the state capitol and other public institutions. These additional grants totaled approximately 668,000 acres, bringing the grand total of Enabling Act land grants to nearly 3.2 million acres.

LAND SALES & ACQUISITIONS

Since statehood in 1889, much of the grant land has been sold. Beginning in 1939, whenever the state sold grant land, it reserved five percent of the minerals. In 1941, the reservation was increased to 50 percent; and, since July 28, 1960, the North Dakota Constitution has mandated a 100 percent mineral reservation. Today, the Land Department manages in excess of 660,000 of the original, grant land surface acres, and over 1.8 million of the original mineral acres. Approximately 51,000 acres have since been acquired through foreclosure or other means, bringing the total surface acreage to approximately 714,000 acres.

In 1977, the legislature transferred management authority for minerals acquired by the Bank of North Dakota and for the minerals under sovereign land (navigable rivers/lakes) to the Department. This brings the total mineral acres managed to over 2.5 million acres.

CONSTITUTIONAL AUTHORITY

North Dakota's Constitution, adopted on October 1, 1889, entrusted the management of these lands (both acquired land and grant land) to the "board of university and school lands." The board was initially made up of the governor as chairperson, the secretary of state as vice-chair, the attorney general, superintendent of public instruction, and the state auditor. On June 10, 1986, a constitutional amendment replaced the state auditor with the state treasurer.

The Land Board currently consists of the following members:

Governor Edward T. Schafer, Chairman
Attorney General Heidi Heitkamp
Secretary of State Alvin A. Jaeger, Vice Chairman
State Treasurer Kathi Gilmore
Supt. of Public Instruction Wayne Sanstead

COMMISSIONER OF UNIVERSITY & SCHOOL LANDS

Under N.D.C.C. § 15-02-01, the Board of University and School Lands is required to appoint a commissioner to act on their behalf. Specific responsibilities of the Board and the Commissioner are set out in N.D.C.C. ch. 15-01 through ch. 15-08.1.

Generally, the Commissioner's responsibilities are as follows:

- ♦ Act as the general agent for the Board.
- ♦ Supervise all aspects and activities of the State Land Department.
- ♦ Have general charge and supervision of all grant lands and associated records, maps, books and papers.
- ♦ Enforce the Unclaimed Property Act (N.D.C.C. § 15-02-05.2 and ch. 47-30.1).

In 1989, the Energy Development Impact Office became a division of the Office of the Commissioner (Land Department) however, the EDIO Director is appointed directly by the Board of University and School Lands (N.D.C.C. § 57-62-04).

Agency Overview

- ♦ The primary function of 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 714,000 surface acres, over 2.5 million mineral acres, and over \$464 million in permanent trust cash equivalents and securities. 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 trust funds and are invested in the Farm Loan Pool administered by the Bank of North Dakota, U.S. 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 663,310 mineral acres formerly owned by the Bank of North Dakota, and the 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 attempts to find the property's owner. Property acquired via this Act is held in trust in perpetuity on behalf of the owner. The income from property for which the owner cannot be found is distributed to public grades K-12.
- ♦ The Energy Development Impact Office (EDIO) is also a part of the Land Department. The EDIO allocates funds appropriated by the state Legislature to assist local political subdivisions in dealing with problems arising from oil development. In the allocation of these funds, the Director of the office accepts applications for funding, travels to visit with subdivisions requesting the funding, allocates the funds, and administers the payout of the funds to the grantees.

Mission Statement

The mission of the State Land Department, under the direction of the Board of University and School Lands, is to serve as a trustee for the benefit of the common schools (public grades K-12), various institutions of higher education, and certain other state institutions.

Land Department Statement of Goals

The primary goal of the Department is to maximize distributable income and trust growth within the parameters allowed by state law, board policy, the prudent investor rule and sound land and mineral management practices. To achieve this primary goal, the following subgoals have been established:

1. To develop and maintain a comprehensive, multiple-use management program for the administration of surface lands.
2. To develop and pursue a strong, effective minerals management program which maximizes revenue to the trust funds.
3. To develop and pursue an aggressive, fair minerals audit program to ensure that the trust funds receive all royalties.
4. To continue to encourage and improve compliance with the Abandoned Property Law.

5. To preserve the purchasing power of the funds by maintaining and increasing, relative to inflation, the income distributable to fund beneficiaries.
6. To manage the permanent financial assets of the trusts within the guidelines of the Prudent Investor Rule.

Energy Development Impact Office Statement of Goals

The primary goal of the office is to ensure that local subdivisions hosting energy activity are not required to bear a disproportionate share of the costs associated with that activity (both in its "boom" and "bust" cycles). The guiding principle of the office is to ensure that the benefit to all of the people of North Dakota, from the extraction of energy resources, will not be gained at the expense of those whose lives or property are disturbed, without adequate compensation, in the process.

Funding Sources and Expenses

- ♦ Funding for the State Land Department is received through the State Lands Maintenance fund. This fund consists of fees charged for services plus a portion of interest and income earned by the various trusts (N.D.C.C. § 15-03-01.1).
- ♦ Noxious weed control expenses for Lands and Minerals trust fund properties are paid for by that fund.
- ♦ Foreclosed Treasurer properties management expenses are paid through management fees which the Land Department charges the Bank of North Dakota for managing foreclosed Treasurer properties.
- ♦ Funds for oil impact grants are requested from the oil impact grant fund. The administration expenses of the Energy Development Impact Office are paid out of the Oil Impact Grant Fund.

Office Relocation

In April, 1996 the Land Board approved the purchase of the former Nodak Mutual Insurance building as a permanent location for the Land Department's offices. This approval was prompted by the requirement that the Department vacate its office space in the Schuchart Building (formerly the Gold Seal Building), which was owned by MDU Resources. The Nodak Mutual building was purchased by the Common Schools Trust (CST) as a real estate component to that Trust's investment portfolio. Nodak Mutual continued to rent the space from the Common Schools Trust until September of 1996 when expansion and remodeling began. In June, 1997 the Department moved into the completed 10,000 square foot building, along with the Office of Administrative Hearings, which rents approximately 1,400 square feet of the lower level. Both the Land Department and the Office of Administrative Hearings pay rent to the Common Schools Trust. The CST pays all operating and maintenance expenses for the building and the resulting net income is credited to the CST at the end of each fiscal year.

Other Information Regarding the Land Department

PUBLICATIONS

In addition to this report, the Department publishes:

- ♦ A semi-annual newsletter which is distributed to surface lessees and other interested parties;
- ♦ Lists of tracts to be leased at quarterly oil and gas lease sales, together with a summary of the results of these sales;
- ♦ Lists of individuals entitled to unclaimed property (N.D.C.C. § 47-30.1-19.1); and
- ♦ Summaries of grant awards made by the Energy Development Impact Office.

Notice of the leasing and sale of surface and mineral tracts is given by publication in the official county newspaper where the land is located.

WORLD WIDE WEB ADDRESS

All of the information listed above is also accessible through our web site which can be found at
www.land.state.nd.us

MEETINGS

The Board of University and School Lands meets monthly, unless there is insufficient business to require a board meeting. The regular meeting day is the last Thursday of the month, however board member's schedules may sometimes require changes in this schedule.

Minutes of the Board and other information regarding the activities of the State Land Department can be obtained from:

*State Land Department
1707 N 9th Street
P.O. Box 5523
Bismarck, ND 58502-5523*

PHONE NUMBERS

Information	701-328-2800
Minerals Leasing	701-328-2803
Unclaimed Property	701-328-2805
Energy Development Impact Office	701-328-3188
Fax	701-328-3650

ND STATE LAND DEPARTMENT

Management Grid/Personnel Time Allocation

	Investments Division		Surface Division		Minerals Division		Unclaimed Property Division		Energy Development Impact Office		
Directors	Jeff Engleson*	85%	Mike Brand*	90%	Rick Larson*	75%	Steve Brandom*	100%	Jim Luptak**	25%	
Accounting	Keith Bayley*	15%	Keith Bayley*	15%	Keith Bayley*	40%	Keith Bayley*	15%	Keith Bayley*	15%	
	Jeff Engleson*	3%	Jeff Engleson*	3%	Jeff Engleson*	3%	Jeff Engleson*	3%	Jeff Engleson*	3%	
	Terry Fischer	2%	Terry Fischer	2%	Terry Fischer	2%	Terry Fischer	7%	Suzanne Witkowski	15%	
	Suzanne Witkowski	15%	Suzanne Witkowski	15%	Suzanne Witkowski	15%	Suzanne Witkowski	15%	Karen Stastny	3%	
			Karen Stastny	9%	Karen Stastny	4%	Karen Stastny	4%			
Administration	Bob Olheiser***	25%	Bob Olheiser***	35%	Bob Olheiser***	15%	Bob Olheiser***	25%	Linda Kahl*	2%	
	Rick Larson*	15%	Rick Larson*	5%	Linda Kahl*	5%	Rick Larson*	5%			
	Linda Kahl*	3%	Linda Kahl*	5%			Linda Kahl*	5%			
Administrative Support	Linda Kahl*	5%	Linda Kahl*	5%	Linda Kahl*	5%	Linda Kahl*	10%	Karen Stastny	12%	
	Karen Stastny	5%	Karen Stastny	36%	Karen Stastny	16%	Karen Stastny	11%	Barb Plum	5%	
			Barb Plum	10%	Barb Plum	75%	Terry Fischer	87%			
			Pat McLaughlin	85%	Pat McLaughlin	5%	Barb Plum	10%			
				Suzanne Witkowski	25%	Pat McLaughlin	10%				
Auditing							Pam Wentz	100%			
							Ryan Farstveet	100%			
Computer Services	Jim Luptak**	8%	Jim Luptak**	25%	Jim Luptak**	25%	Jim Luptak**	10%	Jim Luptak**	7%	
	Desi Smith	5%	Desi Smith	25%	Desi Smith	20%	Desi Smith	45%	Desi Smith	5%	
	Mike Brand*	2%	Mike Brand*	5%	Mike Brand*	2%	Mike Brand*	1%			
Leasing Services			Linda Kahl*	50%	Linda Kahl*	5%					
			Jerry Saude	20%							
Resource Management			Mike Haupt	100%							
			Mike Humann	100%							
			Jerry Saude	80%							
Total FTE		1.88		7.20		3.37		5.63		0.92	19.00

*Division directors, supervisory & advisory personnel who report directly to the Commissioner.

**Director of EDIO-- Appointed by the Land Board. Also functions as Director of Computer Services.

***Land Commissioner

6/30/97

Surface Management

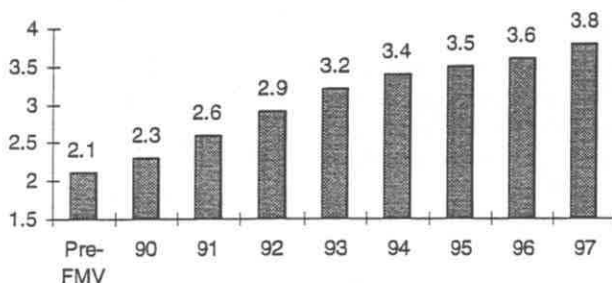
This profit center leases and manages surface acres held in trust for various schools and institutions. The major source of income from these lands is grazing and agricultural leases, with additional revenue being generated from rights-of-way, and gravel and scoria mining.

The objective of surface management is to obtain a "fair market" return from the lands while improving their condition and value.

FAIR MARKET VALUE LEASING SYSTEM

This program was first implemented in the 1990 lease year. The goal was to develop a method of leasing school lands that provided a fair return to the trusts without overcharging our lessees. Annual lease income has shown steady growth to the current level of \$3.8 million in the second year of the biennium while leasing success was over 99%. The extreme flooding of the last few years has had a negative affect on lease income in the northeast, but the majority of the leases statewide were not affected.

Surface Rental \$ Millions



The phase-in of the grassland portion of this program was completed in 1994 while the cropland/hayland phase-in was completed in 1997, resulting in steadily increasing rentals. Because the phase-in is now complete, future rentals will fluctuate with the private market cash rental rates.

LEASING

A total of 2,958 grazing and agricultural leases were issued during this biennium. Public auctions were held each spring and fall with the leases going to the highest bidder.

The surface lease auctions are now fully automated and run off a laptop computer. At the close of each auction, lessees are provided with itemized receipts, the counties are provided with auction results and the results are recorded on floppy disks and mailed back to the Land Department. From beginning to end, the data is maintained in an electronic format which eliminates transcription errors and significantly reduces labor costs.

NOXIOUS WEED CONTROL

The number of flea beetle rearing sites for leafy spurge control on school trust lands increased from 27 in 1995 to 45 sites by the end of the biennium. These sites were established with insects from other locations but we expect that in the next biennium, we will harvest insects from rearing sites on school trust lands.

Flea beetles alone do not yet provide an acceptable level of leafy spurge control. Lessees used chemical sprays on over 7,000 acres of leafy spurge each year of the biennium.

Spotted knapweed continues to be an emerging noxious weed problem in North Dakota. All known infestations of spotted knapweed on school trust lands were chemically controlled.

RANGE INVENTORY AND INSPECTION

The range inventory and inspection program is one year away from completion. About 65,298 acres of rangeland in Bowman, Cavalier, Grand Forks, Griggs, Slope, Towner, Rolette, Nelson, and Walsh Counties were inventoried this biennium. A total of 612,164 acres have been inventoried for condition since 1980. Another 72,189 acres are included in management plans administered jointly by grazing associations and the U.S. Forest Service and do not require a condition inventory by the Land Department. Only 23,412 acres in Sioux County remain to be inventoried in fiscal year 1998.

Range inventory information is the basis for land improvement projects and is also the base line against which we measure any long-term change in the land's condition. Maintenance inspections for comparison with the original inventory data are conducted by field personnel at least once every 5 years.

LAND IMPROVEMENT

Examples of land improvement activities include reseeded marginal cropland, grazing plans, mechanical land improvement, trash dump clean-up, and development of livestock water. We've implemented 24 new grazing plans on 6,226 acres and continue to provide technical assistance for 118 on-going improvement projects covering 34,855 acres. The availability of adequate livestock water was improved with 26 dugouts/dams/wells receiving rent credits or amortization schedules. Cooperative trash site clean-ups were completed on 55 sites with 86 in progress and a grand total of 153 clean-ups completed through this program since inception. All of these practices work toward improving the overall leasability and condition of school lands.

Surface Acres As Of June 30, 1997

Trust Fund	Acres
Common Schools	635,520.23
School for the Blind	3,477.87
State Capitol	9,981.17
School for the Deaf	4,828.85
Ellendale State College ¹	4,984.17
State Hospital	2,203.91
Industrial School	3,899.43
School of Mines	3,392.03
N.D.S.U.	15,117.68
Veterans' Home	2,913.69
U.N.D.	9,616.98
Valley City State University	640.00
ND State College of Science ²	3,731.31
Mayville State University	640.00
Valley City/Mayville ²	6,818.08
Farm Loan Pool ³	6,648.00
Total	<u>714,413.40</u>

1. Receipts from acreage held by the Ellendale trust fund are allocated equally among the following institutions: Dickinson State University, Minot State University, NDSU-Bottineau, School for the Blind, Veterans' Home, State Hospital, and State College of Science
2. Receipts from acreage held by Valley City and Mayville State Universities are allocated 62.5% to Valley City and 37.5% to Mayville.
3. Receipts from this acreage is distributed by formula to all of the above funds except the State Capitol fund.

EASEMENTS, AGGREGATE, AND RECLAMATION

The number of easements issued jumped from 37 last biennium to 54 this biennium, a 46% increase. This reflects a higher level of oil and gas activity. This increased activity also generates additional reclamation projects with over 50 sites currently being monitored for

compliance. Reclamation was completed on six oil well sites with 26 sites currently in progress. Eight new oil well sites were constructed and a total of \$34,740 in damages was received.

The sale of construction aggregate totaled \$497,436. The majority of this amount was for the receipt of \$355,614 in damages for an unauthorized taking of 382,107.37 cubic yards of sand and gravel and 540,193 cubic yards of clay in McLean County.

FORECLOSED PROPERTY

The volume of foreclosures remained low this biennium. Under a contract with the State Treasurer and Bank of North Dakota, we managed foreclosed property for the State Treasurer. Of this property, 2,383 acres were sold leaving 1,080 acres on inventory. For the Board's own Farm Loan Pool, 2,160 acres were acquired through foreclosure with a total of 6,648 acres on inventory.

Land Sales and Acquisitions 1995 - 1997

Acquisitions:	Acres
Farm Loan Pool	2,160.00
Nongrant Land	160.00
Adjustments	<u>0.66</u>
Total Acquisitions	2,320.66
Sales:	
NDCC ch. 15-09 (public purpose)	42.96
NDCC ch. 15-06 (grant land)	40.00
Dickinson Experiment Station (54 th Legislative Session, SB 2179)	310.70
Adjustments	<u>26.94</u>
Total Sales	420.60

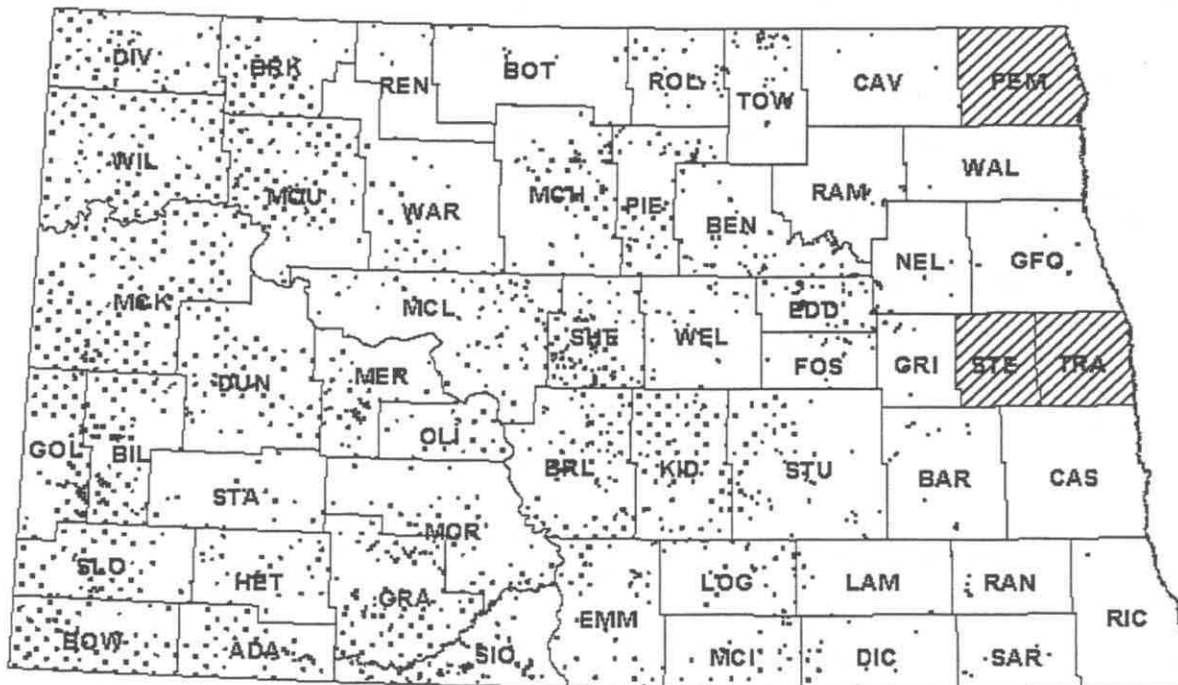
SUMMARY

Phase-in of the fair market value leasing system, begun in 1990, was finally completed on all classes of leased land in 1997. The automated leasing system was also completed this biennium which provided a higher level of service to our lessees, significantly reduced the amount of work required for the auctions and virtually eliminated errors in issuing and maintaining leases. Because of the loss of sovereign immunity and the potential for damage claims, we have also been working with lessees to clean up trash sites on school trust lands. Cooperation has been excellent with a total of 153 sites cleaned up by lessees under this program.

SURFACE ACRES BY COUNTY

As of June 30, 1997

County	Acres	County	Acres	County	Acres
Adams	17,115.78	Golden Valley	28,971.60	Ramsey	2,056.50
Barnes	2,803.32	Grant	33,638.72	Ransom	1,120.00
Benson	12,725.28	Griggs	1,741.24	Renville	1,910.12
Billings	31,073.71	Hettinger	9,879.60	Richland	513.68
Bottineau	3,597.94	Kidder	28,643.79	Rolette	6,845.92
Bowman	29,310.48	LaMoure	1,435.72	Sargent	1,127.79
Burke	16,119.43	Logan	9,404.92	Sheridan	25,825.02
Burleigh	27,874.66	McHenry	23,344.42	Sioux	23,411.56
Cass	45.47	McIntosh	7,237.50	Slope	23,605.98
Cavalier	596.47	McKenzie	64,714.78	Stark	6,142.64
Dickey	3,980.69	McLean	21,036.54	Stutsman	15,664.01
Divide	21,127.12	Mercer	14,969.40	Towner	8,076.00
Dunn	26,122.70	Morton	18,109.89	Walsh	201.02
Eddy	10,274.62	Mountrail	32,445.36	Ward	11,358.98
Emmons	14,636.80	Nelson	2,853.66	Wells	5,248.63
Foster	3,111.51	Oliver	7,588.41	Williams	<u>38,399.32</u>
Grand Forks	2,073.77	Pierce	14,300.93	Total	<u>714,413.40</u>



Distribution of State School Lands
 No School Land

Compiled June 30, 1997



Unclaimed Property

The Unclaimed Property Division administers and enforces the Uniform Unclaimed Property Act (NDCC 47-30.1). The purpose of the Act is: to collect and safeguard property remitted by holders; to make efforts to locate owners, and to support the Common Schools Trust Fund with interest earned on the remaining unclaimed funds.

OVERVIEW

The Unclaimed Property Law has been in effect since July 1, 1975. Over the past 22 years there have been significant changes in the law. As a result, the Unclaimed Property Division has experienced a substantial increase in collections and claims. In 1997 a second auditor was hired to specifically audit for unclaimed property, thereby augmenting the already existing audit program. Total collections during the 1995 - 1997 biennium exceeded \$3,997,772, an increase of 42% over the previous biennium. Over 1,127 claims, returning property to the rightful owners, totaling \$1,086,373, were processed.

ENFORCEMENT EFFORTS

During the 1995 - 1997 biennium, audits were completed of 35 holders. Of this total, 25 were conducted by the Unclaimed Property staff and 10 were completed by the State Auditors office under a cooperative agreement with Unclaimed Property personnel. Through this agreement, the Auditors office conducts a first time unclaimed property audit on government offices as a part of their regular audit. Of the 25 holders audited by the Unclaimed Property Office, seven were financial institutions, two were hospitals, four were colleges, eleven were city and county offices, and one was an insurance company. Total collections as a result of these audits were \$401,999.

CLAIMS

After property is remitted to the Land Department, various attempts are made to locate owners by:

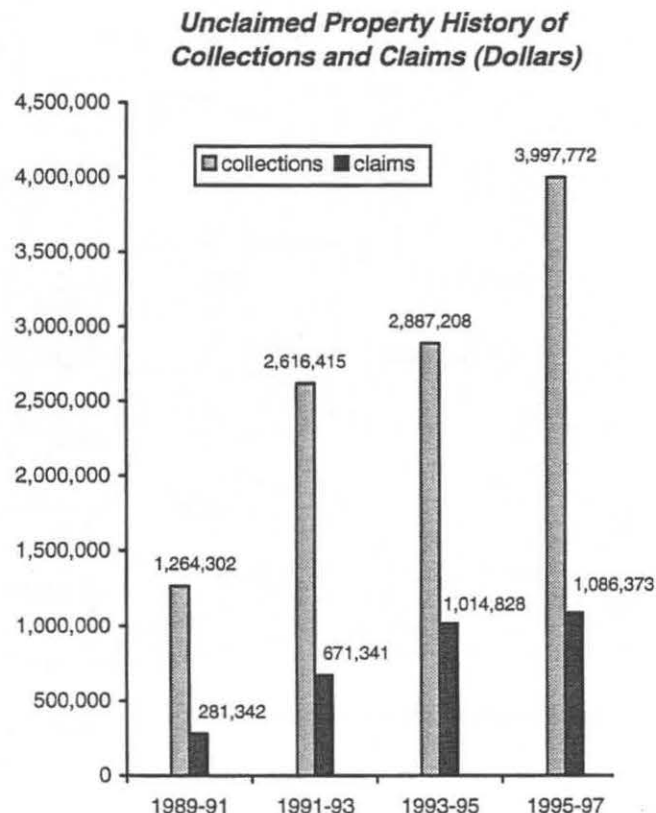
- Publishing a list of the names in the county of the owner's last known residence.
- Distributing educational brochures.

- Appearing on television and radio shows around the state to provide information to both claimants and holders.
- Making presentations at various community and business functions.
- Securing a booth during the ND State Fair to further educate both potential claimants and holders and to reunite owners with their funds.

A new web site has been established on the Internet through which the public is able to access the unclaimed property database by last name to determine whether or not they may have funds to claim (www.land.state.nd.us). The web site also contains information to help holders comply with the law plus information for heir finders so they are able to work within the context of state requirements when they are seeking out potential claimants.

1997 LEGISLATIVE CHANGES

The 1997 legislative assembly made one change to the Unclaimed Property Law. This change removed the requirement for holders to report dormant gift certificates under the Act.



Investments

The Investment Division is responsible for directing, implementing, coordinating and monitoring all aspects of the Land Department's investment program.

The investment assets managed by the Division include:

- **Marketable Securities:** As of June 30, 1997, the financial assets for which the Land Board is responsible included marketable securities with a market value in excess of \$400 million. This is an increase of \$60 million over the previous biennium. Most of these securities are held in our custodian bank, The Northern Trust Company, and are managed by investment professionals that were hired by the Land Board to achieve specific investment goals and objectives. Some securities are purchased through the Bank of North Dakota (BND) and held in custody there.
- **Farm Loan Pool:** As of June 30, 1997, the trust funds under the control of the Land Board owned over \$51 million in farm loans. This is an increase of \$15 million over the previous biennium. Although the BND handles the day to day operations of the farm loan pool, the investment division works closely with the bank in developing and implementing policies, goals and strategies for farm loans and in monitoring and evaluating the program on an ongoing basis.
- **School Construction Loan Program:** As of June 30, 1997, the Land Board was responsible for overseeing \$16.8 million in school construction loans from the Coal Development Trust Fund. This is an increase of \$6.4 million over the previous biennium. The BND and Department of Public Instruction (DPI) perform the day-to-day functions of the school construction loan program. The investment division works closely with the bank and DPI in developing and implementing policies, goals and strategies for school construction loans and in monitoring and evaluating the program on an ongoing basis.

During the 1995-97 biennium, the Land Board's investment program continued the evolutionary process that began in 1990. Prior to 1990, the Land Board employed a passive investment strategy that involved buying and holding fixed income government securities

(bonds) to maturity. We now employ an active investment strategy, that includes a long term asset allocation plan and a well-diversified portfolio of stocks, bonds and loans.

ASSET ALLOCATION STUDY AND PLAN

In early 1995, the Land Board hired Yanni•Bilkey Investment Consulting to perform a study of the Land Board's investment program. Yanni•Bilkey is a Pittsburgh, Pennsylvania based firm, with considerable experience in working with endowments and foundations such as our permanent trusts. This is the first time that a comprehensive study was done of the Land Board's investment program.

The two main conclusions of the study were that the permanent trusts needed to 1) increase their exposure to equities (common stocks) if we wanted to grow trust assets at the rate of inflation, and 2) decrease the percentage of assets distributed each year from a rate of approximately 6.5% of assets to a rate closer to 5%.

Using the Yanni•Bilkey study as a base, Land Department staff developed a long term investment plan for the permanent trusts that applies the investment theory presented in the study to the legal and fiscal realities that limit the Land Board's management of these funds. At its June 29, 1995, meeting, the Land Board approved an asset allocation implementation schedule that will guide the management of the permanent trust investments for years to come.

The plan adopted by the Land Board:

- Gradually increases the permanent trusts' exposure to equity securities from approximately 32% of total assets in June, 1995, to an amount over 50% of total assets. The transition will occur over a period of 10-15 years, and is needed to meet our ultimate goal of growing both trust assets and distributions at the historic annual rate of inflation (4%).
- Provides for small increases in distributions during the early years of the plan, as we work toward our ultimate goal of increasing distributions by 4% each year. Although the dollar amount distributed each biennium will increase, the percentage of assets distributed will slowly decrease from approximately 6.5% of assets to a rate closer to 5%.

- Decreases the permanent trust's reliance on mineral royalties and bonuses as a source of trust growth. In the future, our investment assets will provide the bulk of permanent fund growth.
- Includes various safeguards that provide assurance that trust beneficiaries will receive stable or increasing distributions for years to come.
- Recognizes that the permanent trust funds are not pension funds. These trust funds have different goals and objectives than pension funds, and therefore need to be managed differently.

For the first time in history, the Land Board has a long range plan for managing the permanent trust investment assets entrusted to it by the people of North Dakota. We have explained the plan to legislative leaders, school administrators and other interested parties, and have found almost unanimous support for it. In fact, one legislative committee went on record in support of the plan, even though such action was not required.

IMPLEMENTING THE ASSET ALLOCATION PLAN

During the biennium, Land Department staff proceeded with the implementation of the asset allocation plan adopted by the Land Board. In order to meet the goals and objectives of the plan, a major restructuring of the investment portfolio was needed.

Fixed Income Assets:

In adopting the asset allocation plan, the Land Board made a conscious decision that it could no longer look at fixed income assets on a total return basis, as pensions and many other entities do. Rather, the Land Board decided that the goal of our fixed income portfolio is to generate the long-term, predictable, income and cash flows needed to meet distribution goals, while we gradually increase the permanent trust funds' exposure to equity securities.

In August 1995, the permanent trusts' fixed income portfolio went through major changes. Almost \$200 million in relatively short term fixed income assets were liquidated. The proceeds were then reinvested by the BND and Payden & Rygel in long-term, high quality government and corporate bonds and debt securities. The goal for the fixed income securities portfolio is to maintain an average yield on cost of 7.25% (the goal for the entire fixed income portfolio is 7.5%). For fiscal year 1996, the average yield on cost from fixed income

securities was 7.38%, while in fiscal year 1997, it increased to 7.55%.

The other major component of the permanent trusts' fixed income asset allocation is farm loans managed for the Land Board by the BND. These are high quality, well secured loans, that earn an average yield of approximately 8.30%. During the biennium, the Land Board increased the amount invested in farm loans from \$36.1 million in June 1995, to \$51.3 million in June 1997.

As of June 30, 1997, the average yield on cost of the entire permanent trust fixed income asset portfolio was 7.78%, well above the 7.50% needed to meet distribution goals. The fixed income asset base established for the permanent trusts during the biennium will help ensure that the Land Board meets long range distribution goals.

Equity Securities:

The purpose of the permanent trusts' equity portfolio is to provide the fund growth needed to reach our ultimate goal of increasing trust growth, and distributions, at the rate of inflation. The Yanni•Bilkey study recommended that if we wanted to meet that goal, we needed to increase the permanent trusts' exposure to equity securities and further diversify the equity portfolio.

When they adopted the asset allocation plan in June of 1995, the Land Board recognized the need to increase the permanent trusts' exposure to equity securities. However, because equity markets were at their all time highs, and realizing that it could not shift 60% of trust assets to equity securities without decreasing distributions to beneficiaries, the Land Board adopted a plan that will slowly increase the permanent trusts' exposure to equity securities over a period of 10 to 15 years.

In March of 1996, the Land Board hired RCB Trust Company (now known as Northern Trust Global Advisors) to manage small/mid cap U.S. equity and international equity portfolios for the permanent trusts. The addition of these two asset classes should help increase the permanent trusts' total returns over time, while at the same time, decrease the level of risk in the overall portfolio.

The following schedule shows a breakdown of the permanent trusts' investment assets by manager and asset type as of June 30, 1997.

Permanent Trust Investment Assets By Asset Class
As Of June 30, 1997 (Rebalanced)

<u>Asset Class</u>	<u>Manager</u>	<u>\$ Managed</u>	<u>% of Assets</u>
Fixed Income Securities	Bank of North Dakota Securities	\$ 90,406,692	21.14%
Fixed Income Securities	Payden & Rygel	108,964,522	25.48%
Farm Loans	Bank of North Dakota	51,567,947	12.06%
Developmentally Disabled Loans	Land Department	6,102,943	1.43%
Total Fixed Income Assets		\$ 257,042,104	60.10%
Convertible Securities	Trust Company of the West	\$ 38,390,451	8.98%
Large Cap Value Equities	Spare, Kaplan, Bischel & Assoc.	25,590,276	5.98%
Large Cap Value Equities	Cutler & Company	25,598,926	5.99%
Small/Mid Cap U.S. Equities.	Northern Trust Global Advisors	38,390,384	8.98%
International Equities.	Northern Trust Global Advisors	38,392,939	8.98%
Total Equity Assets		\$ 66,362,976	38.90%
Cash Equivalents	Payden & Rygel	\$ 4,281,883	1.00%
Total Investment Assets		\$ 427,686,963	100.00%

MONITORING AND EVALUATING PERFORMANCE

Prior to fiscal year 1997, the Land Board's efforts in the investment area were directed primarily towards implementing an asset allocation plan for the permanent trusts. Once the plan was in place, our emphasis changed from implementation to monitoring and evaluating the performance of the plan.

In the fall of 1996, the Land Board hired Northern Trust Risk and Performance Services to assist in developing a program for monitoring and evaluating the performance of our investment program. The Land Board now receives quarterly reports, prepared jointly by Northern Trust and Land Department staff, that help it monitor how the investment program is performing, relative to the plan's goals and objectives. These reports also help evaluate how each individual money manager is doing, relative to previously established goals and objectives for that manager.

PERFORMANCE FOR THE BIENNIUM

Since its adoption in June 1995, the permanent trusts' asset allocation plan has performed better than expected. Total investment assets increased from \$362 million on June 30, 1995 to almost \$428 million by the end of the biennium. Market value appreciation was responsible for over \$30 million of that increase.

Since the plan was implemented in August 1995, the equity portfolio has earned an annualized total return of 19.77%. Because our equity portfolio has earned returns far greater than the 10% historic average used to create our asset allocation schedule, we are now close to two years ahead of where we expected to be when the Land Board adopted the asset allocation plan. Although we realize that equity markets will most likely not continue to provide the exceptional returns we have seen over the past two years, the Land Board is committed to long term investing in equity securities.

Changes to permanent trusts' asset allocation over the past two years.

<u>Date</u>	<u>Total Assets</u>	<u>Fixed Income</u>	<u>Cash Equiv.</u>	<u>Convertible Securities</u>	<u>Sm/Mid Cap Equities</u>	<u>Large Cap Equities</u>	<u>Intl. Securities</u>
6/30/95	\$362,000,000	\$270,820,000 74.8%	\$3,980,000 1.1%	\$ 28,300,000 7.8%	\$ - 0.0%	\$58,900,000 16.3%	\$ - 0.0%
6/30/96	\$389,000,000	\$248,182,000 63.8%	\$3,890,000 1.0%	\$ 28,976,000 7.4%	\$ 28,976,000 7.4%	\$50,000,000 12.9%	\$28,976,000 7.4%
6/30/97	\$427,690,000	\$257,042,000 60.1%	\$4,278,000 1.0%	\$ 38,393,000 9.0%	\$ 38,393,000 9.0%	\$51,191,000 12.0%	\$38,393,000 9.0%

Energy Development Impact Office

The Energy Development Impact Office (EDIO) came into existence in 1975 when the Legislature authorized the Coal Development Impact Program under N.D.C.C. ch. 57-62. On July 1, 1989, the EDIO was combined with the State Land Department and is currently under the direction of the Board of University and School Lands. The coal program began in 1975 and expired in 1989. The Oil Impact Grant Program began in 1981 and is still in existence.

During the 1995-97 biennium, the Oil Impact Grant Program helped reduce the financial hardships of local political subdivisions which resulted directly from activities of the oil industry. The program is funded from 1/3 of the first 1/5 of the Oil & Gas Gross Production Tax. For the 1995-97 biennium, that allocation amounted to approximately \$4 million. The allocation cannot exceed \$5 million for a biennium.

INFRASTRUCTURE PROGRAM

During the 1995-97 biennium, the office conducted two grant rounds, one in the spring of 1996 and the other in the spring of 1997.

To receive funding, applicants must show:

1. That oil activity in the area has created a financial hardship which cannot be handled without help from the Oil Impact Grant Program; and
2. That the project will alleviate the hardship that resulted from oil activity; and
3. That the applicant's financial resources to handle the project are insufficient (this implies that the applicant has made a diligent local taxing effort to accomplish its goal).

1995-97 Biennium Oil Impact Grant Applications and Awards

Summary by County

County	\$ Requested	\$ Awarded	%
Billings	\$900,000	\$0	0
Bottineau	\$1,442,917	\$304,500	8
Bowman	\$6,332,113	\$719,000	18
Burke	\$624,996	\$163,000	4
Divide	\$305,958	\$102,500	3
Dunn	\$333,000	\$109,000	3
G. Valley	\$277,796	\$128,000	3
McHenry	\$5,200	\$1,000	0
McKenzie	\$239,802	\$84,000	2
McLean	\$10,000	\$3,000	0
Mountrail	\$1,235,941	\$200,200	5
Renville	\$598,125	\$158,100	4
Slope	\$1,181,060	\$197,000	5
Stark	\$4,978,792	\$857,500	21
Ward	\$21,340	\$4,500	0
Williams	<u>\$3,524,770</u>	<u>\$968,700</u>	<u>24</u>
TOTAL	<u>\$22,011,810</u>	<u>\$4,000,000</u>	<u>100</u>

1995-97 Biennium Oil Impact Grant Applications and Awards

Summary by Class of Subdivision

Class	\$ Requested	\$ Awarded	%
County	\$9,740,581	\$1,424,000	36
School	\$1,649,038	\$420,000	11
City	\$6,934,057	\$1,229,500	31
Park District	\$246,358	\$36,000	1
Airport Auth.	\$44,000	\$15,000	0
Township	\$1,966,421	\$536,500	13
Fire District	<u>\$1,431,354</u>	<u>\$339,000</u>	<u>8</u>
TOTAL	<u>\$22,011,810</u>	<u>\$4,000,000</u>	<u>100</u>

These funds are awarded by the EDIO Director following visits with the local political subdivisions requesting the funding. Following these visits, the Director considers information received during these meetings, the information included in the application, and any other compiled data relating to oil production, oil taxation, and property taxation. Information is also obtained through the state's mainframe computer from the Oil & Gas Division of the Industrial Commission showing oil wells, oil production, and salt water production, which helps establish the degree of oil-related traffic in each township. Also, the EDIO collects oil tax and property tax data from various sources, including the State Treasurer's Office, the State Tax Commissioner's Office, the State Department of Public Instruction, and the ND League of Cities.

The tables on this page summarize the amounts allocated by county and by class of subdivision for the oil impact grant program. Counties and townships accounted for 49% of the total amount awarded, most of which was for road projects. Cities accounted for 31% of the total. Local political subdivisions in Bowman, Stark and Williams Counties received over 63% of the funds allocated. A list of individual grants made during the 1995-97 biennium is available upon request from the Energy Development Impact Office.

SUMMARY

Altogether, the EDIO allocated a total of \$4,000,000 during the 1995-97 biennium. A total of 302 grants were issued in the two grant rounds to counties, cities, townships, schools, fire and ambulance districts and other local units of government in an area west of a line from Bottineau to Bowman.

CONCLUSION

The activity reported here relates to grant awards only. Grant payments are made as projects are completed and grants awarded in one biennium may be paid out in another. Grant payment activity is recorded in our annual audit reports. The EDIO is a program that successfully channels financial help to where it is most needed, at minimum operational expense to the State of North Dakota.

Minerals Management

State Owned Mineral Acres Leased for Oil and Gas as of 6-30-97 (Includes only counties with active leases)

County	Owned	Leased	County	Owned	Leased
Adams*	58,206	2,024	McLean*	121,439	25,495
Billings*	59,822	45,330	Mercer	60,508	22,193
Bottineau*	37,035	19,647	Mountrail*	103,092	44,047
Bowman*	63,224	57,654	Pierce	51,487	60
Burke*	47,802	47,654	Renville*	24,249	8,894
Divide*	72,473	25,771	Rolette	29,588	1,706
Dunn*	89,359	60,818	Slope*	53,282	46,327
Golden Valley*	41,885	22,436	Stark*	54,212	44,157
Hettinger*	54,106	2,212	Ward*	73,742	26,614
McHenry*	66,750	7,339	Williams*	<u>90,966</u>	<u>38,753</u>
McKenzie*	137,638	75,123			
			Total	<u>1,390,865</u>	<u>623,653</u>

*Counties with oil and gas production

The Minerals Management Division administers mineral interests held in trust for the benefit of various schools and institutions of North Dakota. The Division also administers mineral interests formerly owned by the Bank of North Dakota plus the minerals under navigable rivers and lakes.

OIL AND GAS ROYALTY

The Land Department received \$12,516,320 in oil and gas royalties, compared to \$9,091,298 for the previous biennium. Better oil prices and increased drilling in the Bowman County area provided the increase. Oil prices early in the biennium averaged \$14.76 per barrel. During this biennium, the price reached a high of \$24.62. The Land Department's Bowman County monthly production went from 1,600 barrels to a high of 10,970 barrels.

OIL AND GAS ACTIVITY

Drilling in Bowman County into the Red River "B" formation has turned into a very successful play for North Dakota. In late 1996, Bowman County became the highest oil producing county in North Dakota. That distinction had previously been held by McKenzie County for many years. The Land Department has also benefited by additional royalty, as mentioned above. Over 90% of the State's minerals in Bowman County are leased.

Stark County has also been busy with leasing activity. Over \$2,000,000 in lease bonuses were paid by various oil companies for the right to explore for oil and gas on the State's minerals. The new Lodgepole fields have yielded tremendous volumes of oil from relatively small

fields. Some wells have been rumored to be able to produce over 5,000 barrels of oil per day. One of these fields, the Eland field, was recently unitized and production increased from 300 barrels per day to over

12,000 barrels per day. With that increased production, in June 1997, Stark County became the highest oil producing county in North Dakota, taking the honor away from Bowman County.

Oil and Gas Leasing Activity

	<u>1993-1995</u>	<u>1995-1997</u>
Gross Mineral Acres Owned*	2,544,100	2,549,047
Acres Under Lease	380,934	623,653
# of Oil/Gas Lease Sales	8	8
Net Mineral Acres Leased	139,525	379,318
Ave. Bonus/Net Mineral Acre	\$50.57	\$31.33

**Approximate acreage only. Total acreage will vary due to estimates of the acreage owned by the state under navigable rivers and lakes.*

At the August 1995 oil and gas lease sale we received the largest total bonus (\$6,089,697) since August 1981.

At the May 1997 sale, every Board-owned mineral acre in Burke County was leased. The interest in that county was generated by a horizontal well drilled by Burlington Resources Oil and Gas Company.

Horizontal drilling technology has generated renewed interest throughout the Williston Basin. Many Canadian companies have been looking to increase their North Dakota production, especially in the northern counties.

ROYALTY AUDIT AND COMPLIANCE

During the 1995-97 biennium, royalty compliance and audit efforts resulted in total collections of \$596,133. This figure includes \$223,262 in royalty compliance collections, \$198,724 in royalty audit collections from companies submitting incorrect reports and payments, and \$174,147 in penalty and interest collections. Compliance and audit collections are royalties and interest collected via detailed reviews of past royalty payments.

COAL PRODUCTION

Total coal royalty revenue was \$4,431,305. Four coal leases were issued to Coteau Properties Company, and three to Falkirk Mining Company, both subsidiaries of North American Coal Company. The royalty rate on those leases was set at the statutory minimum of 6%. The leases immediately preceding these were issued in 1991 with an 8% royalty. The reduced royalty rate is a result of deregulation of electricity generation and distribution.

Mineral Division Receipts

	<u>1993-1995</u>	<u>1995-1997</u>
Oil and Gas Royalty	\$8,759,076	\$12,094,334
Oil, Gas, and Coal Bonus	\$7,068,418	\$11,921,769
Coal Royalty	\$4,441,256	\$4,431,305
Oil and Gas Rental	\$559,227	\$1,281,180
Testholes and Damages	\$176,380	\$139,735
Royalty/collection Efforts	\$333,222	\$421,986
Interest/collection Efforts	\$368,444	\$174,147
TOTAL	<u>\$21,705,023</u>	<u>\$30,464,455</u>

OIL AND GAS LEASE SALE RESULTS

North Dakota State Minerals

COUNTY		Aug-95	Nov-95	Feb-96	May-96	Aug-96	Nov-96	Feb-97	May-97	TOTAL
ADAMS	TOTAL \$	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$10,144.00	\$0.00	\$10,144.00
	MIN. ACRES	0.00	0.00	0.00	0.00	0.00	0.00	2,016.00	0.00	2,016.00
	\$/MIN ACRE	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$5.03	\$0.00	\$5.03
BILLINGS	TOTAL \$	\$126,387.68	\$800.00	\$903.60	\$154.88	\$0.00	\$5,760.00	\$52,560.32	\$28,791.64	\$215,358.12
	MIN. ACRES	5,757.36	160.00	803.60	77.44	0.00	160.00	3,200.16	2,656.14	12,814.70
	\$/MIN ACRE	\$21.95	\$5.00	\$1.12	\$2.00	\$0.00	\$36.00	\$16.42	\$10.84	\$16.81
BOTTINEAU	TOTAL \$	\$15,725.35	\$33,441.96	\$3,936.06	\$18,024.00	\$3,722.18	\$0.00	\$40.00	\$26,700.67	\$101,590.22
	MIN. ACRES	932.55	962.96	2,602.31	1,096.00	2,034.18	0.00	40.00	5,373.22	13,041.22
	\$/MIN ACRE	\$16.86	\$34.73	\$1.51	\$16.45	\$1.83	\$0.00	\$1.00	\$4.97	\$7.79
BOWMAN	TOTAL \$	\$80.00	\$5,320.00	\$29,926.34	\$119,862.65	\$0.00	\$20,900.00	\$0.00	\$0.00	\$176,088.99
	MIN. ACRES	40.00	100.00	1,245.46	16,394.97	0.00	140.00	0.00	0.00	17,920.43
	\$/MIN ACRE	\$2.00	\$53.20	\$24.03	\$7.31	\$0.00	\$149.29	\$0.00	\$0.00	\$9.83
BURKE	TOTAL \$	\$4,640.00	\$400.00	\$6,895.00	\$0.00	\$11,120.28	\$8,600.00	\$0.00	\$1,007,450.88	\$1,039,106.16
	MIN. ACRES	680.00	80.00	767.00	0.00	900.14	680.00	0.00	37,119.93	40,227.07
	\$/MIN ACRE	\$6.82	\$5.00	\$8.99	\$0.00	\$12.35	\$12.65	\$0.00	\$27.14	\$25.83
DIVIDE	TOTAL \$	\$10,964.62	\$1,520.00	\$69,841.99	\$39,459.39	\$225,791.31	\$9,280.00	\$0.00	\$75,383.06	\$432,240.37
	MIN. ACRES	562.31	320.00	1,039.27	5,105.62	8,237.36	400.00	0.00	3,685.89	19,350.45
	\$/MIN ACRE	\$19.50	\$4.75	\$67.20	\$7.73	\$27.41	\$23.20	\$0.00	\$20.45	\$22.34
DUNN	TOTAL \$	\$1,685,926.03	\$142,254.32	\$26,204.60	\$0.00	\$1,200.00	\$23,360.00	\$3,641.68	\$5,120.00	\$1,887,706.63
	MIN. ACRES	13,144.06	5,403.71	1,031.15	0.00	880.00	1,200.00	1,168.84	1,600.00	24,427.76
	\$/MIN ACRE	\$128.27	\$26.33	\$25.41	\$0.00	\$1.36	\$19.47	\$3.12	\$3.20	\$77.28
G. VALLEY	TOTAL \$	\$255,700.61	\$17,499.91	\$6,400.00	\$199,065.94	\$0.00	\$0.00	\$0.00	\$0.00	\$478,666.46
	MIN. ACRES	6,563.33	3,725.16	320.00	5,049.34	0.00	0.00	0.00	0.00	15,657.83
	\$/MIN ACRE	\$38.96	\$4.70	\$20.00	\$39.42	\$0.00	\$0.00	\$0.00	\$0.00	\$30.57
HETTINGER	TOTAL \$	\$0.00	\$0.00	\$907.83	\$176.00	\$640.00	\$0.00	\$0.00	\$400.00	\$2,123.83
	MIN. ACRES	0.00	0.00	907.83	104.00	640.00	0.00	0.00	400.00	2,051.83
	\$/MIN ACRE	\$0.00	\$0.00	\$1.00	\$1.69	\$1.00	\$0.00	\$0.00	\$1.00	\$1.04
McHENRY	TOTAL \$	\$0.00	\$0.00	\$0.00	\$205.70	\$1,275.36	\$0.00	\$3,008.96	\$2,366.57	\$6,856.59
	MIN. ACRES	0.00	0.00	0.00	205.70	1,275.36	0.00	2,668.96	2,366.57	6,516.59
	\$/MIN ACRE	\$0.00	\$0.00	\$0.00	\$1.00	\$1.00	\$0.00	\$1.13	\$1.00	\$1.05
MCKENZIE	TOTAL \$	\$15,840.00	\$7,840.00	\$3,826.00	\$3,960.00	\$95,658.28	\$54,421.71	\$450,849.07	\$103,343.68	\$735,738.74
	MIN. ACRES	480.00	320.00	2,026.00	1,360.00	3,328.26	3,249.96	23,460.02	10,512.71	44,736.95
	\$/MIN ACRE	\$33.00	\$24.50	\$1.89	\$2.91	\$28.74	\$16.75	\$19.22	\$9.83	\$16.45
MCLEAN	TOTAL \$	\$806,521.42	\$0.00	\$42,574.91	\$35,368.71	\$995.00	\$2,400.00	\$18,807.80	\$4,270.79	\$910,938.63
	MIN. ACRES	11,737.59	0.00	2,632.62	5,126.24	559.00	80.00	1,668.04	3,550.79	25,354.28
	\$/MIN ACRE	\$68.71	\$0.00	\$16.17	\$6.90	\$1.78	\$30.00	\$11.28	\$1.20	\$35.93
MERCER	TOTAL \$	\$758,473.84	\$141,109.72	\$0.00	\$0.00	\$632.37	\$0.00	\$0.00	\$0.00	\$900,215.93
	MIN. ACRES	11,113.85	7,597.10	0.00	0.00	632.37	0.00	0.00	0.00	19,343.32
	\$/MIN ACRE	\$68.25	\$18.57	\$0.00	\$0.00	\$1.00	\$0.00	\$0.00	\$0.00	\$46.54
MOUNTRAIL	TOTAL \$	\$237,558.16	\$69,521.03	\$485,320.66	\$26,400.60	\$0.00	\$780.00	\$60.00	\$39,178.23	\$858,818.68
	MIN. ACRES	3,939.87	7,338.11	21,220.16	1,896.53	0.00	60.00	60.00	4,641.44	39,156.11
	\$/MIN ACRE	\$60.30	\$9.47	\$22.87	\$13.92	\$0.00	\$13.00	\$1.00	\$8.44	\$21.93
PIERCE	TOTAL \$	\$0.00	\$59.91	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$59.91
	MIN. ACRES	0.00	59.91	0.00	0.00	0.00	0.00	0.00	0.00	59.91
	\$/MIN ACRE	\$0.00	\$1.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$1.00
RENVILLE	TOTAL \$	\$0.00	\$17,319.94	\$3,256.22	\$5,200.34	\$42,883.01	\$5,822.50	\$1,732.50	\$5,760.00	\$81,974.51
	MIN. ACRES	0.00	799.96	554.13	400.01	1,911.90	647.50	157.50	160.00	4,631.00
	\$/MIN ACRE	\$0.00	\$21.65	\$5.88	\$13.00	\$22.43	\$8.99	\$11.00	\$36.00	\$17.70
ROLETTE	TOTAL \$	\$0.00	\$197.20	\$0.00	\$0.00	\$0.00	\$0.00	\$1,140.97	\$40.00	\$1,378.17
	MIN. ACRES	0.00	197.20	0.00	0.00	0.00	0.00	1,140.97	40.00	1,378.17
	\$/MIN ACRE	\$0.00	\$1.00	\$0.00	\$0.00	\$0.00	\$0.00	\$1.00	\$1.00	\$1.00
SLOPE	TOTAL \$	\$0.00	\$12,971.70	\$81,075.90	\$1,137,391.49	\$0.00	\$0.00	\$0.00	\$0.00	\$1,231,439.09
	MIN. ACRES	0.00	344.94	2,237.06	26,715.76	0.00	0.00	0.00	0.00	29,297.76
	\$/MIN ACRE	\$0.00	\$37.61	\$36.24	\$42.57	\$0.00	\$0.00	\$0.00	\$0.00	\$42.03
STARK	TOTAL \$	\$2,161,319.50	\$0.00	\$0.00	\$0.00	\$20,847.31	\$0.00	\$0.00	\$0.00	\$2,182,166.81
	MIN. ACRES	8,630.06	0.00	0.00	0.00	2,699.41	0.00	0.00	0.00	11,329.47
	\$/MIN ACRE	\$250.44	\$0.00	\$0.00	\$0.00	\$7.72	\$0.00	\$0.00	\$0.00	\$192.61
WARD	TOTAL \$	\$0.00	\$18,600.20	\$103,034.71	\$10,637.16	\$26,080.49	\$240.00	\$27,072.22	\$130,749.90	\$316,414.68
	MIN. ACRES	0.00	898.15	10,149.88	2,755.30	1,194.05	240.00	4,722.05	5,985.77	25,945.20
	\$/MIN ACRE	\$0.00	\$20.71	\$10.15	\$3.86	\$21.84	\$1.00	\$5.73	\$21.84	\$12.20
WILLIAMS	TOTAL \$	\$0.00	\$0.00	\$9,600.00	\$0.00	\$0.00	\$8,720.00	\$211,061.83	\$75,729.87	\$305,111.70
	MIN. ACRES	0.00	0.00	80.00	0.00	0.00	760.00	16,480.79	6,421.30	23,742.09
	\$/MIN ACRE	\$0.00	\$0.00	\$120.00	\$0.00	\$0.00	\$11.47	\$12.81	\$11.79	\$12.85
CANADA	TOTAL \$	\$10,560.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$10,560.00
	MIN. ACRES	320.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	320.00
	\$/MIN ACRE	\$33.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$33.00
TOTALS	TOTAL \$	\$6,089,697.21	\$468,855.89	\$873,703.82	\$1,595,906.86	\$430,845.59	\$140,284.21	\$780,119.35	\$1,505,285.29	\$11,884,698.22
	MIN. ACRES	63,900.98	28,307.20	47,616.47	66,286.91	24,292.03	7,617.46	56,783.33	84,513.76	379,318.14
	\$/MIN ACRE	\$95.30	\$16.56	\$18.35	\$24.08	\$17.74	\$18.42	\$13.74	\$17.81	\$31.33

Permanent Funds

Statement of Permanent Fund and Other Fund Balances

<u>Permanent Funds</u>	<u>6/30/89</u>	<u>6/30/91</u>	<u>6/30/93</u>	<u>6/30/95</u>	<u>6/30/97</u>
Common Schools	\$246,850,470	\$267,081,350	\$300,231,040	\$327,805,926	\$381,350,747
North Dakota State University	6,562,417	6,778,802	6,937,301	7,407,344	8,253,184
School for the Blind	1,273,499	1,330,121	1,383,942	1,461,699	1,613,297
School for the Deaf	1,642,056	1,858,891	1,953,193	2,087,725	2,292,856
State Hospital	1,769,950	1,829,898	1,852,606	2,015,629	2,279,378
Ellendale State College	1,283,557	1,297,383	1,309,758	1,408,755	1,537,894
Valley City State University	1,602,977	1,641,454	1,656,965	1,799,127	1,926,829
Mayville State University	1,099,227	1,128,604	1,133,056	1,217,174	1,372,161
Industrial School	2,371,227	2,468,579	2,537,480	2,872,505	3,172,788
State College of Science	1,525,098	1,595,908	1,823,272	1,960,396	2,320,279
School of Mines	1,769,398	1,839,855	1,882,944	2,015,534	2,369,095
Veterans Home	1,186,392	1,210,479	1,315,563	1,406,915	1,883,725
University of North Dakota	3,028,384	3,101,442	3,133,970	3,441,161	3,891,420
Total permanent fund balance	\$271,964,652	\$293,162,766	\$327,151,090	\$356,899,890	\$414,263,653
Other Funds					
Capitol Building Fund	\$2,435,119	\$2,395,539	\$908,306	\$1,243,984	\$1,078,750
Abandoned Property Fund	3,545,361	4,671,089	1,121,005	868,000	1,420,000
Coal Development Fund	35,786,675	42,735,915	43,678,761	48,504,790	50,270,853
Land & Minerals Fund	4,480,254	2,207,762	688,500	1,752,130	5,509,559
Total other fund balance	\$34,482,049	\$47,373,137	\$48,460,221	\$52,368,904	\$58,279,162

Schedule of Permanent Fund Receipts

<u>Description</u>	<u>7/87 to 6/89</u>	<u>7/89 to 6/91</u>	<u>7/91 to 6/93</u>	<u>7/93 to 6/95</u>	<u>7/95 to 6/97</u>
Oil and gas royalty	\$7,897,912	\$11,410,466	\$10,112,213	\$7,202,485	\$10,424,130
Oil and gas bonus	5,216,774	5,169,048	1,343,844	5,559,280	8,474,892
Coal royalty	1,557,445	301,788	1,358,942	2,736,172	4,090,174
Gravel and scoria royalty	17,214	31,229	202,743	159,375	59,395
Test holes and damages	304,438	406,575	457,664	262,117	139,575
Land sold	13,584	1,072,067	1,826,579	5,936	8,240
Total permanent fund receipts	\$15,007,367	\$18,391,173	\$15,301,985	\$15,925,365	\$23,196,406

Schedule of Interest and Income Receipts

<u>Description</u>	<u>7/87 to 6/89</u>	<u>7/89 to 6/91</u>	<u>7/91 to 6/93</u>	<u>7/93 to 6/95</u>	<u>7/95 to 6/97</u>
Interest on securities	\$43,731,436	\$44,813,082	\$35,232,232	\$30,987,485	\$39,710,708
Interest on loans ⁽¹⁾	9,951,789	11,248,168	10,719,485	8,186,649	9,380,685
Interest on contracts	396,019	246,148	150,689	40,332	13,214
Oil and gas lease rentals	632,934	611,480	516,450	411,086	916,904
Surface rentals	4,165,530	4,894,185	5,995,034	6,792,743	7,268,753
Realized gains- sale of investment ⁽²⁾	0	238,943	9,974,637	4,356,422	23,560,903
Gain on sale of OREOs	0	129,946	318,503	0	0
Interest penalty	62,595	155,618	122,592	329,001	119,133
Total interest & income receipts	\$58,940,303	\$62,337,570	\$63,029,622	\$51,103,718	\$80,970,300

⁽¹⁾ Interest on loans for this biennium consists of \$8,010,349 in interest received from the Farm Loan Pool Loans managed for the funds by the Bank of ND; and \$1,370,336 in interest to the Common Schools Trust Fund from the Developmentally Disabled Facilities loans.

⁽²⁾ In accordance with N.D.C.C. § 15-03-05.1, gains realized on the sale of investments must be amortized to investment income in equal installments over a period of 10 years.

Statement of Income Distributed to Institutions

Permanent Funds	7/87 to 6/89	7/89 to 6/91	7/91 to 6/93	7/93 to 6/95	7/95 to 6/97
Common Schools	\$48,554,825	\$45,233,365	\$45,233,366	\$45,233,366	\$45,700,000
North Dakota State University	1,247,000	1,411,000	1,108,000	1,102,818	1,108,600
School for the Blind	255,000	270,000	212,000	212,000	214,200
School for the Deaf	296,000	366,000	314,000	314,000	317,200
State Hospital	330,000	357,000	262,000	236,831	259,800
Ellendale State College	239,400	276,850	225,400	225,400	227,598
Valley City State University	292,000	342,000	276,000	276,000	278,800
Mayville State University	192,000	231,000	190,000	186,412	184,600
Industrial School	423,000	491,000	386,000	355,037	367,400
State College of Science	273,000	320,000	270,000	270,000	272,800
School of Mines	330,000	373,000	274,000	274,000	276,800
Veterans Home	208,000	242,000	206,000	206,000	218,600
University of North Dakota	608,000	679,000	558,000	558,000	563,600
Total	\$53,248,225	\$50,592,215	\$49,514,766	\$49,449,864	\$49,989,998

Income from the assets held by the Ellendale Trust Fund are allocated equally among the following institutions: Dickinson State University, Minot State University, NDSU-Bottineau, School for the Blind, Veterans Home, State Hospital, and State College of Science.

Land Department Statement of Appropriations and Expenditures

Land Department Budget	1995-1997 Appropriations	1995-1997 Expenditures	Unexpended Appropriations
Salaries and wages	\$1,544,377	\$1,494,868	\$49,509
Operating expenses	557,746	399,986	157,760
Equipment	56,930	73,944	(17,014)
Grants	215,600	155,602	59,998
Contingency	50,000	0	50,000
Sub-total Land Department budget	\$2,424,653	\$2,124,400	\$300,253
Energy Development Impact Office			
Salaries and wages	\$75,807	\$71,629	\$4,178
Operating expenses	20,950	22,652	-1,702
Equipment	5,160	4,187	973
Totals	\$101,917	\$98,468	\$3,449
	\$2,256,570	\$2,222,868	\$303,702
	Grant Revenue Sources	Grant Money Actually Paid In 1995-97	Balance To Be Carried Over To 1997-99 Grant Rounds
1995-97 New Revenue Received for Grants ¹	\$3,986,320	\$1,548,628	\$2,437,692
1993-95 Carryover Oil Grants	1,721,870	1,571,194	150,676
Totals	\$5,708,190	\$3,119,822	\$2,588,368

⁽¹⁾ The total appropriation for new grants for the 95-97 biennium was \$4,893,550. Actual revenue collected for new grants for the biennium was \$3,986,320.

Permanent (nonexpendable) Trust Funds For The Fiscal Year Ending June 30, 1997

The Nonexpendable Trust funds were created in section 11 through 19 of the Enabling Act of 1889. Article IX of the Constitution and section 15-01-02 of the North Dakota Century Code describe in further detail the use of these funds

Balance Sheet

Assets:

Cash	\$401,877
Interest receivable	4,898,455
Contracts receivable	87,607
Farm real estate loans	51,328,019
Due from other state agencies	313,879
Due from other funds	98,163
Investment	371,363,868
Advances due from other funds	6,102,943
Farm real estate owned	1,200,075
Land	6,976,243
Office building (net of depreciation)	972,550
Total assets	\$443,743,679

Liabilities:

Accounts payable	\$153,947
Securities Lending Collateral	29,193,486
Due to other state agencies	98,163
Accounts payable - Building	44,413
Advance due to other funds	620,302
Total liabilities	\$30,110,311

Equity:

Fund balance	
Trust principal	408,734,913
Accrued income to be allocated	4,898,455
Total equity	\$413,633,368
Total liabilities and equity	\$443,743,679

Statement of revenues, expenses & changes in Fund equity

Operating Revenues:

Interest income:	
Investments	\$40,522,053
Contracts	13,214
Farm real estate loans	7,986,806
Developmentally Disabled Facility	
Loan Fund Programs No. 2 & 3	1,370,336
Royalties and bonuses	22,767,387
Rental income	8,212,001
Gain on sale of investments	23,560,903
Gain on sale of land	80,486
Total operating revenues	\$104,513,186

Operating expenses:

Farm real estate in-lieu taxes	134,671
Administrative expenses	1,873,831
Investment and accounting fees	1,461,839
Depreciation expense on building	3,890
Total operating expenses	3,474,231

Operating income	101,038,955
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Nonoperating revenues (expenses):

Oil extraction tax	3,515,969
Total nonoperating revenues	3,515,969

Income before operating transfers	104,554,924
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Operating transfers:

Transfer to Public instruction & other	(49,989,998)
Transfer from Abandoned Property Fund	2,909,632
Total operating transfers	(47,080,366)

Net income	57,474,558
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Fund equity July 1, 1995	356,158,810
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Fund equity June 30, 1997	\$413,633,368
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The 13 permanent funds reported on this page are identified under "permanent funds" on page 16.

Expendable Trust Funds

Capitol Building Fund

This fund was created in section 12 of the Enabling Act of 1889. Section 17 of the Enabling Act made an additional grant of 50,000 acres available for public buildings with the capitol.

Balance Sheet

Assets:	
Money market account	\$76,905
Accrued interest receivable	2,033
Investments	900,000
Land	99,812
Total assets	<u>\$1,078,750</u>

Liabilities:

Equity:	
Fund balance June 30, 1997	\$1,078,750
Total liabilities and equity	<u>\$1,078,750</u>

Statement of revenues, expenses & changes in Fund balance

Revenues:	
Interest income	
Investments	\$106,753
Contracts	411
Royalties and bonuses	416,966
Rental income	127,787
Abandoned property revenue	
Total revenues	<u>651,917</u>

Expenditures:	
Farm real estate in-lieu taxes	1,908
Administrative expenses	25,053
Investment and accounting fees	190
Total expenditures	<u>27,151</u>

Revenue over expenditures	<u>624,766</u>
---------------------------	----------------

Other financing sources (uses):

Transfer to common schools	
Transfer to Facility Management	(790,000)
Total other financing sources (uses)	<u>(790,000)</u>

Revenues and other financing sources over (under) expenditures and financing	(165,234)
--	-----------

Fund balance July 1, 1995	<u>1,243,984</u>
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Fund balance June 30, 1997	<u>\$1,078,750</u>
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Abandoned Property Fund

This fund was created by the Uniform Unclaimed Property Act N.D.C.C. 47-30.1. The purpose of this legislation is to collect and safeguard property reported, ensure compliance in reporting and have one place for owners to search for their funds.

Balance Sheet

Assets:	
Money market account	\$119,124
Interest receivable	102
Stock	680,472
Advance to common schools	620,302
Total assets	<u>\$1,420,000</u>

Liabilities:

Claimant liability	<u>\$1,420,000</u>
Total liabilities	1,420,000

Equity:

Fund balance June 30, 1995	
Total liabilities and equity	<u>\$1,420,000</u>

Statement of revenues, expenses & changes in Fund balance

Revenues:	
Investment income	\$10,138
Interest penalty	0
Abandoned property revenue	4,554,908
Total revenues	<u>\$4,565,046</u>

Expenditures:	
Abandoned property claims	1,655,414
Total expenditures	<u>1,655,414</u>

Other financing sources:

Transfer to common schools	(2,909,632)
Total other financing sources	<u>(2,909,632)</u>

Revenues over (under) expenditures	0
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Fund balance July 1, 1993	0
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Fund balance June 30, 1995	<u>\$0</u>
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Special Revenue Funds

Coal Development Trust Fund

The Coal Development Trust Fund is established by Section 21 of Article 57-62-02 of the North Dakota Century Code. The monies in the fund are derived from a 15 percent share of the coal severance tax. The fund must be held in trust and administered by the Board of University and School Lands for loans to coal impacted counties, cities and school districts as provided in section 57-62-03, and for loans to school districts pursuant to chapter 15-60. The unloaned balance of the fund is invested by the Board of University and School Lands.

Effective July 1, 1990, the constitution was amended to provide that up to 50% of the taxes collected and deposited in this fund during a biennium may be appropriated by the legislature for "lignite research development, and marketing as provided by law."

Effective July 1, 1994, the constitution was further amended to provide that an additional 20% of the taxes collected and deposited in this fund during a biennium may be appropriated by the legislature for "lignite research development, and marketing as provided by law."

Balance Sheet

Assets:

Cash	\$2,061
Interest receivable	398,838
Notes receivable:	
Coal warrants	4,600,079
Oil and gas warrants	1,596,136
School construction loans	13,466,148
Due from other state agencies	662,796
Investments	29,750,715
Total assets	<u>\$50,476,773</u>

Liabilities:

Accrued payroll	
Accounts payable	\$10,623
Due to other state agencies	197,067
Total liabilities	<u>\$207,690</u>

Equity:

Fund balance:	
Reserved for:	
Long-term receivables	19,662,363
Unreserved:	
Undesignated	30,606,720
Total equity	<u>50,269,083</u>
Total liabilities and equity	<u>\$50,476,773</u>

Statement of revenues, expenses & changes in Fund balance

Revenues:

Coal severance tax	\$6,994,287
Interest income:	
Investments	3,603,922
Coal warrants	693,833
Oil and gas warrants	232,649
School construction loans	704,600
Total revenues	<u>12,229,291</u>

Expenditures:

Administrative expenses	154,728
Investment and safekeeping fees	85,000
Realized loss on sale of investments	482,749
Total expenditures	<u>722,477</u>
Revenue over expenditures	<u>11,506,814</u>

Other financing sources (uses):

Transfer to state general fund	(4,200,000)
Transfer to lignite research fund	(5,402,295)
Total other financing sources	<u>(9,602,295)</u>

Revenues over (under) expenditures and other financing sources	1,904,519
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Fund balance July 1, 1995	<u>48,364,564</u>
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Fund balance June 30, 1997	<u>\$50,269,083</u>
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Land and Minerals Trust Fund

This fund is created by N.D.C.C. section 15-08-1 and section 61-33-07. It consists of revenues from minerals formerly held by the Bank of North Dakota, and revenues from the beds of navigable rivers, lakes and streams. The beds of these navigable bodies of water together with the former Bank of North Dakota minerals, are leased for oil and gas exploration and production. (All riverbed leases prohibit "surface" occupancy; what is actually being leased is the right to participate in a spacing unit for oil and gas production.) All monies collected by this fund are subject to legislative appropriation each biennium.

This fund also serves as a collection vehicle for the repayment of the Developmentally Disabled Facilities Loan programs which are funded by the Common Schools Trust. The administration of these loans is the responsibility of the Bank of North Dakota, with loan collections being deposited in the Land and Minerals fund. The interest and principal payable to the Common Schools Trust from the Developmentally Disabled Facilities Loan program is then appropriated from the Land and Minerals fund.

Balance Sheet

Assets:

Cash	\$2,362,469
Interest receivable	82,265
Due from other state agencies	54,836
Investments	3,009,988
Total assets	<u>\$5,509,558</u>

Liabilities:

Due to other funds	\$98,163
Total liabilities	<u>98,163</u>

Equity:

Fund balance:	
Unreserved:	
Undesignated	5,411,395
Total equity	<u>5,411,395</u>
Total liabilities and equity	<u>\$5,509,558</u>

Statement of revenues, expenses & changes in Fund balance

Revenues:

Interest income	
Investments	\$659,821
Royalties and bonuses	5,510,894
Rental income	357,250
Total revenues	<u>6,527,965</u>

Expenditures:

Management fee / farm real estate loans	345,063
Investment and safekeeping fees	619
Mineral taxes	696
Total expenditures	<u>346,378</u>

Revenue over expenditures	<u>6,181,587</u>
---------------------------	------------------

Other financing sources (uses):

Transfer to state general fund	(2,000,000)
Transfer from the Bank of North Dakota	
on funds lent to the Developmentally	
Disabled Facility Loan Fund	
Programs No. 2 and No. 3	1,385,727
Transfer of payments on the funds lent	
to Developmentally Disabled Facility	
Loan Fund Programs No. 2 and No. 3	
from Land and Mineral Trust Fund to	
Human Services	(1,840,954)
Total other financing sources (uses)	<u>(2,455,227)</u>

Revenue and other financing sources	
over (under) expenditures and financing	
uses	3,726,360

Fund balance July 1, 1995	<u>1,685,035</u>
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Fund balance June 30, 1997	<u>\$5,411,395</u>
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**State Of
North Dakota**

***BOARD OF UNIVERSITY AND
SCHOOL LANDS***

State Land Department

Fifty-third Biennial Report

to the
Governor
and
Secretary of State



July 1, 1997 to June 30, 1999

Phone: (701) 328-2800
Fax: (701) 328-3650
www.land.state.nd.us

North Dakota
STATE LAND DEPARTMENT
1707 N 9th Street
PO Box 5523
Bismarck, ND 58506-5523



Robert J. Olheiser
COMMISSIONER

December 1, 1999

The Honorable Edward T. Schafer
Governor of North Dakota
State Capitol
Bismarck, ND 58505

Mr. Al Jaeger
Secretary of State
State Capitol
Bismarck, ND 58505

Dear Governor Schafer and Mr. Jaeger:

In accordance with section 54-06-04 of the North Dakota Century Code, I am submitting for your review the 1997-99 Biennial Report of the Board of University and School Lands. The report covers July 1, 1997 through June 30, 1999.

In June of 1999, shortly before the end of the 1997-99 biennium, a state employee of nearly 18 years, and a Land Department employee of 10 years, left the Department to pursue a private career opportunity. As Deputy Director and Director of the Energy Development Impact Office, Jim Luptak demonstrated the initiative, work ethic, empathy and patience that serves as a model to anyone in public employment. As a self-taught Information Technology Coordinator for the Land Department, Mr. Luptak was tireless in his service to the Department, and his desire to develop computer programs that made our work easier and more efficient. It is with this public statement of appreciation for the work of Jim Luptak that this report is presented.

It continues to be a professional and personal pleasure for me to be able to direct the activities of the Land Department's personnel.

Sincerely,

A handwritten signature in cursive script, reading "Robert J. Olheiser".

Robert J. Olheiser
Land Commissioner

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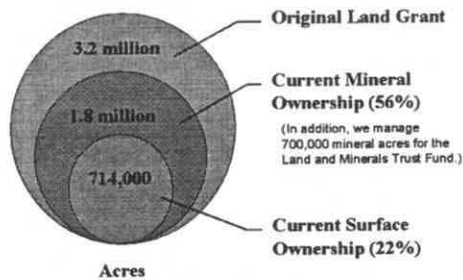
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POLICY OF NON-DISCRIMINATION ON THE BASIS OF DISABILITY

The State Land Department does not discriminate on the basis of disability in the admission or access to, or treatment or employment in, its programs or activities. A coordinator has been designated to ensure compliance with the non-discrimination requirements contained in §35.107 of the Dept. of Justice regulations. Please call (701) 328-2800 for information concerning the provisions of the Americans with Disabilities Act, and the rights provided thereunder as they relate to the agency and access to its records.

Historical Overview

COMPARISON OF ORIGINAL LAND GRANT TO CURRENT OWNERSHIP



LAND GRANT

On February 22, 1889, Congress passed "An act to provide for the division of Dakota into two states, and to enable the people of North Dakota, South Dakota, Montana and Washington to form constitutions and state governments . . ." This Act is commonly known as the Enabling Act. Section 10 of this act granted sections 16 and 36 in every township to the new states "for the support of common schools." In cases where portions of sections 16 and 36 had been sold prior to statehood, indemnity or "in-lieu" selections were allowed. In North Dakota, this grant of land totaled over 2.5 million acres.

Under sections 12, 14, 16 and 17 of the Enabling Act (and other acts referred to therein), Congress provided further land grants to the state of North Dakota for the support of colleges, universities, the state capitol and other public institutions. These additional grants totaled approximately 668,000 acres, bringing the grand total of Enabling Act land grants to nearly 3.2 million acres.

LAND SALES & ACQUISITIONS

Since statehood in 1889, much of the grant land has been sold. Beginning in 1939, whenever the state sold grant land, it reserved five percent of the minerals. In 1941, the reservation was increased to 50 percent; and, since July 28, 1960, the North Dakota Constitution has mandated a 100 percent mineral reservation. Today, the Land Department manages in excess of 660,000 of the original, grant land surface acres, and over 1.8 million of the original mineral acres. Approximately 51,000 acres have since been acquired through foreclosure or other means, bringing the total surface acreage to approximately 714,000 acres.

In 1977, the legislature transferred management authority for minerals acquired by the Bank of North Dakota and for the minerals under sovereign land (navigable rivers/lakes) to the Department. This brings the total mineral acres managed to over 2.5 million acres.

CONSTITUTIONAL AUTHORITY

North Dakota's Constitution, adopted on October 1, 1889, entrusted the management of these lands (both acquired land and grant land) to the "board of university and school lands." The board was initially made up of the governor as chairperson, the secretary of state as vice-chair, the attorney general, superintendent of public instruction, and the state auditor. On June 10, 1986, a constitutional amendment replaced the state auditor with the state treasurer.

The Land Board currently consists of the following members:

Governor Edward T. Schafer, Chairman
Attorney General Heidi Heitkamp
Secretary of State Alvin A. Jaeger, Vice Chairman
State Treasurer Kathi Gilmore
Supt. of Public Instruction Dr. Wayne Sanstead

COMMISSIONER OF UNIVERSITY & SCHOOL LANDS

Under N.D.C.C. §15-02-01, the Board of University and School Lands is required to appoint a commissioner to act on their behalf. Specific responsibilities of the Board and the Commissioner are set out in N.D.C.C. ch. 15-01 through ch. 15-08.1.

Generally, the Commissioner's responsibilities are as follows:

- ♦ Act as the general agent for the Board.
- ♦ Supervise all aspects and activities of the State Land Department.
- ♦ Have general charge and supervision of all grant lands and associated records, maps, books and papers.
- ♦ Enforce the Unclaimed Property Act (N.D.C.C. §15-02-05.2 and ch. 47-30.1).

In 1989, the Energy Development Impact Office became a division of the Office of the Commissioner (Land Department) however, the EDIO Director is appointed directly by the Board of University and School Lands (N.D.C.C. §57-62-04).

Agency Overview

- ♦ The primary function of 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 714,000 surface acres, over 2.5 million mineral acres, and over \$499 million in permanent trust cash equivalents and securities. 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 trust funds and are invested in the Farm Loan Pool administered by the Bank of North Dakota, U.S. 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 663,310 mineral acres formerly owned by the Bank of North Dakota, and the 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 attempts to find the property's owner. Property acquired via this Act is held in trust in perpetuity on behalf of the owner. The income from property for which the owner cannot be found is distributed to public grades K-12.
- ♦ The Energy Development Impact Office (EDIO) is also a part of the Land Department. The EDIO allocates funds appropriated by the state legislature to assist local political subdivisions in dealing with problems arising from oil development. In the allocation of these funds, the Director of the office accepts applications for funding, travels to visit with subdivisions requesting the funding, allocates the funds, and administers the payout of the funds to the grantees.

Mission Statement

The mission of the State Land Department, under the direction of the Board of University and School Lands, is to serve as a trustee for the benefit of the common schools (public grades K-12), various institutions of higher education, and certain other state institutions.

Land Department Statement of Goals

The primary goal of the Department is to maximize distributable income and trust growth within the parameters allowed by state law, board policy, the prudent investor rule and sound land and mineral management practices. To achieve this primary goal, the following subgoals have been established:

1. To develop and maintain a comprehensive, multiple-use management program for the administration of surface lands.
2. To develop and pursue a strong, effective minerals management program which maximizes revenue to the trusts.
3. To develop and pursue an aggressive, fair minerals audit program to ensure that the trusts receive all royalties.
4. To continue to encourage and improve compliance with the Abandoned Property Law.

5. To preserve the purchasing power of the trusts by maintaining and increasing, relative to inflation, the income distributable to trust beneficiaries.
6. To manage the permanent financial assets of the trusts within the guidelines of the Prudent Investor Rule.

Energy Development Impact Office Statement of Goals

The primary goal of the office is to ensure that local subdivisions hosting energy activity are not required to bear a disproportionate share of the costs associated with that activity (both in its "boom" and "bust" cycles). The guiding principle of the office is to ensure that the benefit to all of the people of North Dakota, from the extraction of energy resources, will not be gained at the expense of those whose lives or property are disturbed, without adequate compensation, in the process.

Funding Sources and Expenses

- ♦ Funding for the State Land Department is received through the State Lands Maintenance fund. This fund consists of fees charged for services, plus a portion of interest and income earned by the various trusts (N.D.C.C. § 15-03-01.1).
- ♦ Noxious weed control expenses for Lands and Minerals trust properties are paid by that trust.
- ♦ Funds for oil impact grants are requested from the Oil Impact Grant Fund. The administration expenses of the Energy Development Impact Office are paid out of the Oil Impact Grant Fund.

Land Department Statement of Appropriations and Expenditures

LAND DEPARTMENT	1997-1999 Appropriations	1997-1999 Expenditures	Unexpended Appropriations
Salaries and wages	\$1,634,140	\$1,563,306	\$70,834
Operating expenses	623,207	481,144	142,063
Equipment	32,443	53,094	(20,651)
Grants	174,000	146,601	27,399
Contingency	0	0	0
Total Land Department	\$2,463,790	\$2,244,145	\$219,645

	1997-1999 Appropriations	1997-1999 Expenditures & Approved Grants	Unexpended Appropriations
ENERGY DEVELOPMENT IMPACT OFFICE			
Salaries and wages	\$78,973	\$78,493	NA
Operating expenses	22,934	21,948	NA
Equipment	1,557	2,570	NA
Grants	4,896,536	*3,130,000	NA
Carryover Grants	2,588,368	2,588,368	NA
Total EDIO	\$7,588,368	\$5,821,379	NA

*The North Dakota legislature appropriates the statutory maximum of \$5,000,000 for EDIO grants and operating expenses, however, the revenue generated for this fund is usually less than the appropriated maximum. Each biennium, all available funds are granted by the EDIO Director. This biennium \$3.13 million was granted.

Other Land Department Information

PUBLICATIONS

In addition to this report, the Department publishes:

- ♦ A semi-annual newsletter which is distributed to surface lessees and other interested parties;
- ♦ Lists of tracts to be leased at quarterly oil and gas lease sales, together with a summary of the results of these sales;
- ♦ Lists of individuals entitled to unclaimed property (N.D.C.C. § 47-30.1-19.1); and
- ♦ Summaries of grant awards made by the Energy Development Impact Office.

Notice of the leasing and sale of surface and mineral tracts is given by publication in the official county newspaper where the land is located.

MEETINGS

The Board of University and School Lands meets monthly, unless there is insufficient business to require a board meeting. The regular meeting day is the last Thursday of the month, however board member's schedules may require changes in this schedule.

Minutes of the Board and other information regarding the activities of the State Land Department can be obtained from:

State Land Department
1707 N 9th Street
P.O. Box 5523
Bismarck, ND 58506-5523

Information	701-328-2800
Unclaimed Property	701-328-2800
Energy Development Impact Office	701-328-2800
Minerals Leasing	701-328-2803
Fax	701-328-3650

WORLD WIDE WEB ADDRESS

The Land Department maintains a web site at:
www.land.state.nd.us

ND STATE LAND DEPARTMENT

Management Matrix/Personnel Time Allocation

(as of 6-30-99)

	Investments Division		Unclaimed Property Division		Minerals Division		Surface Division		Energy Development Impact Office		
Directors	*Jeff Engleson	85%	*Steve Brandom	100%	**Rick Larson	45%	*Mike Brand	95%	**Rick Larson	20%	
Accounting	*Keith Bayley	22%	*Keith Bayley	17%	*Keith Bayley	18%	*Keith Bayley	18%	*Keith Bayley	10%	
	*Jeff Engleson	3%	*Jeff Engleson	3%	*Jeff Engleson	3%	*Jeff Engleson	3%	*Jeff Engleson	3%	
	Jamie Mertz	5%	Jamie Mertz	5%	Jamie Mertz	5%	Jamie Mertz	5%	Jamie Mertz	5%	
			Bonnie Pazdernik	7%	Bonnie Pazdernik	7%	Bonnie Pazdernik	7%	Bonnie Pazdernik	4%	
Administration	***Bob Olheiser	35%	***Bob Olheiser	20%	***Bob Olheiser	10%	***Bob Olheiser	35%			
	**Rick Larson	13%	**Rick Larson	5%	**Rick Larson	10%	**Rick Larson	2%	**Rick Larson	5%	
	*Linda Kahl	3%	*Linda Kahl	5%	*Linda Kahl	5%	*Linda Kahl	5%	*Linda Kahl	2%	
Administrative Support	*Linda Kahl	5%	*Linda Kahl	10%	*Linda Kahl	5%	*Linda Kahl	5%			
	Bonnie Pazdernik	5%	Bonnie Pazdernik	20%	Bonnie Pazdernik	10%	Bonnie Pazdernik	30%	Bonnie Pazdernik	10%	
			Barb Plum	20%	Barb Plum	50%	Barb Plum	30%			
			Deb Jacobs	35%	Deb Jacobs	10%	Deb Jacobs	50%	Deb Jacobs	5%	
		Loa Tober	70%	Loa Tober	5%	Loa Tober	25%				
Auditing			Karmin Billadeau	100%	*Keith Bayley	15%					
					Jamie Mertz	75%					
Computer Services	Desi Smith	5%	Desi Smith	40%	Desi Smith	25%	Desi Smith	25%	Desi Smith	5%	
							*Mike Brand	5%			
Leasing Services					*Linda Kahl	5%	*Linda Kahl	50%			
							Jerry Saude	20%			
Resource Management							Mike Haupt	100%			
							Mike Humann	100%			
							Jerry Saude	80%			
Total FTE		1.81		4.57		3.03		6.90		0.69	17.00+

+The Department had 19 authorized FTEs in 1997-99, however, as of 6-30-99 two were vacant

*Division Directors, supervisory & advisory personnel who report directly to the Commissioner

**Deputy Commissioner and Acting Director of the EDIO

***Land Commissioner

Surface Management

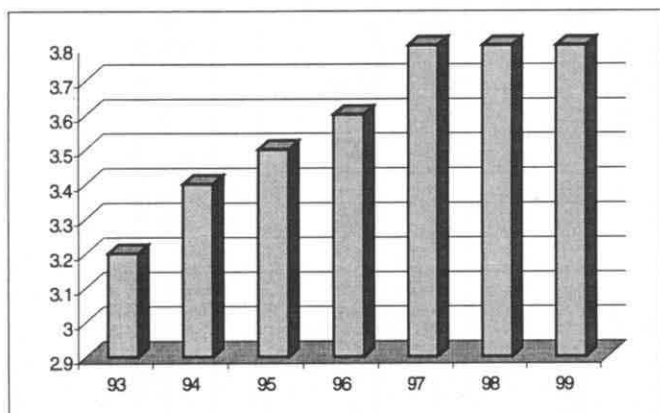
This profit center leases and manages surface acres held in trust for various schools and institutions. The major source of income from these lands is grazing and agricultural leases, with additional revenue being generated from rights-of-way, and gravel and scoria mining.

The objective of surface management is to obtain a "fair market" return from the lands while improving their condition and value.

FAIR MARKET VALUE LEASING SYSTEM

This program was implemented in the 1990 lease year as a method of leasing school lands that provided a fair return to the trusts without overcharging our lessees. Under the Fair Market Method of leasing, rents on school trust lands will fluctuate with private market rental rates. Even though private market rental rates have generally increased statewide, severe flooding in the northeastern part of the state affected income in FY98 and FY99. Leasing success, however, has remained at over 99%.

Surface Rental \$ in Millions



LEASING

A total of 1,066 grazing and agricultural leases were issued during this biennium. Public auctions were held each spring and fall with the leases going to the highest bidder.

The surface lease auctions are fully automated and run off a laptop computer. The auction data is maintained in electronic format beginning with preparing the legal ads and continuing through the printing of the new leases. This electronic format also allows us to post the auction information on our web site and allows public access to information about specific leases over the internet.

LAND AS AN ASSET

In 1996, the Land Board reviewed the methodology used for estimating the agricultural market value of school trust lands. In this biennium, we integrated the use of that methodology into our review of all classes of assets managed by the Board. At the end of the biennium, the estimated total land value was \$100,743,201. This information is important to our understanding of the value of school trust lands as an asset class within our investment portfolio. The investment profit center has used our land's estimated market value, cash income and management costs to define the characteristics of school trust land as an investment (see page 13).

SPECIAL PROJECTS

Two unique projects were started this biennium. First, 183 tracts producing a net cash return of 0% or less were identified and a series of 8 meetings were held statewide to encourage public comment concerning these tracts. The information collected during the public comment period and through field inspections will be reviewed by the Board in 2000 for a final decision on the status or disposition of these lands.

Second, a master plan of 583 acres in East Bismarck was completed in 1998. Because this tract is adjacent to the City of Bismarck, and construction of a sanitary sewer line is scheduled for the third quarter of 1999, we anticipate that there will be interest by developers in converting this land to urban and commercial use. Such a change in land use will benefit the Common Schools Trust Fund.

NOXIOUS WEED CONTROL

The number of flea beetle rearing sites for leafy spurge control on school trust lands increased from 45 in 1997 to 164 sites in 1999. These sites also showed positive results in controlling leafy spurge. Due to the rapid expansion of flea beetles on school trust land, we will shift our focus from establishing rearing sites to redistribution of insects for leafy spurge control.

Flea beetles alone do not yet provide an acceptable level of leafy spurge control. Lessees used chemical sprays on about 7,000 acres of leafy spurge each year of the biennium. This level of chemical control was similar to the previous biennium. We are hopeful that increasing populations of flea beetles will ultimately allow us to reduce our reliance on chemical control.

The potential spread of spotted knapweed remains a major concern in North Dakota. All known infestations on school trust land are monitored and controlled annually.

**Surface Acres
As of June 30, 1999**

Trust Fund	Acres
Common Schools	635,522.18
School for the Blind	3,477.87
State Capitol	9,981.17
School for the Deaf	4,828.85
Ellendale State College ¹	4,984.17
State Hospital	2,203.91
Industrial School	3,899.43
School of Mines ¹	3,392.03
N.D.S.U.	15,117.68
Veterans' Home	2,913.69
U.N.D.	9,616.98
Valley City State University	640.00
ND State College of Science	3,731.31
Mayville State University	640.00
Valley City/Mayville ²	6,818.08
Farm Loan Pool ³	<u>6,368.00</u>
Total	<u>714,135.35</u>

1. Income from the assets held by the Ellendale Trust Fund are allocated equally among the following institutions: Dickinson State University, Minot State University, NDSU-Bottineau, School for the Blind, Veterans' Home, State Hospital, and State College of Science. The benefits of the original grant to the School of Mines are distributed to the University of North Dakota.
2. Receipts from acreage held jointly by Valley City and Mayville State Universities are allocated 62.5% to Valley City and 37.5% to Mayville.
3. Receipts from this acreage is distributed by formula to all of the above funds except the State Capitol fund.

RANGE INVENTORY AND INSPECTION

Our range inventory and inspection program, begun in 1980, was completed in 1998. Sioux County was the last to be inventoried – 23,411 acres. A total of 635,575 acres were inventoried over 18 years, with a few years off for the drought in the late 1980s. Another 72,189 acres are included in management plans administered jointly by grazing associations and the U.S. Forest Service and do not require a condition inventory by the Land Department.

Range inventory information is the basis for land improvement projects and is also the base line against which we measure any long-term change in the land's condition. Maintenance inspections for comparison with the original inventory data are conducted by field personnel at least once every 5 years.

LAND IMPROVEMENT

We implemented 8 new grazing plans on 2,274 acres and continue to provide technical assistance for 114 on-going improvement projects covering 34,763 acres.

Livestock watering sites were improved with 15 dugouts/dams/wells receiving rent credits or cost amortization schedules. Cooperative trash site clean-ups were completed on 150 sites, with a grand total of 266 clean-ups being completed throughout the course of this program. We currently have 178 clean-up projects in progress. All of these practices work toward improving the overall leasability and condition of school trust lands.

EASEMENTS, RECLAMATION, AND AGGREGATE

The number of easements issued increased slightly from 54 last biennium to 64 this biennium. A lower level of activity in oil and gas easements was more than offset by two major transmission pipelines, the Maah-Daah-Hey recreational trail in the Badlands, and local communication upgrades. Two new oil well sites were constructed, reclamation was completed on six oil well sites with 26 oil well reclamation projects in progress.

The sale of construction aggregate totaled \$87,022. There were three active aggregate mines as of 6/30/99.

FORECLOSED PROPERTY

There were no properties acquired from the Board's Farm Loan Pool this biennium. On September 1, 1998, the contract with the State Treasurer and Bank of North Dakota (BND) to manage the Treasurer's foreclosed property was terminated because the property had been used as collateral for an issue of State bonds which were called for redemption. Upon termination of the contract we transferred 1,080.3 acres back to the BND.

Land Sales and Acquisitions 1997 - 1999

Acquisitions:	Acres
Adjustments to acres in the database	<u>11.95</u>
Total Acquisitions	11.95
Sales:	
Farm Loan Pool	280.00
NDCC ch. 15-06 (grant land)	<u>10.00</u>
Total Sales	290.00

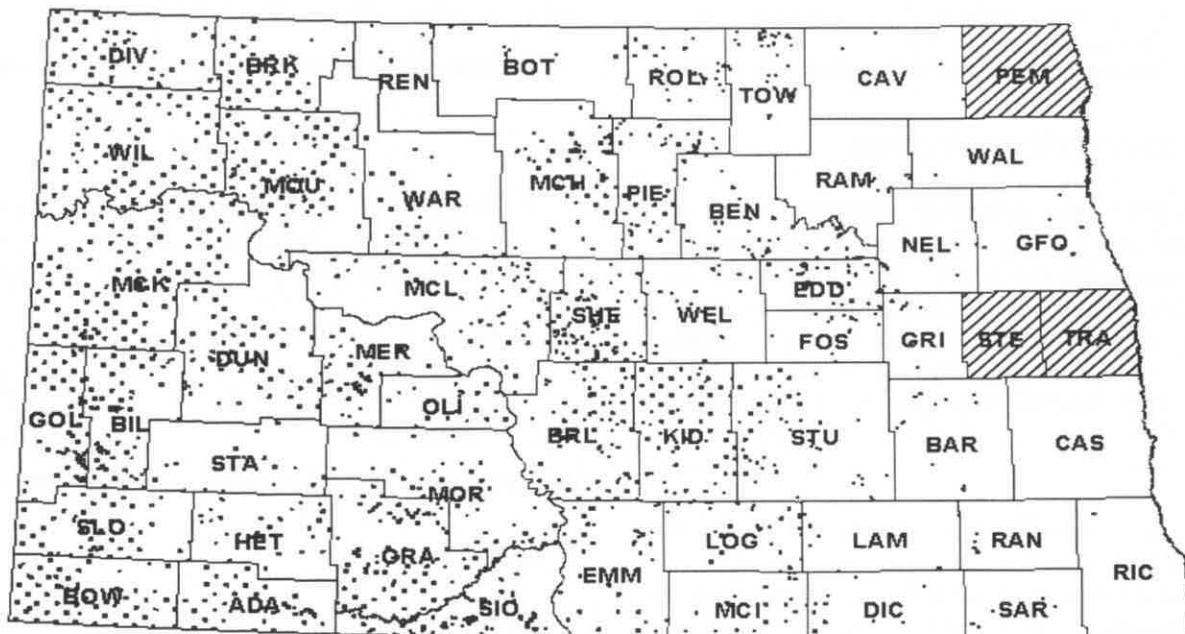
SUMMARY

A major advance this biennium was integrated use of the methodology for estimating the agricultural market value of land. This information, when combined with gross income and management costs, allowed the investment profit center to characterize land as one of the asset classes in our diversified investment portfolio. We also started a project to evaluate all lands producing a net cash return of 0% or less. This should be completed in the next biennium.

SURFACE ACRES BY COUNTY

As of June 30, 1999

County	Acres	County	Acres	County	Acres
Adams	17,115.78	Golden Valley	28,983.55	Ramsey	2,056.50
Barnes	2,803.32	Grant	33,638.72	Ransom	1,120.00
Benson	12,725.28	Griggs	1,741.24	Renville	1,910.12
Billings	31,073.71	Hettinger	9,879.60	Richland	513.68
Bottineau	3,597.94	Kidder	28,643.79	Rolette	6,835.92
Bowman	29,310.48	LaMoure	1,435.72	Sargent	1,127.79
Burke	16,119.43	Logan	9,404.92	Sheridan	25,825.02
Burleigh	27,874.66	McHenry	23,344.42	Sioux	23,411.56
Cass	45.47	McIntosh	7,157.50	Slope	23,605.98
Cavalier	596.47	McKenzie	64,714.78	Stark	6,142.64
Dickey	3,980.69	McLean	21,036.54	Stutsman	15,664.01
Divide	21,127.12	Mercer	14,969.40	Towner	8,076.00
Dunn	26,122.70	Morton	18,109.89	Walsh	201.02
Eddy	10,274.62	Mountrail	32,445.36	Ward	11,198.98
Emmons	14,596.80	Nelson	2,853.66	Wells	5,248.63
Foster	3,111.51	Oliver	7,588.41	Williams	38,399.32
Grand Forks	2,073.77	Pierce	14,300.93	Total	<u>714,135.35</u>



Distribution of State School Lands
 No School Land
 School Land



Unclaimed Property

The Unclaimed Property Division administers and enforces the Uniform Unclaimed Property Act (NDCC 47-30.1). The purpose of the Act is: to collect and safeguard property remitted by holders; to make efforts to locate owners, and to support the Common Schools Trust Fund with interest earned on the remaining unclaimed funds.

OVERVIEW

The Unclaimed Property Act has been in effect since July 1, 1975. Over the past 24 years there have been significant changes in the law and methods used to reach property owners. As a result, the Unclaimed Property Division has experienced a substantial increase in collections and claims. Total collections during the 1997-1999 biennium were \$5,696,168, an increase of 43% over the previous biennium. A total of 2,387 claims, an increase of 112%, were paid. The dollar amount of these claims, which returned property to the rightful owners, totaled \$2,864,000, up 164%.

ENFORCEMENT EFFORTS

During the 1997-1999 biennium, 44 holder audits were completed. Nineteen audits were car dealerships, seven were banks, four retail businesses, three TV cable companies, two hospitals, two title companies, two manufacturers, two colleges, a grain dealer, an apartment rental company and a restaurant franchise.

North Dakota is one of 37 states that have agreed to participate in the National Amnesty Program. We have agreed to waive interest and penalties to any holder who comes forward with past due property between January 1, 1999 and December 31, 1999. This program is a great opportunity for us to assist and educate holders about reporting requirements.

CLAIMS

After property is remitted to the Land Department, various attempts are made to locate owners by:

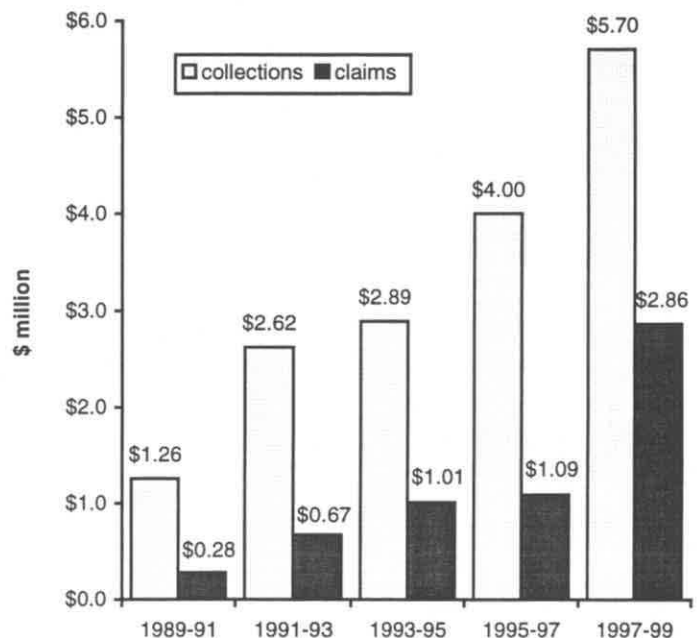
- Publishing a list of the names in the county of the owner's last known residence.
- Establishing a site on the ND State Land Department's Internet web site to provide claimants, holders and heirfinders with information and forms they may need to comply with the Unclaimed Property Act. The site also contains a search engine so potential claimants can see if the Unclaimed Property Division might hold any property for their benefit.
- Distributing educational brochures.
- Appearing on television and radio shows around the state to provide information to both claimants and holders.
- Making presentations at various community and business functions.
- Conducting holder seminars.
- Maintaining a booth during the ND State Fair to further educate both potential claimants and holders and to reunite owners with their funds.
- Codified the existing appeals process and allowed holder appeals to the appropriate district court.
- Restricted the audit review period to the current year of examination plus the seven fiscal years preceding the year of the audit.
- No third party contract examinations may be conducted within North Dakota.

1999 LEGISLATIVE CHANGES

The 1999 legislative assembly made the following changes to the Unclaimed Property Act.

Through a statement of legislative intent, the legislature required that the Administrator of Unclaimed Property give priority to audits of financial institutions and hospitals in the 1999-2001 biennium.

Unclaimed Property History of Collections and Claims (\$ Million)



Investments

The Investment Division is responsible for directing, implementing, coordinating and monitoring all aspects of the Land Department's investment program.

As of June 30, 1999, the total market value of investment assets managed by the Division was approximately \$555.2 million. The bulk of these assets (\$499 million) are owned by the 13 permanent education trusts under the Land Board's control, while the remainder are owned by the Coal Development, Land & Minerals, and Capitol Building Trust Funds. Listed below is a breakdown of the investment assets managed by the Division, by asset type:

- **Marketable Securities:** The total value of marketable securities managed by the Land Board as of June 30, 1999 was \$467.2 million. \$465.2 million of those securities are held in trust by our custodian bank, The Northern Trust Company, and are managed by investment professionals that are hired by the Land Board to achieve specific investment goals and objectives. The other \$2 million in marketable securities were purchased through the Bank of North Dakota (BND) and are held in custody at the Bank for the Land & Minerals and Capitol Building trusts.
- **Farm Loan Pool:** As of June 30, 1999, the total value of the Land Board's pool of farm real estate loans was \$53.3 million. Although the BND handles the day-to-day operations of the farm loan pool, the investment division works closely with the Bank in developing and implementing policies, goals and strategies for farm loans, and in monitoring and evaluating the program on an ongoing basis.
- **Loans To Political Subdivisions:** As of June 30, 1999, the Land Board had total outstanding loans, to various political subdivisions, of \$34.6 million. Legislatively directed loan programs from the Coal Development Trust Fund totaled \$29.1 million as of that date, and included \$24.1 million in school construction loans and \$5.0 million in loans to various energy impacted political entities. In addition, the common schools trust fund has two outstanding loans, totaling \$5.5 million, that date back to the building of group homes for the developmentally disabled in the early 1980s.

INVESTMENT GOALS AND OBJECTIVES

The type of investment assets owned by each trust managed by the Land Board is determined by the nature or purpose of the trust, and investment goals and objectives of the trust.

The 13 educational trusts managed by the Land Board are permanent in nature, and were established to provide funding for education in North Dakota, both today, and for future generations. The long range goal for the permanent trusts is to have an investment program in place that will allow both trust assets and distributions to beneficiaries, to increase at a rate that meets or exceeds the historic annual rate of inflation (4%/year) over time. To meet that goal, the Land Board has developed a long-term investment allocation plan that includes a well diversified portfolio of stocks, bonds and other financial assets.

The primary purpose of the Coal Development Trust Fund is to provide loans to political subdivisions, as directed by the legislature. The Land Board is responsible for administering the trust, and investing any moneys that have not been loaned. As of June 30, 1999, outstanding loans to political subdivisions totaled \$29.1 million, while the Land Board invested the remaining \$21.5 million of this fund's assets in marketable securities. Because of the limited authority the Land Board has over this trust, its assets are invested in a relatively short-term, high quality, bond portfolio, that can be liquidated as needed, to fund loan programs adopted by the legislature.

The expendable nature of the Land & Minerals and Capitol Building Trust Funds result in these trusts being invested in short-term, high quality, bonds and CDs, that have minimal chance of principal loss.

During the 1997-99 biennium, the Land Board's investment program continued the evolutionary process that began in 1990. Prior to 1990, the Land Board employed a passive investment strategy that involved buying and holding fixed income government securities (bonds) to maturity, regardless of the nature or purpose of the trust. Since that time, we have developed an investment program that incorporates the purpose and nature of each trust into an investment plan that meets the goals and objectives of the trust.

PERMANENT TRUST INVESTMENT ASSETS

Asset Allocation Study and Plan

In early 1995, the Land Board hired Yanni•Bilkey Investment Consulting to perform a study of the Land Board's investment program. This was the first time that a comprehensive study was done of the Land Board's investment program.

The two main conclusions of the study were that the permanent trusts needed to 1) increase exposure to equities (common stocks) if we wanted to grow trust assets at the rate of inflation, and 2) decrease the percentage of assets distributed each year from a rate of approximately 6.5% of assets to a rate closer to 5%.

Using the Yanni•Bilkey study as a base, Land Department staff developed a long-term investment plan for the permanent trusts that applies the investment theory presented in the study to the legal and fiscal realities that limit the Land Board's management of these assets. The asset allocation plan adopted in June 1995 will guide the management of the permanent trust investments for years to come.

The plan adopted by the Land Board:

- Gradually increases the permanent trusts' exposure to equity securities from approximately 24% of total assets in June 1995, to an amount closer to 60% or 65% of total assets. The transition will occur over a period of 10 or more years.
- Provides for small increases in distributions during the early years of the plan, as we work toward our ultimate goal of increasing distributions by 4% each year. Although the dollar amount distributed each biennium will increase, the amount distributed, as a

percentage of financial assets, will decrease from approximately 6.5% of assets to a rate closer to 5%.

- Decreases the permanent trusts' reliance on mineral royalties and bonuses as a source of trust growth. In the future, our investment assets will provide the bulk of permanent fund growth.
- Includes various safeguards that provide assurances that trust beneficiaries will receive stable or increasing distributions for years to come.
- Recognizes that our permanent educational trusts are not pension funds. These educational trust funds have different goals and objectives than pension funds, and therefore need to be managed differently.

For the first time in history, the Land Board has a long-range plan for managing the permanent trust investment assets entrusted to it by the people of North Dakota.

The schedule below shows how the permanent trusts' total financial assets and distributions have grown since our current investment plan was first adopted in June 1995. It also shows how the asset allocation of the permanent trusts has changed over the same time period.

During past four years, total financial assets have increased by over \$137 million (37.9%), from \$362 million in June 1995 to \$499.03 million as of June 30, 1999. During that same time period, the permanent trusts' asset allocation went from an allocation that was approximately 76% fixed income and cash equivalents and 24% equities, to an allocation that is approximately 56% fixed income and cash equivalents and 44% equities.

CHANGES IN TARGET ASSET ALLOCATION & DISTRIBUTIONS SINCE JUNE 1995								
Date	Total Financial Assets	Fixed Income	Cash Equiv.	Convertible Securities	Sm/Mid Cap Equities	Large Cap Equities	Intl. Securities	Distributed FY Ended
6/30/95	\$ 362,000,000	\$ 270,820,000 74.8%	\$ 3,980,000 1.1%	\$ 28,300,000 7.8%	\$ - 0.0%	\$ 58,900,000 16.3%	\$ - 0.0%	\$ 24,721,000
6/30/96	\$ 389,000,000	\$ 248,182,000 63.8%	\$ 3,890,000 1.0%	\$ 28,976,000 7.4%	\$ 28,976,000 7.4%	\$ 50,000,000 12.9%	\$ 28,976,000 7.4%	\$ 24,995,000
6/30/97	\$ 427,690,000	\$ 257,042,000 60.1%	\$ 4,278,000 1.0%	\$ 38,393,000 9.0%	\$ 38,393,000 9.0%	\$ 51,191,000 12.0%	\$ 38,393,000 9.0%	\$ 24,995,000
6/30/98	\$ 465,115,000	\$ 266,046,000 57.2%	\$ 4,651,000 1.0%	\$ 44,716,000 9.6%	\$ 44,716,000 9.6%	\$ 60,270,000 13.0%	\$ 44,716,000 9.6%	\$ 25,377,000
6/30/99	\$ 499,025,000	\$ 273,466,000 54.8%	\$ 4,990,000 1.0%	\$ 50,731,000 10.2%	\$ 50,731,000 10.2%	\$ 68,376,000 13.7%	\$ 50,731,000 10.2%	\$ 25,377,000

**SUMMARY OF PERMANENT EDUCATIONAL TRUST FIXED INCOME ASSETS MANAGED FOR YIELD
FOR PERIODS ENDED JUNE 30, 1998 AND JUNE 30, 1999**

Manager/Asset Class	6/30/99 Alloc. (\$ million)	% of Total Portfolio	Qtr Ended 6/30/99	FY Ended 6/30/98	FY Ended 6/30/99
BND	\$ 86.41	17.3%	7.58%	7.62%	7.58%
P&R Long Term	\$108.89	21.8%	7.37%	7.48%	7.40%
Avg. Yield on Cost – Fixed Income Securities	\$195.30	39.1%	7.46%	7.54%	7.48%
Benchmark Yield for Fixed Income Securities			7.25%	7.25%	7.25%
Farm Loan Pool	\$ 53.30	10.7%	8.12%	8.30%	8.14%
DD Loans #2 & #3	\$ 5.52	1.1%	10.70%	10.70%	10.70%
Avg. Yield on Cost – Loans	\$ 58.82	11.8%	8.37%	8.56%	8.40%
Avg. Yield on Cost - All Fixed Income Investments	\$254.12	50.9%	7.67%	7.77%	7.68%
Yield Requirement per Asset Allocation Schedule			7.50%	7.50%	7.50%

Fixed Income Investments

In adopting the asset allocation plan, the Land Board made a conscious decision that it could no longer look at fixed income assets on a total return basis, as pensions and most other institutional investors do. Rather, the Land Board decided that the objective of our fixed income portfolio is to generate the long-term, predictable, income and cash flows needed to meet distribution goals, while we gradually increase the permanent trust funds' exposure to equity securities.

To meet this objective, we built a fixed income portfolio that consists primarily of high quality, relatively high yielding loans and fixed income securities. This portfolio is managed in more of a "buy and hold" manner than most institutional fixed income portfolios. The fixed income assets managed in this yield-oriented strategy include long-term, government and corporate fixed income securities, as well as farm real estate loans and developmentally disable loans #2 and #3. The total amount invested in this yield-oriented portfolio was over \$254 million as of June 30, 1999.

The goal of the yield-oriented portion of our fixed income investment portfolio is to maintain an average yield on cost of 7.50% or greater. During the biennium this goal was exceeded, with the yield-oriented fixed income investments generating an average yield on cost of 7.77% during the fiscal year ended June 30, 1998, and 7.68% during the fiscal year ended June 30, 1999.

In early 1999, the Land Board added a high yield bond component to the permanent trusts' total fixed income portfolio. Although these non-investment grade securities have a somewhat higher risk than our other fixed income investments, adding them to our asset mix

helps reduce overall risk by adding diversification to our portfolio, while still providing the yield we need. Due to the nature of high yield bonds, this portfolio is not managed for yield, but is managed on a total return basis. As of June 30, 1999, the total value of our high yield bond portfolio was \$14.6 million.

The fixed income asset base established for the permanent trusts during the biennium will help ensure the Land Board meets its long range distribution goals.

Equity Securities

The purpose of the permanent trusts' equity portfolio is to provide the growth needed to reach our ultimate goal of increasing trust growth, and distributions, at the rate of inflation. The Yanni•Bilkey study recommended that if we wanted to meet that goal, we needed to increase the permanent trusts' exposure to equity securities and further diversify the equity portfolio.

When the Land Board adopted the asset allocation plan in June of 1995, it recognized the need to increase the permanent trusts' exposure to equity securities. However, we realized that it could not shift 60% of trust assets to equity securities without decreasing distributions to beneficiaries. The Land Board therefore adopted a plan that will slowly increase the permanent trusts' exposure to equity securities over a period of 10 or more years.

The permanent trusts' equity asset mix includes allocations to large cap U.S. equities, small and mid cap U.S. equities, international equities and convertible securities. The current weighting of each asset class in our equity portfolio is based on the Yanni•Bilkey study that was completed in 1995.

Over the past two years, the percentage of permanent trust assets invested in equity securities increased from 39.0% on June 30, 1997 to 44.7% on June 30, 1999. Over the same period, the market value of our amount invested in equity securities increased from \$166.4 million to \$223.3 million.

The increase in both the dollar amount and percentage of assets invested in equity securities is directly related to the higher than average returns generated by U.S. equity markets over the past four years, plus the Land Board's conscious decision to increase equities in the portfolio. Since the plan was implemented in August 1995, the combined equity and convertible securities portfolio has earned an annualized total return of 17.52%. For the biennium, the combined equity and convertible securities portfolio earned an annualized total return of 15.40%. Because our equity portfolio has

earned returns far greater than the 10% historic average used to create the asset allocation schedule, we are now almost three years, and over \$66 million in total assets, ahead of where we expected to be when we first adopted the asset allocation plan.

Although we realize that equity markets will most likely not continue to provide the above average returns we have seen over the past four years, the Land Board is committed to long-term investing in equity securities.

The schedule below summarizes the position of our combined equity and convertible securities portfolio as of June 30, 1999, and its performance since the Board first implemented the permanent trusts' current asset allocation plan in August 1995.

PERMANENT EDUCATIONAL TRUST EQUITY & CONVERTIBLE NET RETURNS FOR PERIODS ENDED JUNE 30, 1999								
<u>Asset Class</u> <u>MANAGER</u> <u>Index</u>	<u>6/30/99</u> <u>Allocation</u> <u>(\$ mil.)</u>	<u>% of</u> <u>Total</u> <u>Portfolio</u>	<u>Last</u> <u>Qtr.</u> <u>(%)</u>	<u>Last 1</u> <u>Year</u> <u>(%)</u>	<u>Last 2</u> <u>Years</u> <u>(%)</u>	<u>Last 5</u> <u>Years</u> <u>(%)</u>	<u>Since</u> <u>Inception</u> <u>(%)</u>	<u>Inception</u> <u>Date</u>
Large Cap U.S. Equities								
SSGA S&P 500 Index Fund	\$71.04	14.2%	7.01	22.67	N/A	N/A	28.58	2/1/98
S&P 500			7.05	22.76	N/A	N/A	28.66	
Small/Mid Cap U.S. Equities								
NTGA SMALL/MID CAP	\$51.82	10.4%	17.84	13.69	16.58	N/A	17.66	3/1/96
NTGA Benchmark (composite index + 2.00%)			15.49	7.90	14.11	N/A	14.89	
International Equities								
SSGA INTERNATIONAL	\$48.43	9.7%	2.72	N/A	N/A	N/A	7.07	3/1/99
MSCI EAFE			2.54	N/A	N/A	N/A	6.82	
Convertible Securities								
TCW	\$51.99	10.4%	6.73	16.51	18.17	16.62	13.30	6/30/90
First Boston Convertible			7.54	11.69	12.83	14.61	13.39	
Combined Equity and Convertibles	\$223.28	44.7%	8.34	13.96	15.40	N/A	17.52	8/1/95
All total return figures for periods of 1 year or greater have been annualized.								

MONITORING AND EVALUATING PERFORMANCE

Prior to fiscal year 1997, the Land Board's efforts in the investment area were directed primarily towards adopting and implementing an asset allocation plan for the permanent trusts. Now that a plan is in place, we have changed our focus from implementation to monitoring, evaluating, and enhancing the performance of the plan.

The Land Board has historically relied on the services of investment consultants to evaluate the performance of its investment program, perform manager searches, and provide other services. Over the past few years we have come to realize that because of the unique nature of our trusts, and the some of the assets we own, most investment consultants don't really know how to add

value to our investment program. Because we know our trusts better than anyone, the Land Board elected to decrease its reliance on outside investment consultants during the biennium.

The Investment Division now prepares quarterly performance reports for the Board that summarize the performance of our investment program, and compare it to established benchmarks and goals. We have also begun to perform our own money managers searches.

Efforts to bring more investment-related functions in-house during the biennium have helped us better manage the permanent trust assets under our control, and should help us continue to maximize returns, and reduce risks, well into the future.

LAND AS AN ASSET CLASS

On October 29, 1998, the Land Board made a historic decision when it officially designated surface lands as an asset class, to be managed within the Board's total investment portfolio. This decision was a direct result of a study performed by the Investment and Surface Management Divisions, during which we sought to quantify the true financial impact that surface lands have on the permanent trusts' overall portfolio of assets.

During the study, we built a database of historic returns that would closely reflect the yearly income and appreciation pattern of the permanent trusts' surface lands. Thirty years of annual land price and rental data, compiled by the Agricultural Statistics Service of the USDA, were used as a base. This data was then adjusted for known differences between state trust lands and statewide land values and rental rates. The result was a 30-year theoretical annual price appreciation and rental history, that we feel closely resembles the earnings potential of the permanent trusts' surface lands over that time frame.

Using this history, we worked with one of our money managers to measure the risk and return characteristics of permanent trust surface lands. We then compared those characteristics to, and modeled them against, the other assets owned by the permanent trusts.

The results of our study indicated that:

- Surface lands have many equity-like characteristics. The return earned from land includes both an income component (rents) and an equity (ownership) component (increases and decreases in value over time).
- Surface lands earn less than stocks, but more than bonds, over time.
- Because the return pattern of surface lands has a negative correlation to the other assets we own, it has a stabilizing effect on our overall portfolio of assets.

This study, along with the Land Board's declaration of land as an asset class, will have major implications on how we manage the assets of the permanent trusts for years to come.

Minerals Management

The Minerals Management Division administers mineral interests held in trust for the benefit of various schools and institutions of North Dakota. The Division also administers mineral interests formerly owned by the Bank of North Dakota, plus the minerals under navigable rivers and lakes.

State-owned Mineral Acres Leased for Oil and Gas as of 6-30-99 (Includes only counties with active leases)

County	Owned	Leased	County	Owned	Leased
Adams	58,206	8	McLean*	121,439	18,552
Billings*	59,990	37,079	Mercer	60,508	8,102
Bottineau*	37,045	13,642	Mountrail*	103,000	39,157
Bowman*	63,229	27,252	Pierce	51,487	60
Burke*	47,968	37,655	Renville*	24,251	8,460
Divide*	72,473	34,600	Rolette	29,588	1,025
Dunn*	89,359	29,025	Slope*	53,282	18,209
Golden Valley*	41,883	15,595	Stark*	54,187	25,827
Hettinger*	54,106	2,259	Ward*	76,250	33,031
McHenry*	66,750	7,290	Williams*	90,966	46,771
McKenzie*	137,640	73,237			
			Total	<u>1,393,825</u>	<u>477,159</u>

*Counties with oil and gas production

ROYALTY AUDIT AND COMPLIANCE

During the 1997-99 biennium, royalty compliance and audit efforts resulted in total collections of \$153,540. This figure includes \$56,121 in royalty compliance collections and \$97,419 in royalty audit collections from companies submitting incorrect reports and payments. Compliance and audit collections are royalties and interest collected through detailed reviews of past royalty payments.

OIL AND GAS ACTIVITY

The Bowman County Red River "B" formation activity in the 97-99 biennium continued to be a highlight in North Dakota. The two principal oil companies, Burlington Resources Oil and Gas Company and Continental Resources, Inc. have drilled 175 horizontal wells in the Cedar Hills Field. The companies are trying to unitize the area and also the West Medicine Pole Hills field. These two companies have different ideas about how the units should be formed. Their difference of opinion on this subject is stalling the unitization process, and until they reach an agreement, the North Dakota Industrial Commission has curtailed production from the Cedar Hills Field.

Stark County continues to be the highest producing county in North Dakota. The Lodgepole fields, that have yielded tremendous volumes of oil from relatively small fields, have been successfully unitized. One of these fields, the Eland field, increased from 300 barrels per day to over 12,000 barrels per day.

Mineral Division Receipts

	<u>1995-1997</u>	<u>1997-1999</u>
Oil and gas royalty	\$12,094,334	\$10,676,657
Oil and gas bonus	\$11,921,769	\$2,207,646
Coal royalty	\$4,431,305	\$2,526,429
Oil and gas rental	\$1,281,180	\$878,974
Testholes and Damages	\$139,735	\$248,524
Royalty/collection efforts	\$421,986	\$153,540
TOTAL	<u>\$30,511,958</u>	<u>\$16,691,7708</u>

Oil and Gas Leasing Activity

	<u>1995-1997</u>	<u>1997-1999</u>
Gross Mineral Acres Owned*	2,549,047	2,552,108
Acres Under Lease	623,653	477,159
# of Oil/Gas Lease Sales	8	8
Net Mineral Acres Leased	379,318	103,777
Ave.Bonus/Net Mineral Acre	\$31.33	\$21.27

**Approximate acreage only. Total acreage will vary due to estimates of the acreage owned by the state under navigable rivers and lakes.*

Horizontal drilling technology has generated renewed interest throughout the Williston Basin. Many Canadian companies have been looking to extend their production through leases in North Dakota, especially in the northern counties.

With the fall in oil prices came a fall in interest in our oil and gas leases. The 1997-99 lease sales generated \$2,207,646 in bonuses for the State Land Department and \$65,250 for the Board of Higher Education.

COAL PRODUCTION

Total coal royalty revenue for this biennium was \$2,526,429. Coteau Properties Company and Knife River Mining Company were actively mining tracts where the state owned a mineral interest.

OIL AND GAS LEASE SALE RESULTS

North Dakota State Minerals

COUNTY		Aug-97	Nov-97	Feb-98	May-98	Aug-98	Nov-98	Feb-99	May-99	TOTAL
ADAMS	TOTAL \$	\$0.00	\$20.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$20.00
	MIN. ACRES	0.00	20.00	0.00	0.00	0.00	0.00	0.00	0.00	20.00
	\$/MIN ACRE	\$0.00	\$1.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$1.00
BILLINGS	TOTAL \$	\$0.00	\$8,880.00	\$130,409.60	\$70,182.14	\$166,976.98	\$0.00	\$3,360.00	\$4,279.64	\$384,088.36
	MIN. ACRES	0.00	80.00	1,282.28	709.64	3,017.43	0.00	320.00	379.82	5,789.17
	\$/MIN ACRE	\$0.00	\$111.00	\$101.70	\$98.90	\$55.34	\$0.00	\$10.50	\$11.27	\$66.35
BOTTINEAU	TOTAL \$	\$6,521.60	\$0.00	\$356.72	\$169.97	\$0.00	\$0.00	\$80.00	\$0.00	\$7,128.29
	MIN. ACRES	840.52	0.00	356.72	169.97	0.00	0.00	80.00	0.00	1,447.21
	\$/MIN ACRE	\$7.76	\$0.00	\$1.00	\$1.00	\$0.00	\$0.00	\$1.00	\$0.00	\$4.93
BOWMAN	TOTAL \$	\$0.00	\$800.00	\$0.00	\$7,120.00	\$1,840.00	\$10,111.39	\$35,200.00	\$43,550.00	\$98,621.39
	MIN. ACRES	0.00	800.00	0.00	80.00	80.00	1,180.87	640.00	1,670.00	4,450.87
	\$/MIN ACRE	\$0.00	\$1.00	\$0.00	\$89.00	\$23.00	\$8.56	\$55.00	\$26.08	\$22.16
BURKE	TOTAL \$	\$0.00	\$0.00	\$0.00	\$236.70	\$0.00	\$27,880.00	\$0.00	\$0.00	\$28,116.70
	MIN. ACRES	0.00	0.00	0.00	165.70	0.00	400.00	0.00	0.00	565.70
	\$/MIN ACRE	\$0.00	\$0.00	\$0.00	\$1.43	\$0.00	\$69.70	\$0.00	\$0.00	\$49.70
DIVIDE	TOTAL \$	\$98,299.25	\$574,569.65	\$6,755.18	\$29,880.00	\$0.00	\$639.92	\$0.00	\$12,720.00	\$722,864.00
	MIN. ACRES	6,890.83	12,729.72	1,215.13	1,880.00	0.00	319.12	0.00	280.00	23,314.80
	\$/MIN ACRE	\$14.27	\$45.14	\$5.56	\$15.89	\$0.00	\$2.01	\$0.00	\$45.43	\$31.00
DUNN	TOTAL \$	\$0.00	\$54,367.52	\$1,680.00	\$17,493.95	\$200.00	\$160.00	\$4,640.00	\$1,360.00	\$79,901.47
	MIN. ACRES	0.00	2,258.72	800.00	626.82	160.00	160.00	480.00	800.00	5,285.54
	\$/MIN ACRE	\$0.00	\$24.07	\$2.10	\$27.91	\$1.25	\$1.00	\$9.67	\$1.70	\$15.12
G. VALLEY	TOTAL \$	\$5,910.27	\$0.00	\$43,075.69	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$48,985.96
	MIN. ACRES	1,117.47	0.00	3,564.91	0.00	0.00	0.00	0.00	0.00	4,682.38
	\$/MIN ACRE	\$5.29	\$0.00	\$12.08	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$10.46
HETTINGER	TOTAL \$	\$0.00	\$0.00	\$480.00	\$408.00	\$0.00	\$0.00	\$0.00	\$0.00	\$888.00
	MIN. ACRES	0.00	0.00	480.00	408.00	0.00	0.00	0.00	0.00	888.00
	\$/MIN ACRE	\$0.00	\$0.00	\$1.00	\$1.00	\$0.00	\$0.00	\$0.00	\$0.00	\$1.00
McHENRY	TOTAL \$	\$0.00	\$0.00	\$0.00	\$560.00	\$0.00	\$0.00	\$0.00	\$0.00	\$560.00
	MIN. ACRES	0.00	0.00	0.00	560.00	0.00	0.00	0.00	0.00	560.00
	\$/MIN ACRE	\$0.00	\$0.00	\$0.00	\$1.00	\$0.00	\$0.00	\$0.00	\$0.00	\$1.00
MCKENZIE	TOTAL \$	\$171,602.31	\$20,761.31	\$9,042.90	\$0.00	\$2,640.00	\$2,718.40	\$0.00	\$0.00	\$206,764.92
	MIN. ACRES	5,296.65	1,252.31	3,020.40	0.00	720.00	1,513.45	0.00	0.00	11,802.81
	\$/MIN ACRE	\$32.40	\$16.58	\$2.99	\$0.00	\$3.67	\$1.80	\$0.00	\$0.00	\$17.52
MOUNTRAIL	TOTAL \$	\$9,800.00	\$156,502.15	\$24,708.06	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$191,010.21
	MIN. ACRES	160.00	8,880.75	1,266.50	0.00	0.00	0.00	0.00	0.00	10,307.25
	\$/MIN ACRE	\$61.25	\$17.62	\$19.51	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$18.53
RENVILLE	TOTAL \$	\$16,470.19	\$0.00	\$13,753.38	\$80.00	\$3,274.00	\$0.00	\$0.00	\$0.00	\$33,577.57
	MIN. ACRES	1,359.02	0.00	246.58	80.00	393.00	0.00	0.00	0.00	2,078.60
	\$/MIN ACRE	\$12.12	\$0.00	\$55.78	\$1.00	\$8.33	\$0.00	\$0.00	\$0.00	\$16.15
SLOPE	TOTAL \$	\$0.00	\$0.00	\$0.00	\$1,850.24	\$0.00	\$0.00	\$0.00	\$0.00	\$1,850.24
	MIN. ACRES	0.00	0.00	0.00	1,850.24	0.00	0.00	0.00	0.00	1,850.24
	\$/MIN ACRE	\$0.00	\$0.00	\$0.00	\$1.00	\$0.00	\$0.00	\$0.00	\$0.00	\$1.00
STARK	TOTAL \$	\$0.00	\$34,482.00	\$1,280.00	\$7,360.00	\$5,360.00	\$240.00	\$1,172.29	\$1,280.00	\$51,174.29
	MIN. ACRES	0.00	923.00	480.00	320.00	440.00	160.00	403.57	160.00	2,886.57
	\$/MIN ACRE	\$0.00	\$37.36	\$2.67	\$23.00	\$12.18	\$1.50	\$2.90	\$8.00	\$17.73
WARD	TOTAL \$	\$136,692.18	\$0.00	\$514.00	\$21,659.03	\$0.00	\$246.64	\$0.00	\$122.00	\$159,233.85
	MIN. ACRES	6,546.23	0.00	122.00	2,587.87	0.00	61.66	0.00	122.00	9,439.76
	\$/MIN ACRE	\$20.88	\$0.00	\$4.21	\$8.37	\$0.00	\$4.00	\$0.00	\$1.00	\$16.87
WILLIAMS	TOTAL \$	\$55,353.81	\$180,539.10	\$3,816.95	\$3,884.27	\$12,240.00	\$0.00	\$2,052.00	\$0.00	\$257,886.13
	MIN. ACRES	2,827.12	9,861.70	213.13	3,244.27	880.00	0.00	1,532.00	0.00	18,558.22
	\$/MIN ACRE	\$19.58	\$18.31	\$17.91	\$1.20	\$13.91	\$0.00	\$1.34	\$0.00	\$13.90
TOTALS	TOTAL \$	\$500,649.61	\$1,030,921.73	\$235,872.48	\$160,884.30	\$192,530.98	\$41,996.35	\$46,504.29	\$63,311.64	\$2,272,671.38
	MIN. ACRES	25,037.84	36,806.20	13,047.65	12,682.51	5,690.43	3,795.10	3,455.57	3,411.82	103,927.12
	\$/MIN ACRE	\$20.00	\$28.01	\$18.08	\$12.69	\$33.83	\$11.07	\$13.46	\$18.56	\$21.87

Energy Development Impact Office

The Energy Development Impact Office (EDIO) came into existence in 1975 when the Legislature authorized the Coal Development Impact Program under N.D.C.C. Ch. 57-62. On July 1, 1989, the EDIO was combined with the State Land Department and is currently under the direction of the Board of University and School Lands. The coal program began in 1975 and expired in 1989. The Oil Impact Grant Program began in 1981 and is still in existence.

During the 1997-1999 biennium, the Oil Impact Grant Program helped reduce the financial hardships of local political subdivisions which resulted directly from activities of the oil industry. The program is funded from 6.67% of the Oil & Gas Gross Production Tax. For the 1997-1999 biennium, that allocation amounted to approximately \$3.13 million. The allocation cannot exceed \$5 million for a biennium.

During the 1997-1999 biennium, the office conducted two grant rounds, one in the spring of 1998 and the other in the spring of 1999.

To receive funding, applicants must show:

1. That oil activity in the area has created a financial hardship which cannot be handled without help from the Oil Impact Grant Program; and
2. That the project will alleviate the hardship that resulted from oil activity; and
3. That the applicant's financial resources to handle the project are insufficient (this implies that the applicant has made a diligent local taxing effort to accomplish its goal).

1997-99 Biennium Oil Impact Grant Applications and Awards

Summary by County

County	\$ Requested	\$ Awarded	%
Billings	\$929,000	\$0	0
Bottineau	\$1,065,950	\$288,400	7
Bowman	\$4,630,606	\$984,000	31
Burke	\$799,995	\$179,000	6
Divide	\$283,500	\$112,000	4
Dunn	\$342,000	\$125,500	4
G. Valley	\$540,910	\$126,000	4
McKenzie	\$315,255	\$33,500	1
McLean	\$24,500	\$2,500	0
Mountrail	\$1,093,357	\$208,500	7
Renville	\$834,668	\$218,400	7
Slope	\$282,400	\$49,000	2
Stark	\$2,758,101	\$316,400	10
Ward	\$19,300	\$6,750	0
Williams	\$5,075,501	\$540,050	17
TOTAL	\$18,995,043	\$3,130,000	100

1997-99 Biennium Oil Impact Grant Applications and Awards

Summary by Class of Subdivision

Class	\$ Requested	\$ Awarded	%
County	\$7,726,801	\$1,611,000	51
School	\$979,631	\$132,500	4
City	\$6,865,287	\$581,400	19
Park District	\$325,500	\$7,500	0
Airport Auth.	\$105,000	\$30,000	1
Township	\$2,077,299	\$539,600	17
Fire District	\$915,525	\$228,000	7
TOTAL	\$18,995,043	\$3,130,000	100

These funds are awarded by the EDIO Director following visits with the local political subdivisions requesting the funding. Following these visits, the Director considers information received during these meetings, the information included in the application, and any other compiled data relating to oil production, oil taxation, and property taxation. Information is also obtained through the state's mainframe computer from the Oil & Gas Division of the Industrial Commission showing oil wells, oil production, and salt water production, which helps establish the degree of oil-related traffic in each township. Also, the EDIO collects oil tax and property tax data from various sources, including the State Treasurer's Office, the State Tax Commissioner's Office, the State Department of Public Instruction, and the ND League of Cities.

The tables on this page summarize the amounts allocated by county and by class of subdivision for the oil impact grant program. Counties and townships accounted for 68% of the total amount awarded, most of which was for road projects. Cities accounted for 19% of the total. Local political subdivisions in Bowman, Stark and Williams Counties received over 58% of the funds allocated. A list of individual grants made during the 1997-99 biennium is available upon request. Altogether, the EDIO allocated a total of \$3,130,000 during the 1997-99 biennium. A total of 340 grants were issued in the two grant rounds to counties, cities, townships, schools, fire and ambulance districts and other local units of government in an area west of a line from Bottineau to Bowman. The EDIO is a program that successfully channels financial help to where it is most needed, at minimum operational expense to the State of North Dakota.

Permanent Funds

Statement of Permanent and Other Fund Balances

<u>Permanent Funds</u>	<u>6/30/91</u>	<u>6/30/93</u>	<u>6/30/95</u>	<u>6/30/97</u>	<u>6/30/99</u>
Common Schools	\$276,327,530	\$303,045,662	\$335,628,415	\$406,970,774	\$475,862,279
North Dakota State University	7,013,480	7,002,337	7,584,107	8,807,652	9,730,582
School for the Blind	1,376,169	1,396,916	1,496,580	1,721,682	1,881,773
School for the Deaf	1,923,245	1,971,504	2,137,545	2,446,895	2,706,405
State Hospital	1,893,248	1,869,974	2,063,728	2,432,512	2,727,359
Ellendale State College	1,342,298	1,322,037	1,442,372	1,641,213	1,773,675
Valley City State University	1,698,280	1,672,499	1,842,060	2,056,278	2,212,559
Mayville State University	1,167,676	1,143,678	1,246,220	1,464,346	1,588,307
Industrial School	2,554,040	2,561,269	2,941,052	3,385,943	3,764,455
State College of Science	1,651,157	1,840,365	2,007,177	2,476,161	2,697,977
School of Mines	1,903,550	1,900,596	2,063,631	2,528,256	2,823,516
Veterans Home	1,252,385	1,327,896	1,440,488	2,010,278	2,216,217
University of North Dakota	3,208,812	3,163,351	3,523,278	4,152,855	4,729,112
Total permanent fund balance	\$303,311,870	\$330,218,084	\$365,416,653	\$442,094,845	\$514,714,216
Other Funds					
Capitol Building Fund	\$2,395,539	\$908,306	\$1,243,984	\$1,078,750	\$540,180
Abandoned Property Fund	4,671,089	1,121,005	868,000	1,420,000	2,406,724
Coal Development Fund	44,215,404	44,088,246	49,662,268	50,284,987	51,187,980
Land & Minerals Fund	2,207,762	688,500	1,752,130	5,509,559	2,785,812
Total other fund balance	\$53,489,974	\$46,806,057	\$53,526,382	\$58,293,296	\$56,920,696

Permanent Funds have been restated from cost to fair market value according to the Governmental Accounting Standards Board's Statement 31.

Schedule of Permanent Trust Receipts

<u>Description</u>	<u>7/89 to 6/91</u>	<u>7/91 to 6/93</u>	<u>7/93 to 6/95</u>	<u>7/95 to 6/97</u>	<u>7/97 to 6/99</u>
Oil and gas royalty	\$11,410,466	\$10,112,213	\$7,202,485	\$10,424,130	\$9,315,719
Oil and gas bonus	5,169,048	1,343,844	5,559,280	8,474,892	1,646,735
Coal royalty	301,788	1,358,942	2,736,172	4,090,174	2,519,267
Gravel and scoria royalty	31,229	202,743	159,375	59,395	87,024
Test holes and damages	406,575	457,664	262,117	139,575	247,458
Land sold	1,072,067	1,826,579	5,936	8,240	19
Total permanent fund receipts	\$18,391,173	\$15,301,985	\$15,925,365	\$23,196,406	\$13,816,222

Schedule of Distributions from Permanent Trusts

<u>Permanent Funds</u>	<u>7/89 to 6/91</u>	<u>7/91 to 6/93</u>	<u>7/93 to 6/95</u>	<u>7/95 to 6/97</u>	<u>7/97 to 6/99</u>
Common Schools	\$45,233,365	\$45,233,366	\$45,233,366	\$45,700,000	\$46,400,000
North Dakota State University	1,411,000	1,108,000	1,102,818	1,108,600	1,125,200
School for the Blind	270,000	212,000	212,000	214,200	217,400
School for the Deaf	366,000	314,000	314,000	317,200	322,000
State Hospital	357,000	262,000	236,831	259,800	263,700
Ellendale State College	276,850	225,400	225,400	227,598	231,000
Valley City State University	342,000	276,000	276,000	278,800	283,000
Mayville State University	231,000	190,000	186,412	184,600	187,400
Industrial School	491,000	386,000	355,037	367,400	372,900
State College of Science	320,000	270,000	270,000	272,800	276,900
School of Mines	373,000	274,000	274,000	276,800	281,000
Veterans Home	242,000	206,000	206,000	218,600	221,900
University of North Dakota	679,000	558,000	558,000	563,600	572,000
Total	\$50,592,215	\$49,514,766	\$49,449,864	\$49,989,998	\$50,754,400

Income from the assets held by the Ellendale Trust are allocated equally among the following institutions: Dickinson State University, Minot State University, NDSU-Bottineau, School for the Blind, Veterans Home, State Hospital, and State College of Science. The benefits of the original grant to the School of Mines are distributed to the University of North Dakota.

Schedule of Interest and Income Receipts

<u>Description</u>	<u>7/89 to 6/91</u>	<u>7/91 to 6/93</u>	<u>7/93 to 6/95</u>	<u>7/95 to 6/97</u>	<u>7/97 to 6/99</u>
Interest on securities	\$44,813,082	\$35,232,232	\$30,987,485	\$39,710,708	\$40,333,841
Interest on loans	11,248,168	10,719,485	8,186,649	9,380,685	9,845,160
Interest on contracts	246,148	150,689	40,332	13,214	19,495
Oil and gas lease rentals	611,480	516,450	411,086	916,904	608,173
Surface rentals	4,894,185	5,995,034	6,792,743	7,268,753	7,513,652
Realized gains/Losses on investments ⁽¹⁾	238,943	9,974,637	4,356,422	23,560,903	17,187,226
Gain on sale of Farm Real Estate	129,946	318,503	0	0	13,348
Interest penalty	155,618	122,592	329,001	119,133	107,700
Total interest & income receipts	\$62,337,570	\$63,029,622	\$51,103,718	\$80,970,300	\$75,628,595

⁽¹⁾ NDCC 15-03-05.1 states that 1/10th of net realized gains/losses are available for distribution in a given fiscal year.

Permanent Trusts Financial Statements

The Nonexpendable Trusts were created in section 11 through 19 of the Enabling Act of 1889. Article IX of the Constitution and section 15-01-02 of the North Dakota Century Code describe in further detail the use of the funds for these trusts.

Balance Sheet (As of June 30, 1999)

Assets:

Cash	\$2,257,080
Interest receivable	5,503,593
Contracts receivable	74,049
Farm real estate loans	51,656,890
Due from other state agencies	214,800
Due from other funds	139,409
Investments	440,099,649
Advances due from other funds	5,523,738
Farm real estate owned	1,165,094
Land	6,976,263
Office building (net of depreciation)	1,103,657
Total assets	<u>\$514,714,222</u>

Liabilities:

Accounts payable	\$135,010
Due to other state agencies	93,698
Advance due to other funds	1,272,536
Total liabilities	<u>\$1,501,244</u>

Equity:

Fund balance	
Trust principal	\$507,709,385
Accrued income to be allocated	5,503,593
Total equity	<u>\$513,212,978</u>
Total liabilities and equity	<u>\$514,714,222</u>

Statement of revenues, expenses & changes in Fund equity for fiscal years 1998 and 1999

Operating Revenues:

Interest income:	
Investments	\$40,336,513
Contracts	19,495
Farm real estate loans	8,583,411
Developmentally Disabled Facility	
Loan Fund Programs No. 2 & 3	1,261,749
Change in Market Value of Investments	48,446,911
Securities Lending Income	300,783
Royalties and bonuses	13,926,552
Rental income	8,296,296
Gain on sale of land	23,253
Total operating revenues	<u>\$121,194,963</u>

Operating expenses:

Farm real estate in-lieu taxes	\$156,360
Administrative expenses	1,211,489
Investment and accounting fees	2,475,109
Securities Lending expense	209,608
Depreciation expense on building	78,400
Total operating expenses	<u>\$4,130,966</u>
Operating income	<u>\$117,063,997</u>

Nonoperating revenues (expenses):

Oil extraction tax	\$2,543,795
Total nonoperating revenues	<u>\$2,543,795</u>
Income before operating transfers	<u>\$119,607,792</u>

Operating transfers:

Transfers to Public instruction	(\$50,754,400)
Transfer from Abandoned Property Fund	2,291,185
Total operating transfers	<u>(\$48,463,215)</u>

Net income \$71,144,577

Fund equity July 1, 1997 \$442,068,401

Fund equity June 30, 1999 \$513,212,978

The 13 permanent funds reported on this page are identified under "Permanent Funds" on page 17.

Expendable Trusts Financial Statements

Capitol Building Fund

This fund was created in response to section 12 of the Enabling Act of 1889. Section 17 of the Enabling Act made an additional grant of 50,000 acres for public buildings at the capitol.

Balance Sheet (As of June 30, 1999)

Assets:	
Money market account	\$218,778
Accrued interest receivable	1,591
Investments	220,000
Land	99,812
Total assets	<u>\$540,181</u>
Liabilities:	
Due to other state agencies	\$50,000
Equity:	
Fund balance June 30, 1999	\$490,181
Total liabilities and equity	<u>\$540,181</u>

Statement of revenues, expenses & changes in Fund balance for fiscal years 1998 and 1999

Revenues:	
Investments	\$65,333
Royalties and bonuses	40,203
Rental income	136,625
Total revenues	<u>\$242,161</u>
Expenditures:	
Farm real estate in-lieu taxes	\$1,928
Administrative expenses	17,967
Investment and accounting fees	835
Total expenditures	<u>\$20,730</u>
Revenue over expenditures	<u>\$221,431</u>
Other financing sources (uses):	
Transfer to Facility Management	<u>(\$810,000)</u>
Total other financing sources (uses)	<u>(\$810,000)</u>
Revenues and other financing sources over (under) expenditures and financing	<u>(\$588,569)</u>
Fund balance July 1, 1997	<u>\$1,078,750</u>
Fund balance June 30, 1999	<u>\$490,181</u>

Abandoned Property Trust

This fund was created by the Uniform Unclaimed Property Act N.D.C.C. 47-30.1. The purpose of this legislation is to collect and safeguard property reported, ensure compliance in reporting and have one place for owners to search for their assets.

Balance Sheet (As of June 30, 1999)

Assets:	
Money market account	\$12,824
Due from Other funds	2,862
Securities not held as investments	\$1,118,502
Advance to common schools	1,272,536
Total assets	<u>\$2,406,724</u>
Liabilities:	
Accounts Payable	\$19,724
Claimant liability	2,387,000
Total liabilities	<u>\$2,406,724</u>

Statement of revenues, expenses & changes in Fund balance for fiscal years 1998 and 1999

Revenues:	
Investment income	\$6,995
Interest penalty	0
Abandoned property revenue	2,900,608
Total revenues	<u>\$2,907,603</u>
Expenditures:	
Administrative expenses	\$616,417
Total expenditures	<u>\$616,417</u>
Other financing sources:	
Transfer to common schools	<u>(\$2,291,186)</u>
Total other financing sources	<u>(\$2,291,186)</u>
Revenues over (under) expenditures	<u>\$0</u>

Special Revenue Trusts Financial Statements

Coal Development Trust Fund

The Coal Development Trust Fund is established by subsection 1 of section 57-62-02 of the North Dakota Century Code, pursuant to section 21 of Article X of the North Dakota Constitution. The monies in the fund are derived from a 15 percent share of the coal severance tax. The fund must be held in trust and administered by the Board of University and School Lands for loans to coal impacted counties, cities and school districts as provided in section 57-62-03, and for loans to school districts pursuant to chapter 15-60. The unloaned balance of the fund is invested by the Board of University and School Lands.

Effective July 1, 1990, the Constitution was amended to provide that up to 50% of the taxes collected and deposited in this fund during a biennium may be appropriated by the legislature for "lignite research development, and marketing as provided by law."

Effective July 1, 1994, the Constitution was further amended to provide that an additional 20% of the taxes collected and deposited in this fund during a biennium may be appropriated by the legislature for "lignite research development, and marketing as provided by law."

Balance Sheet (As of June 30, 1999)

Assets:

Cash	\$5,901
Interest receivable	256,441
Notes receivable:	
Coal warrants	3,686,824
Oil and gas warrants	1,291,598
School construction loans	24,105,490
Due from other state agencies	537,487
Investments	21,304,238
Total assets	<u>\$51,187,979</u>

Liabilities:

Accounts payable	\$7,932
Due to other state agencies	376,241
Total liabilities	<u>\$384,173</u>

Equity:

Fund balance:	
Reserved for:	
Long-term receivables	\$29,083,912
Unreserved:	
Undesignated	21,719,894
Total equity	<u>\$50,803,806</u>
Total liabilities and equity	<u>\$51,187,979</u>

Statement of revenues, expenses & changes in Fund balance for fiscal years 1998 and 1999

Revenues:

Coal severance tax	\$6,252,041
Interest income:	
Investments	2,724,910
Coal warrants	384,697
Oil and gas warrants	178,905
School construction loans	926,298
Increase in Fair Value of investments	3,548
Total revenues	<u>\$10,470,399</u>

Expenditures:

Administrative and Investment expenses	\$94,295
Total expenditures	<u>\$94,295</u>
Revenue over expenditures	<u>\$10,376,104</u>

Other financing sources (uses):

Transfer to state general fund	\$5,444,003
Transfer to lignite research fund	4,411,511
Total other financing sources	<u>\$9,855,514</u>

Revenues over (under) expenditures and other financing sources	\$520,590
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Fund balance July 1, 1997	\$50,283,216
Fund balance June 30, 1999	<u>\$50,803,806</u>

Land and Minerals Trust

This fund is created by N.D.C.C. section 15-08.1-01 and section 61-33-07. It consists of revenues from minerals formerly held by the Bank of North Dakota, and revenues from the beds of navigable rivers, lakes and streams. The beds of these navigable bodies of water together with the former Bank of North Dakota minerals, are leased for oil and gas exploration and production. (All riverbed leases prohibit "surface" occupancy; what is actually being leased is the right to participate in a spacing unit for oil and gas production.) All monies collected in this fund are subject to legislative appropriation each biennium.

This fund also serves as a collection vehicle for the repayment of the Developmentally Disabled Facilities Loan programs which are funded by the Common Schools Trust. The administration of these loans is the responsibility of the Bank of North Dakota, with loan collections being deposited in the Land and Minerals fund. The interest and principal payable to the Common Schools Trust from the Developmentally Disabled Facilities Loan program is then appropriated from the Land and Minerals fund.

Balance Sheet (As of June 30, 1999)

Assets:

Cash	\$1,024,956
Interest receivable	28,088
Due from other state agencies	52,610
Due from other funds	32,840
Investments	800,987
Total assets	<u>\$1,939,481</u>

Liabilities:

Total liabilities	<u>\$0</u>
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Equity:

Fund balance:	
Unreserved:	
Undesignated	\$1,939,481
Total equity	<u>\$1,939,481</u>
Total liabilities and equity	<u>\$1,939,481</u>

Statement of revenues, expenses & changes in Fund balance for fiscal years 1998 and 1999

Revenues:

Interest income	
Investments	\$566,808
Royalties and bonuses	1,883,501
Rental income	282,151
Total revenues	<u>\$2,732,460</u>

Expenditures:

Administrative and Investment expenses	\$139,909
Revenue over expenditures	<u>\$2,592,551</u>

Other financing sources (uses):

Transfer to state general fund	(\$5,625,000)
Transfer from the Bank of North Dakota on funds lent to the Developmentally Disabled Facility Loan Fund Programs No. 2 and No. 3	1,318,829
Transfer of payments on the funds lent to Developmentally Disabled Facility Loan Fund Programs No. 2 and No. 3 from Land and Mineral Trust Fund to Human Services	(1,840,955)
Total other financing sources (uses)	<u>(\$6,147,126)</u>

Revenue and other financing sources over (under) expenditures and financing uses	(\$3,554,575)
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Fund balance July 1, 1997	<u>\$5,494,056</u>
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Fund balance June 30, 1999	<u>\$1,939,481</u>
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**State Of
North Dakota**

***BOARD OF UNIVERSITY AND
SCHOOL LANDS***

State Land Department

Fifty-fourth Biennial Report

to the
Governor
and
Secretary of State



July 1, 1999 to June 30, 2001

Phone: (701) 328-2800
Fax: (701) 328-3650
www.land.state.nd.us

North Dakota
STATE LAND DEPARTMENT
1707 N 9th Street
PO Box 5523
Bismarck, ND 58506-5523



www.discovernd.com

December 1, 2001

The Honorable John Hoeven
Governor of North Dakota
State Capitol
Bismarck, ND 58505

Mr. Alvin A. Jaeger
Secretary of State
State Capitol
Bismarck, ND 58505

Dear Governor Hoeven and Mr. Jaeger:

In accordance with Section 54-06-04 of the North Dakota Century Code, I am submitting for your review the 1999-2001 Biennial Report of the Board of University and School Lands. The report covers July 1, 1999 through June 30, 2001.

My submission of this report is made as the Acting Commissioner at the end of the biennium. Until January 31, 2001, the activity covered by this biennial report was under the administration of Robert J. Olheiser, Commissioner of University and School Lands.

As many of the past reports have done, acknowledgement of the dedication of the employees of the agency must be made. The people of the Land Department know that their job is to work for the beneficiaries of the trusts we manage. They know that funds not necessary for the operation of the agency will be used exclusively for the benefit of North Dakota, mainly for the education of the children of our State. They are always looking for better and less expensive ways to do what they do. It is a pleasure to work among these individuals.

Sincerely,

A handwritten signature in black ink, appearing to read "Rick D. Larson". The signature is fluid and cursive, with a large loop at the end.

Rick D. Larson
Acting Land Commissioner

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POLICY OF NON-DISCRIMINATION ON THE BASIS OF DISABILITY

The State Land Department does not discriminate on the basis of disability in the admission or access to, or treatment or employment in, its programs or activities. A coordinator has been designated to ensure compliance with the non-discrimination requirements contained in §35.107 of the Dept. of Justice regulations. Please call (701) 328-2800 for information concerning the provisions of the Americans with Disabilities Act, and the rights provided thereunder as they relate to the agency and access to its records.

Historical Overview

On February 22, 1889, Congress passed "An act to provide for the division of Dakota into two states, and to enable the people of North Dakota, South Dakota, Montana and Washington to form constitutions and state governments . . ." This Act is commonly known as the Enabling Act. Section 10 of this act granted sections 16 and 36 in every township to the new states "for the support of common schools." In cases where portions of sections 16 and 36 had been sold prior to statehood, indemnity or "in-lieu" selections were allowed. In North Dakota, this grant of land totaled over 2.5 million acres.

Under sections 12, 14, 16 and 17 of the Enabling Act (and other acts referred to therein), Congress provided further land grants to the state of North Dakota for the support of colleges, universities, the state capitol and other public institutions. These additional grants totaled approximately 668,000 acres, bringing the grand total of Enabling Act land grants to nearly 3.2 million acres.

CONSTITUTIONAL AUTHORITY

North Dakota's Constitution (Article X), adopted on October 1, 1889, entrusted the management of these lands (both acquired land and grant land) to the "board of university and school lands." The board was initially made up of the governor as chairperson, the secretary of state as vice-chair, the attorney general, superintendent of public instruction, and the state auditor. On June 10, 1986, a constitutional amendment replaced the state auditor with the state treasurer.

The Land Board currently consists of the following members:

*Governor John Hoeven, Chairman
Attorney General Wayne Stenehjem
Secretary of State Alvin A. Jaeger, Vice Chairman
State Treasurer Kathi Gilmore
Supt. of Public Instruction Dr. Wayne Sanstead*

COMMISSIONER OF UNIVERSITY & SCHOOL LANDS

Under N.D.C.C. §15-02-01, the Board of University and School Lands is required to appoint a commissioner to act on their behalf. Specific responsibilities of the Board and the Commissioner are set out in N.D.C.C. ch. 15-01 through ch. 15-08.1.

Generally, the Commissioner of University and School Lands is responsible for the following:

- ♦ Acting as the general agent for the Board.
- ♦ Supervising all aspects and activities of the State Land Department.
- ♦ Having general charge and supervision of all grant lands and associated records, maps, books and papers.
- ♦ Enforcing the Unclaimed Property Act (N.D.C.C. §15-02-05.2 and ch. 47-30.1).

The office of the Commissioner of University and School Lands has been commonly called the State Land Department.

In 1989, the Energy Development Impact Office became a division of the Office of the Commissioner, however, the EDIO Director is appointed directly by the Board of University and School Lands (N.D.C.C. §57-62-04).

LAND SALES & ACQUISITIONS

Since statehood in 1889, much of the grant land has been sold. Beginning in 1939, whenever the state sold grant land, it reserved five percent of the minerals. In 1941, the reservation was increased to 50 percent; and, since July 28, 1960, the North Dakota Constitution has mandated a 100 percent mineral reservation. Today, the Land Department manages in excess of 660,000 of the original, grant land surface acres, and over 1.8 million of the original mineral acres. Approximately 51,000 acres have since been acquired through foreclosure or other means, bringing the total surface acreage to approximately 714,000 acres.

In 1977, the legislature transferred management authority for minerals acquired by the Bank of North Dakota and for the minerals under sovereign land (navigable rivers/lakes) to the Department. This brings the total mineral acres managed to over 2.5 million acres.

Agency Overview

The Land Grant to the State from the federal government and the State Constitution provides that the Board of University and Schools Land shall manage the land, minerals and proceeds from the land for the exclusive benefit of the institutions for which they were granted. The income earned is to be distributed according to NDCC 15.03-05.2, again, for the exclusive benefit of those trust beneficiaries. (See "Schedule of Net Asset Balances" and "Schedule of Distributions by Trust", page 16.)

This income is generated through prudent management of trust assets, consisting of over 714,000 surface acres, over 2.5 million mineral acres, and over \$625 million in permanent trust fund financial assets. 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 trust funds and are invested in the Farm Loan Pool administered by the Bank of North Dakota, U.S. Treasury notes and bonds, and corporate bonds and stocks. The income from these investments, together with surface and mineral rentals, is distributable to schools (public grades K-12), educational and other public institutions at specified intervals throughout the biennium. (See "Investments", page 6, and "Surface Management", page 12)

The following is a list of beneficiaries of the various trust funds administered by the Land Department pursuant to Article IX of the North Dakota Constitution:

- | | |
|----------------------------------|--------------------------------|
| 1) Common Schools | 8) Mayville State University |
| 2) North Dakota State University | 9) Industrial School |
| 3) School for the Blind | 10) State College of Science |
| 4) School of the Deaf | 11) Schools of Mines |
| 5) State Hospital | 12) Veterans Home |
| 6) Ellendale State College* | 13) University of North Dakota |
| 7) Valley City State University | 14) Capitol Building |

** The beneficiaries of this trust are now Dickinson State University, Minot State University, MSU-Bottineau, Veterans Home, School of the Blind, State Hospital, and the State College of Science.*

Common Schools Trust Fund

The major trust administered by the Land Department is the Common Schools Trust Fund, which distributes its income to the various school districts through the Department of Public Instruction. The distribution amounts to approximately \$300 per student in kindergarten through grade 12.

Besides the sources of revenue listed above, the Common Schools Trust Fund receives 10% of the oil and gas extraction tax (ND Constitution Article X, Section 24) amounting to approximately \$1 million per year, which is invested according to the policy of the Board of University and School Lands in the permanent funds of that trust fund. (See "Schedule of Permanent Fund Receipts by Trust", page 16.)

The Common Schools Trust Fund also receives 45% of the proceeds from the tobacco class-action lawsuit settlement (NDCC 54-27-25). These funds become part of the permanent funds and are invested according to the policy of the Board of University and School Lands. (See "Schedule of Permanent Fund Receipts by Trust", page 16.)

Lands and Minerals Trust Fund

The Land Department is the trustee for the Lands and Minerals Trust Fund created by NDCC 15-08.1 and 61-33-07. This trust fund consists of approximately 704,750 mineral acres formerly owned by the Bank of North Dakota, and the minerals located under navigable streams, rivers, and lakes, which are owned by North Dakota as a sovereign state. All monies collected in this fund are subject to legislative appropriation each biennium. This fund serves as a collection vehicle for repayment of the developmentally disabled facilities loans funded by the Common Schools Trust. The Bank of North Dakota administers the loans. The principal and interest payable to the Common Schools Trust is appropriated from the Land and Minerals Trust Fund. (See "Schedule of Other Funds", page 16.)

Coal Development Trust Fund

The Coal Development Trust Fund was established by NDCC 57-62-02 and pursuant to Section 21 of Article X of the North Dakota Constitution. The Fund receives 30% of the coal severance tax. The fund must be held in trust and administered

by the Board of University and School Lands for loans to coal impacted counties, cities, and school districts as provided by section NDCC 57-62-03, and for loans to school districts pursuant to NDCC 15.1-36. The unloaned balance is invested according to the policy of the Board of University and School Lands. (See "Investments", page 12 and "Schedule of Other Funds", page 16.)

Unclaimed Property

The Land Department administers the Uniform Unclaimed Property Act (NDCC 47-30.1). In this capacity the Department collects "unclaimed property" (uncashed checks, unused bank accounts, etc.), and attempts to find the property's owner. Property acquired via this Act is held in trust in perpetuity on behalf of the owner, therefore, owners have one place they can search for their property. The income from property for which the owner cannot be found is distributed to ND public grades K-12. (See "Unclaimed Property Division", page 10.)

Energy Development Impact Office

The Energy Development Impact Office (EDIO) (NDCC 57-62) is also a part of the Land Department. The EDIO allocates funds appropriated by the state legislature to assist local political subdivisions in dealing with problems arising from oil development. In the allocation of these funds, the Director of the office accepts applications for funding, travels to visit with subdivisions requesting the funding, allocates the funds, and administers the payout of the funds to the grantees. (See "Energy Development Impact Office", page 11.)

Land Assets

An estimate of the value of our land is now included in the total amount of our assets. The prior biennium has been restated to reflect the land values for comparative purposes. The amount reflected in the asset balances for the biennium ending June 30, 1999 is \$98,982,000. The ending balance for June 30, 2001 includes \$102,735,000. (See "Investments", page 12).

Mission Statement

The mission of the State Land Department, under the direction of the Board of University and School Lands, is to serve as a trustee for the benefit of the common schools (public grades K-12), various institutions of higher education, and certain other state institutions.

Land Department Statement of Goals

The primary goal of the Department is to maximize distributable income and trust growth within the parameters allowed by state law, board policy, the prudent investor rule and sound land and mineral management practices. To achieve this primary goal, the following subgoals have been established:

1. To obtain a "fair market" return from the surface lands while improving their condition and value.
2. To develop and pursue a strong, effective minerals management program which maximizes revenue to the trusts.
3. To develop and pursue an aggressive, fair minerals audit program to ensure that the trusts receive all royalties.
4. To continue to encourage and improve compliance with the Uniform Unclaimed Property Act.

5. To preserve the purchasing power of the trusts by maintaining and increasing, relative to inflation, the income distributable to trust beneficiaries.
6. To manage the permanent financial assets of the trusts within the guidelines of the Prudent Investor Rule.

Energy Development Impact Office Statement of Goals

The primary goal of the office is to ensure that local subdivisions hosting energy activity are not required to bear a disproportionate share of the costs associated with that activity (both in its "boom" and "bust" cycles.) The guiding principle of the office is to ensure that the benefit to all of the people of North Dakota, from the extraction of energy resources will not be gained at the expense of those whose lives or property are disturbed, without adequate compensation, in the process.

Funding Sources and Expenses

- ♦ Funding for the State Land Department is received through the State Lands Maintenance fund. This fund consists of fees charged for services, plus a portion of interest and income earned by the various trusts (N.D.C.C. § 15-03-01.1).
- ♦ Funds for oil impact grants are requested from the Oil Impact Grant Fund. The administration expenses of the Energy Development Impact Office are paid out of the Oil Impact Grant Fund.

Land Department Statement of Appropriations and Expenditures

	1999-2001 Appropriations	1999-2001 Expenditures	Unexpended Appropriations
LAND DEPARTMENT			
Salaries and wages	\$1,725,842	\$1,480,335	\$245,560
Operating expenses	677,741	636,505	41,236
Equipment	12,317	49,327	(37,010)
Total Land Department	\$2,415,900	\$2,166,167	\$249,786
	1999-2001 Appropriations	1999-2001 Expenditures & Approved Grants	Unexpended Appropriations
ENERGY DEVELOPMENT IMPACT OFFICE			
Salaries and wages	\$86,469	\$72,480	13,989
Operating expenses	24,748	20,568	4,179
Equipment	683	1,745	(1,062)
Grants	4,888,100	*4,900,000	(11,900)
Total EDIO	\$5,000,000	\$4,994,793	\$5,205

*The North Dakota legislature appropriates the statutory maximum of \$5,000,000 for EDIO grants and operating expenses, however, the revenue generated for this fund is usually less than the appropriated maximum. Each biennium, all available funds are granted by the EDIO Director. This biennium \$4.9 million was granted.

Other Land Department Information

PUBLICATIONS

In addition to this report, the Department publishes:

- ❖ A semi-annual newsletter which is distributed to surface lessees and other interested parties.
- ❖ Lists of tracts to be leased at quarterly oil and gas lease sales, together with a summary of the results of these sales.
- ❖ Lists of individuals entitled to unclaimed property (N.D.C.C. § 47-30.1-19.1).
- ❖ Summaries of grant awards made by the Energy Development Impact Office.
- ❖ An informational brochure relating to owners of unclaimed property.
- ❖ An informational brochure relating to holders of unclaimed property.
- ❖ An informational brochure relating to the operations of the State Land Department.

Notice of the leasing and sale of surface and mineral tracts is given by publication in the official county newspaper where the land is located. Newly reported unclaimed property owners are published in the official county newspaper of the owner's last known address.

MEETINGS

The Board of University and School Lands meets monthly, unless there is insufficient business to require a Board meeting. The regular meeting day is the last Thursday of the month, however Board member's schedules may require changes in this schedule.

Minutes of the Board and other information regarding the activities of the State Land Department can be obtained from:

*State Land Department
1707 N 9th Street
P.O. Box 5523
Bismarck, ND 58506-5523*

General Information 701-328-2800
Fax 701-328-3650

WORLD WIDE WEB ADDRESS

The Land Department maintains a web site at:
www.land.state.nd.us

ND STATE LAND DEPARTMENT

Personnel Matrix (as of 6-30-01)

	Investments Division	Unclaimed Property Division	Minerals Division	Surface Division	Energy Development Impact Office
Directors	*Jeff Engleson	*Linda Fisher	**Rick Larson	*Mike Brand	**Rick Larson
Accounting	*Keith Bayley *Jeff Engleson	*Keith Bayley *Jeff Engleson Bonnie Pazdernik	*Keith Bayley *Jeff Engleson Bonnie Pazdernik	*Keith Bayley *Jeff Engleson Bonnie Pazdernik	*Keith Bayley *Jeff Engleson Bonnie Pazdernik
Administration	**Rick Larson *Linda Fisher	**Rick Larson *Linda Fisher	**Rick Larson *Linda Fisher	**Rick Larson *Linda Fisher	**Rick Larson *Linda Fisher
Administrative Support	*Linda Fisher Bonnie Pazdernik	*Linda Fisher Deb Jacobs Lynn McCulley Bonnie Pazdernik Judy Schell Loa Tober	*Linda Fisher Deb Jacobs Lynn McCulley Bonnie Pazdernik Judy Schell	*Linda Fisher Deb Jacobs Lynn McCulley Bonnie Pazdernik Judy Schell Loa Tober	*Linda Fisher Deb Jacobs Bonnie Pazdernik
Auditing			*Keith Bayley Deb Froemke		
Information Tech Services	*Desi Smith Jayden Pascua	*Desi Smith Jayden Pascua	*Desi Smith Jayden Pascua	*Desi Smith *Mike Brand Jayden Pascua	*Desi Smith Jayden Pascua
Leasing Services			*Linda Fisher	*Linda Fisher Jerry Saude	
Resource Management				Mike Haupt Mike Humann Jerry Saude	

*Division directors, supervisory & advisory personnel who report directly to the Commissioner

**Acting Commissioner and Director of the EDIO

Energy Development Impact Office

Rick D. Larson, Director

The Energy Development Impact Office (EDIO) was organized in 1975 by Legislative authorization of the Coal Development Impact Program under N.D.C.C. ch. 57-62. On July 1, 1989 the EDIO was combined with the Land Department and is currently under the direction of the Board of University and School Lands. The coal program began in 1975 and expired in 1989. The Oil Impact Grant Program began in 1981 and is still in existence.

During the 1999-2001 biennium, the Oil Impact Grant Program helped reduce the financial hardships of local political subdivisions which resulted from activities of the oil industry. The program is funded by 6.67% of the Oil & Gas Gross Production Tax. For the 1999-2001 biennium, that allocation amounted to approximately \$5 million. The allocation cannot exceed \$5 million for a biennium.

During the 1999-2001 biennium, the office conducted grant rounds in the spring of 2000 and the spring of 2001.

To receive funding, applicants must show:

1. That oil activity in the area has created a financial hardship which cannot be handled without help from the Oil Impact Grant Program; and
2. That the project will alleviate the hardship that resulted from oil activity; and
3. That the applicant's financial resources to handle the project are insufficient (this implies that the applicant has made a diligent local taxing effort to accomplish its goal).

These funds are awarded by the EDIO Director following visits with the local political subdivisions requesting the funding. Following these visits, the Director considers information received during these meetings, the information included in the application, and any other compiled data relating to oil production, oil taxation, and property taxation. Information is also obtained through the state's mainframe computer from the Oil & Gas Division of the Industrial Commission showing oil wells, oil production, and salt water production, which helps establish the degree of oil-related traffic in each township. Also, the EDIO collects oil tax and property tax data from various sources, including the State Treasurer's Office, the State Tax Commissioner's Office, the State Department of Public Instruction, and the ND League of Cities.

1999-2001 Biennium Oil Impact Grant Applications and Awards

Summary by County

County	\$ Requested	\$ Awarded	%
Billings	\$1,403,993	\$30,000	.6
Bottineau	\$890,750	\$398,850	8.1
Bowman	\$5,758,939	\$999,700	20.4
Burke	\$743,582	\$366,000	7.5
Divide	\$586,088	\$306,000	6.2
Dunn	\$1,065,880	\$192,000	3.9
G. Valley	\$813,853	\$304,000	6.2
McKenzie	\$646,510	\$112,000	2.3
McLean	\$23,500	\$15,000	.3
Mercer	\$273,840	\$18,000	.4
Mountrail	\$756,358	\$369,500	7.5
Renville	\$1,117,175	\$365,500	7.5
Slope	\$753,570	\$171,000	3.5
Stark	\$2,903,893	\$388,500	7.9
Ward	\$107,100	\$45,600	.9
Williams	<u>\$4,903,620</u>	<u>\$818,300</u>	<u>16.7</u>
TOTAL	<u>\$22,748,652</u>	<u>\$4,900,000</u>	<u>100</u>

1999-2001 Biennium Oil Impact Grant Applications and Awards

Summary by Class of Subdivision

Class	\$ Requested	\$ Awarded	%
County	\$8,411,293	\$2,064,000	42.1
School	\$1,316,957	\$248,000	5.1
City	\$7,813,080	\$890,900	18.2
Park District	\$120,346	\$3,000	.1
Airport Auth.	\$733,000	\$46,000	.9
Township	\$2,576,930	\$1,216,600	24.8
Fire Ambul.	<u>\$1,777,045</u>	<u>\$431,500</u>	<u>8.8</u>
TOTAL	<u>\$22,748,651</u>	<u>\$4,900,000</u>	<u>100</u>

The tables on this page summarize the amounts allocated by county and by class of subdivision for the oil impact grant program. Counties and townships accounted for 66.9% of the total amount awarded, most of which was for road projects. Cities accounted for 18.2% of the total. A list of individual grants made during the 1999-2001 biennium is available upon request. Altogether, the EDIO allocated grants totaling \$4,900,000 during the 1999-2001 biennium.

A total of 471 grants were issued in the two grant rounds to counties, cities, townships, schools, fire and ambulance districts and other local units of government in an area west of a line from Bottineau to Bowman. The EDIO is a program that successfully channels financial help to where it is most needed, at minimum operational expense to the State of North Dakota.

Surface Management

Michael D. Brand, Director

This division leases and manages surface acres held in trust for various schools and institutions. The major source of income on these lands comes from grazing and agricultural leases, with additional revenue being generated from rights-of-way, and gravel and scoria mining.

The objective of surface management is to obtain a "fair market" return from the lands while maintaining or improving its condition and value.

LEASING

A total of 2,342 grazing and agricultural leases were issued this biennium. Public auctions were held each spring and fall with the leases going to the highest bidder. Leasing success has been high with a success rate over 99%. Flooding in the northeastern part of the state continued to depress leasing income in that area.

Total rental collected increased by 8% from last biennium. This increase is due to competitive bidding at auction, and changes to the minimum acceptable bids as calculated with the Fair Market Value Method (FMVM). The FMVM tracks changes to the agricultural rental market in various leasing regions, and uses this information to calculate the minimum acceptable bid at public auction for each tract of school trust land.

NOXIOUS WEED CONTROL

Flea beetles continue to show promise for controlling leafy spurge. The number of flea beetle rearing sites have continued to increase each year of the biennium. There are now 360 sites established on school trust lands; an 86% increase this biennium. Most importantly, these sites now serve as a source of flea beetles to control leafy spurge on other school trust lands. The flea beetle biocontrol program has now shifted from the initial stage of insect rearing to a program of reducing large areas of leafy spurge. There has been a significant reduction in the density and extent of leafy spurge on several tracts of land because of biocontrol. This will translate into reduced chemical control costs and increased rental income in the next biennium on those tracts and others as more insects are redistributed.

Spotted knapweed remains a major concern in North Dakota. No new infestations were found on school trust lands and known infestations were monitored for effective control.

LAND MANAGEMENT

Some of the school trust lands that are leased need improvement. Cooperative land improvement projects during the biennium included:

SURFACE ACRES BY COUNTY

As of June 30, 2001

County	Acres	County	Acres	County	Acres
Adams	17,115.78	Golden Valley	28,983.55	Ramsey	2,056.50
Barnes	2,803.32	Grant	33,638.72	Ransom	1,120.00
Benson	12,725.28	Griggs	1,741.24	Renville	1,910.12
Billings	31,082.07	Hettinger	9,879.60	Richland	513.68
Bottineau	3,597.94	Kidder	28,643.79	Rolette	6,822.88
Bowman	29,310.48	LaMoure	1,435.72	Sargent	1,127.79
Burke	16,119.43	Logan	9,404.92	Sheridan	26,225.02
Burleigh	27,878.66	McHenry	23,344.42	Sioux	23,411.56
Cass	45.47	McIntosh	6,357.50	Slope	23,605.98
Cavalier	596.47	McKenzie	64,714.78	Stark	6,142.64
Dickey	3,980.69	McLean	21,036.54	Stutsman	15,664.01
Divide	21,127.12	Mercer	14,969.40	Towner	8,076.00
Dunn	26,122.70	Morton	18,113.89	Walsh	201.02
Eddy	10,274.62	Mountrail	32,445.36	Ward	11,198.98
Emmons	14,476.80	Nelson	2,853.66	Wells	5,248.63
Foster	3,111.51	Oliver	7,588.41	Williams	<u>38,399.32</u>
Grand Forks	2,073.77	Pierce	14,470.24	Total	<u>713,787.96</u>

- Grazing management plans for the improvement of range condition and productivity.
- Reseeding of marginal cropland with native grasses.
- Development of dams and dugouts for livestock water and wildlife enhancement.
- Cooperative clean-up of 192 trash sites and sealing 13 abandoned wells.
- Chiseling to control clubmoss and to improve range condition and productivity.

Many of these projects are initiated and completed each biennium while some, such as grazing management plans, require 10-15 years to achieve results.

In addition to the land improvement projects, the surface management division is responsible for issuing easements and monitoring reclamation on rights-of-way, oil wells, coal mines, and gravel and scoria mines on school trust lands.

**Surface Acres by Trust Fund
As of June 30, 2001**

Trust Fund	Acres
Common Schools	635,694.79
School for the Blind	3,477.87
State Capitol	9,981.17
School for the Deaf	4,828.85
Ellendale State College ¹	4,984.17
State Hospital	2,203.91
Industrial School	3,899.43
School of Mines ¹	3,392.03
N.D.S.U.	15,117.68
Veterans' Home	2,913.69
U.N.D.	9,616.98
Valley City State University	640.00
ND State College of Science	3,731.31
Mayville State University	640.00
Valley City/Mayville ²	6,818.08
Farm Loan Pool ³	<u>5,848.00</u>
Total	<u>713,787.96</u>

1. Income from the assets held by the Ellendale Trust Fund are allocated equally among the following institutions: Dickinson State University, Minot State University, NDSU-Bottineau, School for the Blind, Veterans' Home, State Hospital, and State College of Science. The benefits of the original grant to the School of Mines are distributed to the University of North Dakota.
2. Receipts from acreage held jointly by Valley City and Mayville State Universities are allocated 62.5% to Valley City and 37.5% to Mayville.
3. Receipts from this acreage is distributed by formula to all of the above funds except the State Capitol fund.

SPECIAL PROJECTS

A land trade was completed in Mercer County in 2000 to facilitate better management of Harmony Lake. The lake was created during coal mine reclamation for recreation and wildlife management purposes. This involved a three way trade between The Coteau Properties Company, the North Dakota Game and Fish Department and the Board of University and School Lands under North Dakota Century Code chapter 20.1-11-12. In exchange for 78.76 acres of grassland, the common schools trust fund received 78.74 acres of cropland. The grassland was more valuable for wildlife management purposes in conjunction with the management of Harmony Lake, while the common schools trust fund received a higher leasing income from the cropland.

The common schools trust fund also received a donation of 169.31 acres from Russell and Helen Hedlund, Edina, MN in 1999. This land was valued at \$40,000 and will provide a long-term benefit to the trusts.

FORECLOSED PROPERTY

Most of the land acquisitions during the last biennium were a result of foreclosure and deed backs from farm loan pool mortgages in default. Likewise, the great majority of land sales were of foreclosed property. These sales allowed the trusts to recover their investment and returned these lands to the private market.

**Land Sales and Acquisitions
1999 - 2001**

Acquisitions:	Acres
Farm Loan Pool	707.50
Donation to Common Schools	169.31
Railroad Abandonment	4.00
NDCC Chapter 20.1-11-12	78.74
Adjustments to acres in the database	<u>12.36</u>
Total Acquisitions	<u>967.91</u>

Sales:	
Farm Loan Pool	1,227.50
NDCC Chapter 15-09	13.04
NDCC Chapter 20.1-11-12	<u>78.76</u>
Total Sales	<u>1,319.30</u>

OIL AND GAS LEASE SALE RESULTS

North Dakota State Minerals

COUNTY		Aug-99	Nov-99	No sale Feb-00	May-00	Aug-00	Nov-00	Feb-01	May-01	TOTAL
ADAMS	TOTAL \$	\$0.00	\$0.00	\$0.00	\$0.00	\$5,778.76	\$0.00	\$0.00	\$0.00	\$5,778.76
	MIN. ACRES	0.00	0.00	0.00	0.00	4,258.76	0.00	0.00	0.00	4,258.76
	\$/MIN ACRE	\$0.00	\$0.00	\$0.00	\$0.00	\$1.36	\$0.00	\$0.00	\$0.00	\$1.36
BILLINGS	TOTAL \$	\$1,060.00	\$0.00	\$0.00	\$313,480.00	\$17,063.94	\$33,097.78	\$22,620.88	\$12,782.92	\$400,105.52
	MIN. ACRES	740.00	0.00	0.00	1,720.00	3,543.89	2,818.18	1,890.64	896.92	11,609.63
	\$/MIN ACRE	\$1.43	\$0.00	\$0.00	\$182.26	\$4.82	\$11.74	\$11.96	\$14.25	\$34.46
BOTTINEAU	TOTAL \$	\$860.00	\$0.00	\$0.00	\$400.00	\$0.00	\$2,152.00	\$992.00	\$16.00	\$4,420.00
	MIN. ACRES	92.00	0.00	0.00	80.00	0.00	176.00	416.00	16.00	780.00
	\$/MIN ACRE	\$9.35	\$0.00	\$0.00	\$5.00	\$0.00	\$12.23	\$2.38	\$1.00	\$5.67
BOWMAN	TOTAL \$	\$1,300.00	\$0.00	\$0.00	\$320.00	\$30,181.20	\$5,293.20	\$12.00	\$3,260.00	\$40,366.40
	MIN. ACRES	490.00	0.00	0.00	80.00	879.06	160.40	4.00	420.00	2,033.46
	\$/MIN ACRE	\$2.65	\$0.00	\$0.00	\$4.00	\$34.33	\$33.00	\$3.00	\$7.76	\$19.85
BURKE	TOTAL \$	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$18,656.00	\$160.00	\$0.00	\$18,816.00
	MIN. ACRES	0.00	0.00	0.00	0.00	0.00	648.00	80.00	0.00	728.00
	\$/MIN ACRE	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$28.79	\$2.00	\$0.00	\$25.85
DIVIDE	TOTAL \$	\$0.00	\$0.00	\$0.00	\$740.00	\$959.00	\$160.00	\$959.08	\$3,200.00	\$6,018.08
	MIN. ACRES	0.00	0.00	0.00	740.00	959.00	160.00	959.08	560.00	3,378.08
	\$/MIN ACRE	\$0.00	\$0.00	\$0.00	\$1.00	\$1.00	\$1.00	\$1.00	\$5.71	\$1.78
DUNN	TOTAL \$	\$0.00	\$23,592.46	\$0.00	\$16,481.63	\$11,404.49	\$3,682.00	\$41,295.11	\$8,344.08	\$104,799.77
	MIN. ACRES	0.00	1,928.72	0.00	3,441.63	3,520.84	478.00	6,567.05	412.06	16,348.30
	\$/MIN ACRE	\$0.00	\$12.23	\$0.00	\$4.79	\$3.24	\$7.70	\$6.29	\$20.25	\$6.41
EMMONS	TOTAL \$	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$8,223.98	\$0.00	\$0.00	\$8,223.98
	MIN. ACRES	0.00	0.00	0.00	0.00	0.00	8,141.98	0.00	0.00	8,141.98
	\$/MIN ACRE	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$1.01	\$0.00	\$0.00	\$1.01
G. VALLEY	TOTAL \$	\$0.00	\$160.00	\$0.00	\$117,120.00	\$39,179.40	\$86,842.80	\$7,120.95	\$0.00	\$250,423.15
	MIN. ACRES	0.00	160.00	0.00	1,920.00	1,273.55	3,684.40	560.95	0.00	7,598.90
	\$/MIN ACRE	\$0.00	\$1.00	\$0.00	\$61.00	\$30.76	\$23.57	\$12.69	\$0.00	\$32.96
HETTINGER	TOTAL \$	\$0.00	\$0.00	\$0.00	\$0.00	\$13,609.86	\$12,444.78	\$395.46	\$0.00	\$26,450.10
	MIN. ACRES	0.00	0.00	0.00	0.00	4,969.86	11,098.32	395.46	0.00	16,463.64
	\$/MIN ACRE	\$0.00	\$0.00	\$0.00	\$0.00	\$2.74	\$1.12	\$1.00	\$0.00	\$1.61
MCKENZIE	TOTAL \$	\$1,280.00	\$10,891.89	\$0.00	\$6,660.00	\$53,627.35	\$20,321.38	\$1,980.00	\$36,228.00	\$130,988.62
	MIN. ACRES	960.00	1,162.45	0.00	2,260.00	1,208.11	1,501.38	700.00	2,618.00	10,409.94
	\$/MIN ACRE	\$1.33	\$9.37	\$0.00	\$2.95	\$44.39	\$13.54	\$2.83	\$13.84	\$12.58
MCLEAN	TOTAL \$	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$16,320.00	\$0.00	\$168.00	\$16,488.00
	MIN. ACRES	0.00	0.00	0.00	0.00	0.00	160.00	0.00	168.00	328.00
	\$/MIN ACRE	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$102.00	\$0.00	\$1.00	\$50.27
MOUNTRAIL	TOTAL \$	\$0.00	\$2,440.00	\$0.00	\$0.00	\$0.00	\$0.00	\$2,096.57	\$6,923.31	\$11,459.88
	MIN. ACRES	0.00	360.00	0.00	0.00	0.00	0.00	1,052.57	1,483.31	2,895.88
	\$/MIN ACRE	\$0.00	\$6.78	\$0.00	\$0.00	\$0.00	\$0.00	\$1.99	\$4.67	\$3.96
RENVILLE	TOTAL \$	\$0.00	\$0.00	\$0.00	\$3,040.00	\$1,280.00	\$0.00	\$1,280.00	\$16.00	\$5,616.00
	MIN. ACRES	0.00	0.00	0.00	240.00	160.00	0.00	320.00	8.00	728.00
	\$/MIN ACRE	\$0.00	\$0.00	\$0.00	\$12.67	\$8.00	\$0.00	\$4.00	\$2.00	\$7.71
ROLETTE	TOTAL \$	\$0.00	\$0.00	\$0.00	\$1,757.80	\$40.00	\$0.00	\$0.00	\$320.00	\$2,117.80
	MIN. ACRES	0.00	0.00	0.00	199.95	40.00	0.00	0.00	320.00	559.95
	\$/MIN ACRE	\$0.00	\$0.00	\$0.00	\$8.79	\$1.00	\$0.00	\$0.00	\$1.00	\$3.78
SLOPE	TOTAL \$	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$30,370.62	\$30,370.62
	MIN. ACRES	0.00	0.00	0.00	0.00	0.00	0.00	0.00	4,352.12	4,352.12
	\$/MIN ACRE	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$6.98	\$6.98
STARK	TOTAL \$	\$3,635.82	\$1,680.00	\$0.00	\$14,845.16	\$24,157.79	\$31,234.99	\$50,608.39	\$2,638.63	\$128,800.78
	MIN. ACRES	1,639.62	440.00	0.00	2,073.36	1,859.90	13,755.48	1,931.87	1,318.63	23,018.86
	\$/MIN ACRE	\$2.22	\$3.82	\$0.00	\$7.16	\$12.99	\$2.27	\$26.20	\$2.00	\$5.60
WARD	TOTAL \$	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$328.00	\$328.00
	MIN. ACRES	0.00	0.00	0.00	0.00	0.00	0.00	0.00	328.00	328.00
	\$/MIN ACRE	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$1.00	\$1.00
WILLIAMS	TOTAL \$	\$0.00	\$0.00	\$0.00	\$12,035.36	\$160.00	\$0.00	\$4,352.50	\$0.00	\$16,547.86
	MIN. ACRES	0.00	0.00	0.00	886.12	160.00	0.00	77.50	0.00	1,123.62
	\$/MIN ACRE	\$0.00	\$0.00	\$0.00	\$13.58	\$1.00	\$0.00	\$56.16	\$0.00	\$14.73
TOTALS	TOTAL \$	\$8,135.82	\$38,764.35	\$0.00	\$486,879.95	\$197,441.79	\$238,428.91	\$133,872.94	\$104,595.56	\$1,208,119.32
	MIN. ACRES	3,921.62	4,051.17	0.00	13,641.06	22,832.97	42,782.14	14,955.12	12,901.04	115,085.12
	\$/MIN ACRE	\$2.07	\$9.57	\$0.00	\$35.69	\$8.65	\$5.57	\$8.95	\$8.11	\$10.50

Minerals Management

Rick D. Larson, Director

The Minerals Management Division administers mineral interests held in trust for the benefit of various schools and institutions of North Dakota. The Division also administers mineral interests formerly owned by the Bank of North Dakota, plus the minerals under navigable rivers and lakes.

OIL AND GAS ACTIVITY

The Cedar Hills and West Medicine Pole Hills fields in Bowman County have been unitized to try to recover more oil by injecting water or air into the Red River "B" formation. The Red River "B" formation unitization had been a point of contention between the two principal oil companies, Burlington Resources Oil and Gas Company and Continental Resources, Inc. The North Dakota Industrial Commission has worked out a means for both companies to divide the Cedar Hills field into a North Unit and South Unit so each company can conduct their own unit operations.

The two technologies that have emerged as the main activity in North Dakota are unitization of existing production, and horizontal drilling in existing well and fields. Both activities are exploiting known production and trying to incrementally produce more oil from those reserves.

During this biennium oil prices rebounded to a level that has not been seen for ten years. An increase in leasing activity which normally would have followed the price increase, did not materialize. Companies have not recovered from the extremely low prices during last biennium. The 1999-2001 lease sales generated \$1,196,839 in bonuses for the State Land Department, which amounts to an average of \$10.50 per acre.

COAL PRODUCTION

Total coal royalty revenue for this biennium was \$4,190,153. Coteau Properties Company, BNI Coal, Ltd., and Dakota Westmoreland Corporation (formerly Knife River Mining Company) were actively mining tracts where the state owned a mineral interest. The only new leasing activity was a Leonardite lease issued to American Colloid Company in Bowman County. Leonardite is a form of lignite that is mixed with drilling mud for oil and gas wells, and is also used as a soil additive.

Oil and Gas Leasing Activity

	<u>1997-1999</u>	<u>1999-2001</u>
Gross Mineral Acres Owned*	2,552,108	2,545,942
Acres Under Lease	477,159	364,633
# of Oil/Gas Lease Sales	8	8
Net Mineral Acres Leased	103,777	115,085
Ave. Bonus/Net Mineral Acre	\$21.27	\$10.50

**Approximate acreage only. Total acreage will vary due to estimates of the acreage owned by the state under navigable rivers and lakes.*

Mineral Division Receipts

	<u>1997-1999</u>	<u>1999-2001</u>
Oil and gas royalty	\$10,676,657	\$17,964,883
Oil and gas bonus	\$2,207,646	\$1,208,119
Coal royalty	\$2,526,429	\$4,189,023
Oil and gas rental	\$878,974	\$459,501
Testholes and Damages	\$248,524	\$180,141
Royalty/collection efforts	\$153,540	\$195,882
TOTAL	<u>\$16,691,770</u>	<u>\$24,187,819</u>

Unclaimed Property

Linda Fisher, Administrator

The Unclaimed Property Division administers and enforces the Uniform Unclaimed Property Act (NDCC 47-30.1). The purpose of the Act is: to collect and safeguard property remitted by holders; to make efforts to locate owners, and to support the Common Schools Trust Fund with interest earned on funds that remain unclaimed. The Act has been in effect since July 1, 1975. Over the past 25 years there have been significant changes in the law, and in the methods used to reach property owners - especially introduction of the internet - which have resulted in substantial increases in both receipts of property, and payments to owners. Increases in both areas are reflected in the chart at the bottom of the page.

HOLDER COMPLIANCE AND AWARENESS EFFORTS

During the 1999-2001 biennium, the compliance emphasis was shifted somewhat away from audit and more toward holder education and voluntary compliance. In addition to conducting 16 formal audits this biennium, in 2000, a cooperative effort with the North Dakota Secretary of State's office allowed us to mail information regarding the unclaimed property law and reporting requirements to the majority of North Dakota businesses. This effort was due in part to a 1999 statement of legislative intent requesting that more emphasis be put on educating holders and encouraging voluntary compliance, as opposed to conducting formal audits and assessing penalties for non-compliance. In addition, North Dakota continued to be a part of a nationwide voluntary compliance initiative.

OWNER NOTIFICATION EFFORTS

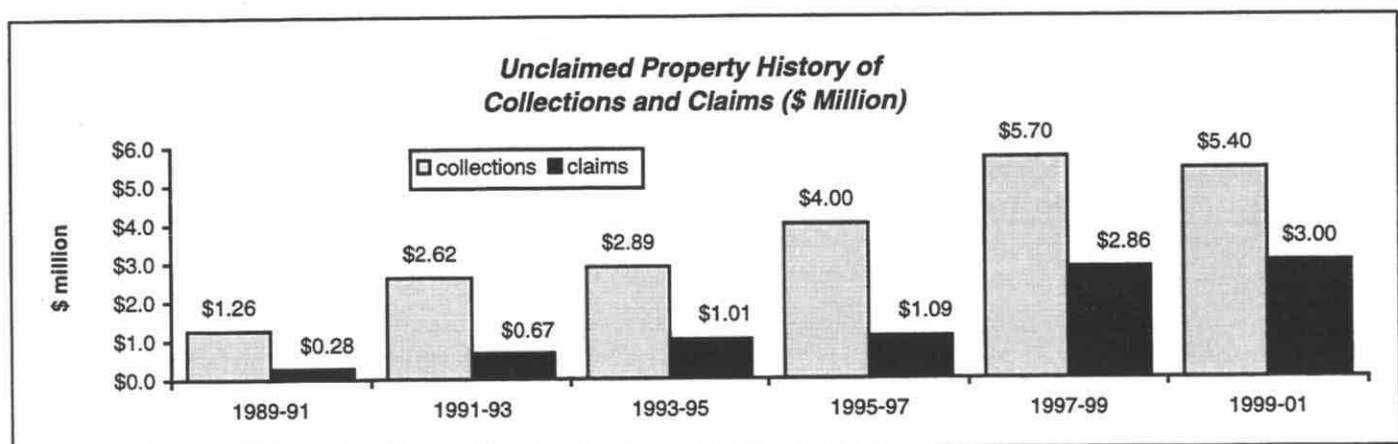
After property is remitted to the Land Department, various attempts are made to locate owners by:

- Publishing a list of the names in the official county newspaper of the owner's last known residence.
- Establishing a searchable web site where potential claimants can search for property by name, or by city of last known address.
- Distributing educational brochures.
- Appearing on television and radio shows around the state to provide information to both claimants and holders.
- Making presentations at various community and business functions.
- Operating a booth at the ND State Fair in Minot, and the Women's Showcase and Red River Valley Fair in Fargo.

LEGISLATIVE CHANGES

The 2001 legislative assembly made the following changes to the Unclaimed Property Act.

- Required that owners be paid dividends accrued on stock held in custody by the Division.
- Allowed for safe deposit contents to be sold via means other than just an auction in "a city in the state".
- Reduced the fee limit for heirs from 25% to 10% of the value of the property.



Investments

Jeff Engleson, Director

The Investment Division is responsible for directing, implementing, coordinating and monitoring all aspects of the Land Department's investment program.

As of June 30, 2001, the total market value of investment assets managed by the Division was approximately \$625.59 million. The bulk of these assets (\$572.65 million) are owned by the 13 permanent education trusts under the Board of University and School Lands (Board)'s control, while the remainder are owned by the Coal Development, Land & Minerals and Capitol Building trust funds. Listed below is a breakdown of the investment assets managed by the Division, by asset type:

- **Marketable Securities:** The total value of marketable securities managed by the Board as of June 30, 2001 was \$533.72 million. \$532.06 million of those securities are held in trust by our custodian bank, The Northern Trust Company, and are managed by investment professionals that are hired by the Board to achieve specific investment goals and objectives. The other \$1.66 million in marketable securities were purchased through the Bank of North Dakota (BND) for the Land & Minerals and Capitol Building trusts.
- **Farm Loan Pool:** As of June 30, 2001, the total value of the Board's pool of farm real estate loans was \$56.78 million. Although the BND handles the day-to-day operations of the farm loan pool, the Investment Division works closely with the bank in developing and implementing policies, goals and strategies for farm loans and in monitoring and evaluating the program on an ongoing basis.
- **Loans To Political Subdivisions:** As of June 30, 2001, the Board had total outstanding loans, to various political subdivisions, of \$35.09 million. Legislatively directed loan programs from the Coal Development Trust Fund total \$28.75 million as of that date, and include \$24.90 million in school construction loans and \$3.85 million in loans to various energy impacted political entities. In addition, the common schools trust fund has two outstanding loans, totaling \$6.34 million, that have funded the building and furnishing of group homes for the developmentally disabled.

INVESTMENT GOALS AND OBJECTIVES

The type of investment assets owned by each trust fund managed by the Board is determined by the nature or purpose of the fund, and investment goals and objectives of the fund.

The 13 educational trust funds managed by the Board are permanent in nature, and were established to provide funding for education in North Dakota, both today, and for future generations. The long range goal for the permanent trusts is to have an investment program that will allow trust assets and distributions to beneficiaries to increase at a rate that meets or exceeds the historic annual rate of inflation (4%/year) over time. To that end, the Board developed a long-term investment allocation plan to include a well diversified portfolio of stocks, bonds and other assets.

The primary purpose of the Coal Development trust fund is to provide loans to political subdivisions, as directed by the legislature. The Board is responsible for administering the trust, and investing any moneys that have not been loaned. As of June 30, 2001, outstanding loans to political subdivisions totaled \$28.75 million, while the Board invested the remaining \$22.53 million of this trust's assets. Because of the limited authority the Board has over this trust, its assets are invested in a relatively short-term, high-quality bond portfolio, that can be liquidated as needed, to fund loan programs adopted by the legislature.

The expendable nature of the Land & Minerals and Capitol Building trust funds result in these trusts being invested in short-term, high-quality bonds and certificates of deposits, that have minimal chance of principal loss.

During the 2000-01 biennium, the Board continued to fine tune its investment program. The recognition of land as an asset class, to be managed as a part of our overall investment portfolio, is only one example of how the Board continues to improve its understanding of the assets under its control. Over time, we expect to continue to develop and improve an investment program that already incorporates the purpose and nature of each trust into an investment plan that meets the goals and objectives of the trust.

PERMANENT TRUST INVESTMENT ASSETS

Asset Allocation Study and Plan:

In early 1995, the Board hired Yanni•Bilkey Investment Consulting to perform a study of the Board's investment program. The two main conclusions of the study were that the permanent trusts needed to 1) significantly increase their exposure to equities (common stocks) if we wanted to grow trust assets at the rate greater than or equal to inflation, and 2) decrease the percentage of assets distributed each year from a rate of approximately 6.5% of assets to a rate closer to 5%.

Using the Yanni•Bilkey study as a base, the Land Department staff developed and implemented a long-term investment plan for the permanent trusts that applies the investment theory presented in the study to the legal and fiscal realities that limit the Board's management of these funds.

The plan adopted by the Board:

- Gradually increases the permanent trusts' exposure to equity securities to approximately 45-50% of total assets, including surface lands.
- Recognizes that surface lands are an asset class that should be managed as a part of the Board's total investment portfolio.
- Provides for modest increases in distributions to beneficiaries as we work toward our ultimate goal of increasing distributions by 4% each year.
- Decreases the permanent trust's reliance on mineral royalties and bonuses as a source of trust growth. In the future, our investment assets will provide the bulk of permanent fund growth.
- Includes various safeguards that provide assurance that trust beneficiaries will receive stable or increasing distributions for years to come.

The schedule below shows that the permanent trusts' total assets grew by \$69.38 million during the biennium, with most of the growth coming during fiscal year 2000. Total financial assets (excluding land) have now increased by over \$202.66 million (56%) since June 1995. On June 30, 2001, the permanent trusts' target allocation for equity and convertible securities was 40.8%, an increase of almost 4% from the 36.9% target allocation on June 30, 1999.

ASSET ALLOCATION SCHEDULE								
Date	Total Assets	Fixed Income	Cash Equiv.	Convertible Securities	Sm/Mid Cap Equities	Large Cap Equities	Intl. Securities	Trust Lands
6/30/99 Rebalanced	\$598,007,000	\$273,466,000 45.7%	\$4,990,000 0.8%	\$50,731,000 8.5%	\$50,731,000 8.5%	\$68,376,000 11.4%	\$50,731,000 8.5%	\$98,982,000 16.6%
6/30/00 Rebalanced	\$662,065,000	\$286,139,000 43.2%	\$5,621,000 0.8%	\$62,192,000 9.4%	\$62,192,000 9.4%	\$83,824,000 12.6%	\$62,192,000 9.4%	\$99,905,000 15.2%
6/30/01 Rebalanced	\$667,395,000	\$286,847,000 43.0%	\$5,648,000 0.8%	\$62,598,000 9.4%	\$62,598,000 9.4%	\$84,371,000 12.6%	\$62,598,000 9.4%	\$102,735,000 15.4%

Land as an Asset Class:

On October 29, 1999, the Board made a historic decision by officially designating surface lands as an asset class, to be managed within the Board's total portfolio. The decision was a direct result of a study performed by the Investment Division, which sought to quantify the true financial impact that surface lands have on the permanent trusts' overall portfolio of assets. The results of the study indicated that:

- Surface lands have many equity-like characteristics. The return earned from land includes both an income component (rents) and an ownership component (increases and decreases in value over time).

- Surface lands, over time, earn less than stocks but more than bonds.
- Surface lands have a stabilizing effect on our overall portfolio of assets because their return pattern has a negative correlation to the other assets we own.

This study, along with the Board declaration of land as an asset class, will significantly affect management of the permanent trusts for years to come. We plan to continue to study how trust lands impact the performance of our overall portfolio of assets and the role land should play in our asset allocation and distribution policies.

**SUMMARY OF PERMANENT EDUCATIONAL TRUST FIXED INCOME ASSETS MANAGED FOR YIELD
FOR PERIODS ENDED JUNE 30, 1999, 2000 & 2001**

Manager/Asset Class	6/30/01 Alloc. (\$ million)	% of Total Portfolio	FY Ended 6/30/01	FY Ended 6/30/00	FY Ended 6/30/99
Bank of North Dakota	\$ 85.89	12.9%	7.57%	7.59%	7.58%
Payden & Rygel Long Term	\$112.02	16.8%	7.30%	7.38%	7.40%
Ava. Yield on Cost – Fixed Income Securities	\$197.91	29.7%	7.42%	7.47%	7.54%
Benchmark Yield for Fixed Income Securities			7.25%	7.25%	7.25%
Farm Loan Pool	\$ 55.03	8.2%	8.03%	8.09%	8.14%
DD Loans #2 & #3	\$ 6.34	1.0%	9.00%	9.79%	10.70%
Avg. Yield on Cost – Loans	\$ 61.37	9.2%	8.14%	8.26%	8.40%
Avg. Yield on Cost - All Fixed Income Investments	\$259.28	38.9%	7.58%	7.66%	7.68%
Yield Requirement per Asset Allocation Schedule			7.50%	7.50%	7.50%

Fixed Income Investments:

When the Board adopted its asset allocation plan in 1995, it made a conscious decision that it could no longer look at fixed income assets on a total return basis, as pensions and most other institutional investors do. Rather, the Board decided that the objective of the fixed income portfolio is to generate the long-term, predictable, income and cash flows needed to meet distribution goals, while gradually increasing the permanent trust funds' exposure to equity securities.

To meet this objective, a fixed income portfolio was built that consists primarily of high quality, relatively high yielding, loans and fixed income securities, that is managed in more of a "buy and hold" manner than most institutional fixed income portfolios. The fixed income assets managed in this yield-oriented strategy include long-term government and corporate fixed income securities, as well as farm real estate loans and developmentally disabled loans (DD Loans) #2 and #3. The total amount invested in this yield-oriented fixed income portfolio was over \$259 million as of 6/30/01.

The goal of the yield-oriented fixed income portfolio is to maintain an average yield on cost of 7.50% or greater. During the biennium this goal was exceeded, as the portfolio posted an average yield on cost of 7.66% during the fiscal year ended June 30, 2000, and 7.58% during the fiscal year ended June 30, 2001.

In early 1999, the Board added a high yield bond component to the permanent trusts' total fixed income portfolio. Although these non-investment grade securities are riskier than the other fixed income investments, adding them to the asset mix helps reduce overall risk by adding diversification to the portfolio while still providing the wanted yield. Due to the nature of high yield bonds, this portfolio is actively managed on a total return basis. As of June 30, 2001, the total value of the high yield portfolio was \$28.68 million.

Although declining interest rates are starting to have an impact on the average yield of our fixed income portfolio, at the present time, we do not anticipate changing either our asset allocation or distribution plans going forward.

Equity Securities:

The purpose of the permanent trusts' equity and convertible securities portfolio is to provide the growth needed to reach the Board's ultimate goal of increasing both trust assets, and distributions, at a rate greater than or equal to inflation. In order to accomplish this goal, the permanent trusts' exposure to equities needs to be increased to approximately 55-60% of financial assets (45-50% of total assets, including land). Since June 1995, the percentage of permanent trust financial assets invested in equities has increased from 32.3% to 48.2%. The Board plans to continue to increase the permanent trusts' exposure to equities over the next 5-10 years.

The permanent trusts' equity asset mix includes allocations to large-capitalization U.S equities, small- and mid-capitalization U.S equities, international equities and convertible securities. The current weighting of each asset class in the equity portfolio is based on the Yanni•Bilkey study.

During the biennium, the target asset allocation percentage for equity securities increased from 36.9% of total assets on June 30, 1999 to 40.8% on June 30, 2001. Over the same period, the market value of our equity and convertible securities portfolio increased from \$220.60 million to \$272.17 million.

The permanent trusts' combined equity and convertible securities portfolio posted an average annual return of 5.69% during the biennium. After earning 19.67% during fiscal year 2000, the portfolio posted a negative total return of 6.65% during fiscal year 2001. A big part of the success of the combined equity portfolio is a result of a shifting a portion of our large-cap portfolio to a "value" approach in early 1999. The combined equity portfolio has earned an annualized total return of 13.38% since August 1995, well above the 10% total return we expect to earn from the combined equity portfolio over time.

The three active money managers that the Board has hired continue to perform well versus their respective benchmarks, while the two index funds managed by State Street Global Advisors continue to earn returns that replicate the respective indexes.

The schedule below summarizes the position of our combined equity and convertible securities portfolio as of June 30, 2001, and its performance since the Board implemented the asset allocation plan in August 1995.

PERMANENT EDUCATIONAL TRUST EQUITY & CONVERTIBLE NET RETURNS FOR PERIODS ENDED JUNE 30, 2001							
<u>Asset Class</u> <u>MANAGER</u> <u>Index</u>	<u>6/30/01</u> <u>Allocation</u> <u>(\$ mil.)</u>	<u>% of</u> <u>Total</u> <u>Portfolio</u>	<u>Last 1</u> <u>Year</u> <u>(%)</u>	<u>Last 2</u> <u>Years</u> <u>(%)</u>	<u>Last 5</u> <u>Years</u> <u>(%)</u>	<u>Since</u> <u>Inception</u> <u>(%)</u>	<u>Inception</u> <u>Date</u>
Large Cap U.S. Equities							
STATE STREET - S&P 500 Index Fund	\$54.12	8.1%	-14.80	-4.40	N/A	8.10	2/1/98
S&P 500			-14.83	-4.43	N/A	8.11	
MISSOURI VALLEY PARTNERS	\$29.02	4.3%	19.44	N/A	N/A	15.03	4/1/00
Russell 100 Value Index			10.33	N/A	N/A	4.11	
Small/Mid Cap U.S. Equities							
NORTHERN TRUST GLOBAL ADVISORS	\$67.15	10.1%	15.69	16.94	17.48	17.39	3/1/96
NTGA Benchmark (composite index + 2.00%)			5.98	11.81	13.15	13.72	
International Equities							
STATE STREET - MSCI EAFE Index Fund	\$56.89	8.5%	-23.75	-5.44	N/A	-1.85	3/1/99
MSCI EAFE			-23.60	-5.39	N/A	-1.91	
Convertible Securities							
TRUST COMPANY OF THE WEST	\$59.35	8.9%	-14.07	9.11	14.06	12.52	6/30/90
First Boston Convertible			-11.83	9.58	10.94	12.20	
Combined Equity and Convertibles	\$266.53	39.9%	-6.65	5.69	12.25	13.38	8/1/95
All total return figures for periods of 1 year or greater have been annualized.							

MONITORING AND EVALUATING PERFORMANCE

During the mid-90s, the Board's efforts in the investment area were directed towards adopting and implementing an asset allocation plan for the permanent trusts. Now that an investment plan is in place, the focus has switched to monitoring, evaluating, and enhancing the performance of the plan.

The Investment Division prepares quarterly performance reports for the Board that summarize the performance of the investment program and compare it to established benchmarks and goals. The reports are reviewed by an independent accounting firm to help ensure that accurate data is being presented to the Board. The Investment Division is also performing other functions that were previously handled by investment consultants, including manager searches.

By bringing more investment-related knowledge and functions in-house, we can better manage the permanent trust assets under the Board's control.

SUMMARY

The Board's investment plan for the permanent trusts continued to perform well during the biennium. Although our equity portfolio was down during fiscal year 2001, the Board's conservative approach to investing weathered the downturn without reducing planned distributions to trust beneficiaries and without altering the long-term goals and objectives for the trusts.

The recognition of surface lands as an asset class, and the study of how the risk and return characteristics of surface land compare to the other assets in our portfolio will help enhance management of the permanent trust assets under the Board's control for many years to come.

Permanent Funds

	Schedule of Net Asset Balances		Schedule of Income Available for Distribution by Trust	
	6/30/99	6/30/01	7/97 to 6/99	7/99 to 6/01
Common Schools	\$556,889,756	\$626,896,216	\$62,776,434	\$73,130,785
North Dakota State University	12,002,981	10,411,697	1,376,574	1,552,488
School for the Blind	2,358,768	2,641,028	270,583	294,946
School for the Deaf	3,440,202	3,686,252	399,015	441,071
State Hospital	3,052,213	3,162,734	347,821	400,497
Ellendale State College	2,546,393	2,250,963	280,283	298,944
Valley City State University	2,917,118	2,746,667	322,103	354,295
Mayville State University	2,060,671	3,997,165	229,855	254,206
Industrial School	4,424,736	4,150,590	524,516	587,003
State College of Science	3,262,494	4,331,458	361,142	414,538
School of Mines	3,342,741	3,589,435	380,716	430,677
Veterans Home	2,602,850	2,817,088	296,721	326,029
University of North Dakota	6,237,884	5,458,412	676,452	766,161
Total	\$605,138,807	\$677,764,580	\$68,242,215	\$79,251,639

	Schedule of Distributions By Trust		Schedule of Permanent Fund Receipts By Trust	
	7/97 to 6/99	7/99 to 6/01	7/97 to 6/99	7/99 to 6/01
Common Schools	\$46,400,000	\$47,550,000	\$15,548,136	\$48,067,480
North Dakota State University	1,125,200	1,556,595	200,358	420,732
School for the Blind	217,400	294,197	18,324	10,919
School for the Deaf	322,000	440,835	57,714	77,968
State Hospital	263,700	400,094	69,326	134,189
Ellendale State College	231,000	298,310	4,508	20,139
Valley City State University	283,000	354,146	17,225	45,821
Mayville State University	187,400	253,435	6,915	13,081
Industrial School	372,900	587,320	32,743	45,174
State College of Science	276,900	414,288	139,191	89,460
School of Mines	281,000	430,735	58,319	84,769
Veterans Home	221,900	325,803	19,667	32,307
University of North Dakota	572,000	768,020	260,975	377,361
Total	\$50,754,400	\$53,673,778	\$16,433,402	\$49,419,400

Schedule of Sources of Income Available for Distribution			Schedule of Sources of Permanent Fund Receipts		
	7/97 to 6/99	7/99 to 6/01		7/97 to 6/99	7/99 to 6/01
Investment Income	\$35,975,232	\$38,849,854	Mineral Bonus	\$1,658,735	\$967,000
Loan Income	9,845,160	10,139,272	Oil Extraction Taxes	2,543,794	4,643,585
Rents	8,296,296	8,559,508	Tobacco collections	0	23,804,911
Amortization of Gains & Losses	14,078,952	21,611,266	Royalties	11,983,415	19,783,764
Other	46,575	91,637	Other	247,458	220,140
Total	\$68,242,215	\$79,251,639	Total	\$16,433,402	\$49,419,400

Other Funds

	Schedule of Net Asset Balances		Schedule of Distributions	
	6/30/99	6/30/01	7/97 to 6/99	7/99 to 6/01
Capitol Building Fund	\$1,962,756	\$1,624,876	\$810,000	\$501,269
Coal Development Fund	51,187,980	53,614,089	5,444,003	4,029,000
Land & Minerals Fund	1,939,482	2,053,624	5,625,000	3,237,515
Total	\$55,090,218	\$57,292,589	\$11,879,003	\$7,767,784