

DEPARTMENT OF TRUST LANDS

BIENNIAL REPORT 2019-2021



NORTH
Dakota
Be Legendary.

| Trust Lands



TABLE OF CONTENTS

INTRODUCTORY LETTER	3
MISSION, VISION AND HISTORY	4
INVESTMENT MANAGEMENT	6
SURFACE MANAGEMENT	8
MINERALS MANAGEMENT	11
ENERGY INFRASTRUCTURE AND IMPACT OFFICE.....	12
UNCLAIMED PROPERTY.....	14
FINANCIAL REPORTS.....	15
REVENUE COMPLIANCE	16

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DEAR GOVERNOR BURGUM AND SECRETARY JAEGER:

State trust lands are an important, little known, and often misunderstood category of public land ownership in the West. Congress granted these lands to states upon their entrance into the Union to provide support for essential public institutions, primarily public education, and K-12 schools. Although many of the original trust land grants have passed into private ownership, only 23 states continue to hold and manage trust lands.

In North Dakota, these 706,600 acres constitute a significant part of the western landscape and provide the region with open space and important ecological, recreational, and scenic value. State trusts lands have been managed exclusively to harvest natural resources through mining, grazing, and agriculture, to provide funding for the trust beneficiaries.

State trust lands are collectively a significant component of the landscape of North Dakota and are vital to maintaining the quality of life our citizens have grown to appreciate. To ensure that those trust lands are conserved we must find solutions that fit within the trust mandate.

Naturally, the various stakeholders—community members, educators, developers, ranchers, farmers, hunters, outdoor enthusiasts, and conservationists, to name a few—have a range of expectations for the uses of these lands. However, state trust lands, as their name implies, are held “in trust” and guided by a fiduciary duty to be managed, leased, and/or sold for a diverse range of uses to generate income for the designated beneficiaries.

This past biennium the state has endured both extreme flooding and drought which has brought forth significant challenges for our industry partners. Additionally, as a result of the world pandemic, COVID-19, the State endured unprecedented loss of human life and survived economic and social disruption that directly impacted the Department of Trust Lands’ (Department) ability to generate revenue for the trusts.

However, the Department was able to recover most of the investment losses and industry partners have begun extracting natural resources to pre-pandemic levels. The ability of the Department and our stakeholders to recover so quickly is a testament to the State’s fortitude and strength. Additionally, it is a testament to the Board of University and School Lands (Board) and Department’s pledge of sound management of the affairs of the Board.

The Department and I are proud to have been a part of this heritage of trusteeship.

Sincerely,

JODI SMITH, COMMISSIONER



— MISSION —

The mission of the Board of University and School Lands is to prudently and professionally manage assets of the permanent trusts in order to preserve the purchasing power of the funds, maintain stable distributions to fund beneficiaries, and manage all other assets and programs entrusted to the Board in accordance with the North Dakota Constitution and applicable state law.

— VISION —

The Department of Trust Lands is known nationally for superior management of its assets and programs.

HISTORY

The history of school trust lands is one of extraordinary vision on the part of this nation's founding fathers. The idea was simple: generate income from land to supplement public school funding. The original thirteen states had sovereign authority over all lands within their borders. This land provided a tax base for the support of education and other governmental functions. In contrast, the federal government owned vast areas or territories that later became states. This land was immune from taxation. As a result, states created from these public lands would not have been on an "equal footing" with the original thirteen states. Congress, therefore, made land grants to the newly admitted states to equalize their tax base status with that of the original thirteen.

To ensure that land would be available for the school land grants to the new states, Congress established a practice of reserving certain sections in every township within the territories for the support of the schools. Thus, the first enactment for the sale of the public lands in the "western territory," the Land Ordinance of 1785, provided for setting apart section 16 of every township for the maintenance of the public schools. For example, when Ohio was admitted into the Union by the Enabling Act of April 30, 1802, it was granted section 16 in every township for the use of schools.

This basic pattern was followed for subsequent states, although the specific terms of the school land reservations and grants have differed over time. For virtually every state, the school land grants are found in the state's admission or enabling act. The grants have varied in terms of the number of sections granted per township, in the wording of the purpose of the grant (e.g., "for the use of schools," "for the support of common schools"), and in the extent of explicit restrictions placed upon the state.

In 1889, Congress passed the Enabling Act "to provide for the division of Dakota [Territory] into two states, and to enable the people of North Dakota, South Dakota, Montana, and Washington to form constitutions and state governments, and to be admitted into the union on an equal footing with the original states, and to make donations of public lands to such states." Act of February 22, 1889, Ch. 180, 25 Statutes at Large 676. 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 nearly 2.6 million acres. The Enabling Act provided further land grants to the State of North Dakota for the support of colleges, universities, the state capitol, and other public institutions. Revenues are generated through the prudent management of trust assets, which assets include approximately 706,600 surface acres and nearly 2.6 million mineral acres. Article IX, Section 2 of the North Dakota Constitution provides that the "net proceeds of all fines for violation of state laws and all other sums which may be added by law, must be faithfully used and applied each year for the benefit of the common schools of the state and no part of the fund must ever be diverted, even temporarily, from this purpose or used for any purpose other than the maintenance of common schools as provided by law."

To Thomas Jefferson (Jefferson) education for all the children of the United States was the key to creating a strong democracy. Jefferson's idea was to look for a way to fund education by using the land to generate funding. With approval of the Enabling Act in 1889, Congress granted North Dakota the ability to become a state. The Board is part of that Act, making it an agency that predates statehood.

The Enabling Act, the North Dakota Constitution, and statutes passed over the last 130 years, have defined the role of the Board and its beneficiaries.

The Department serves as the administrative agency of the Board and the Commissioner of University and School Lands (Commissioner). Along with being responsible for the management and stewardship of educational trusts, the Department oversees mineral acres and other assets utilized for the benefit of public schools and other institutions in North Dakota. The Department operates the state's Unclaimed Property Division and the Energy Infrastructure and Impact Office (EIIO).

INVESTMENTS

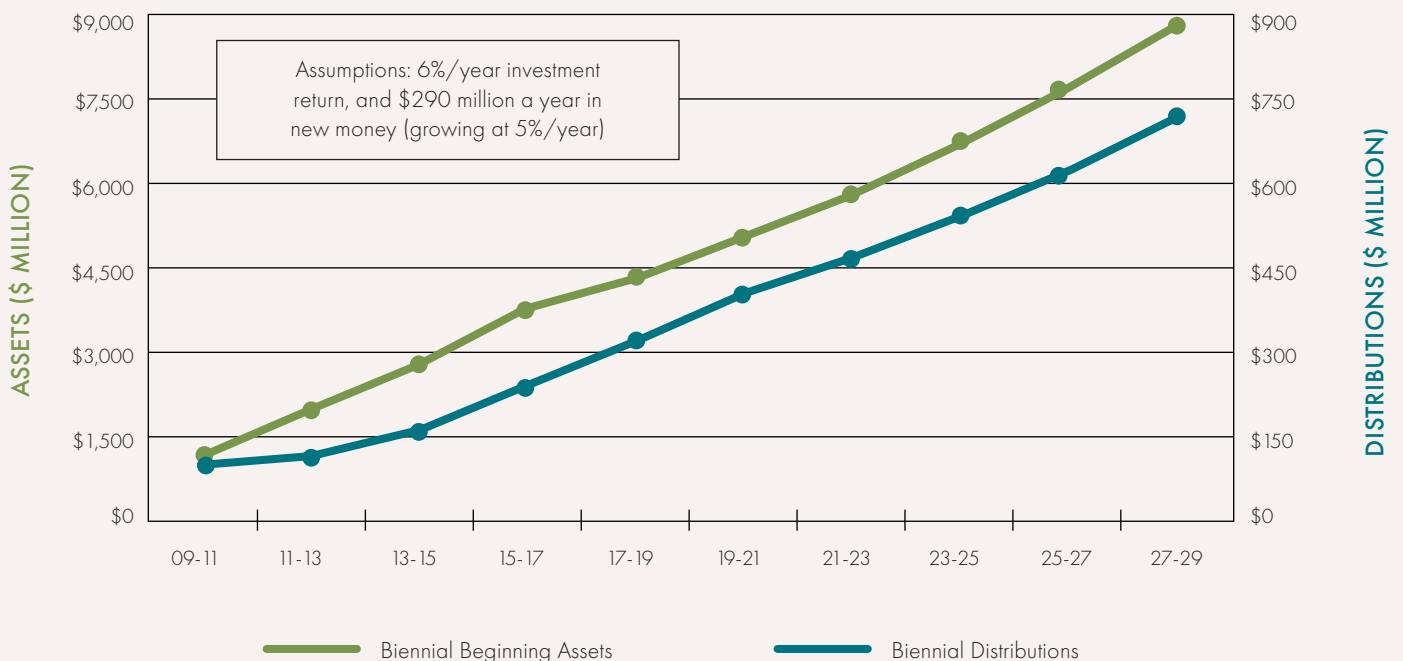
The overarching goal of the Investments Division is to invest every dollar earned from the trust lands and maximize the return. The Investments Division fulfills Jefferson's vision by managing and growing revenue for North Dakota schools, opening the door for a future of well-educated, successful citizens. We aim to carry the torch of fiduciary responsibility forward to create a brighter future and more equitable presence for North Dakota's public education programs.

To that end, we ground our decision-making in objective research and sound portfolio theory. We value long-term growth over short-term gains, impartial analysis over conventional wisdom, and will always conduct investment decisions with undivided loyalty to the trusts for which we serve.

Revenue and investments were volatile over the course of the past biennium due to the COVID-19 pandemic. However, due to the distribution policy outlined in Article IX, Section 2 of North Dakota Constitution, the trusts' beneficiaries will feel minimal impact from the market drop at the end of the biennium.

In 2019-2021 biennium, Common Schools Trust Fund (CSTF) distributions by the trusts totaled \$388,500,000 paying 13.9% of the per student public education funding in North Dakota.

**13 PERMANENT TRUST FUNDS
ASSET AND DISTRIBUTION TRENDS**



The Board manages other funds for the State and other beneficiaries. Two funds are private purpose trust funds: the Indian Cultural Education Trust and the Theodore Roosevelt Presidential Library and Museum Endowment Fund. The remaining funds of the Department are governmental funds.

INDIAN CULTURAL EDUCATION TRUST

The Indian Cultural Education Trust was created in 2003 to generate income to benefit Indian culture (N.D.C.C. ch. 15-68). Present assets are managed for the benefit of the Mandan, Hidatsa, and Arikara Nation Cultural Education Foundation. This trust's assets are managed, and distributions determined, in the same manner as the permanent trust funds.

THEODORE ROOSEVELT LIBRARY AND MUSEUM ENDOWMENT FUND

The Theodore Roosevelt Presidential Library and Museum Endowment Fund (TR Fund) was created under N.D.C.C. § 54-07-12 to generate income to be used for the operation and maintenance of the library and museum, after the Theodore Roosevelt Presidential Library Foundation has raised or secured binding pledges of \$100 million. The TR Fund is managed through an agreement between the Office of the North Dakota Governor and the Board. In May of 2019 the first deposit, totaling \$15 million, was made to the Board for the TR Fund.

CAPITOL BUILDING FUND

The Capitol Building Fund was established by N.D.C.C. § 48-10-02 pursuant to Article IX of the North Dakota Constitution. Section 12 of the Enabling Act authorized the land grant for "public buildings at the capital of said states" N.D.C.C. § 48-10-02 defines the fund, outlines its purposes, and assigns management of the land and the fund's investment to the Board. Unlike the permanent trust funds created under Article IX, this fund is fully expendable and is subject to legislative appropriation each biennium.

STRATEGIC INVESTMENT AND IMPROVEMENTS FUND

The Strategic Investment and Improvements Fund (SIIF) is financed by the revenues earned from sovereign mineral acres, including those formerly owned by the Bank of North Dakota (BND) and State Treasurer and minerals located under navigable rivers and lakes (N.D.C.C. ch. 15-08.1, § 61-33-07). The SIIF also receives a portion of the oil and gas production and extraction taxes (N.D.C.C. § 57-51.1-07.5). This fund may be appropriated by the legislature for one-time expenditures relating to improving state infrastructure or for initiatives to improve the efficiency and effectiveness of state government (N.D.C.C. § 15-08.1-08).

COAL DEVELOPMENT TRUST FUND

The Coal Development Trust Fund was established by N.D.C.C. ch. 57-62, pursuant to Article X, § 21 of the North Dakota Constitution. The Fund receives 30 percent of the coal severance tax. This fund is held in trust and is administered by the Board for loans to coal impacted counties, cities, and school districts as provided by N.D.C.C. § 57-62-03, and for loans to school districts pursuant to N.D.C.C. ch. 15.1-36. Any balance not loaned is invested according to Board policies. The income earned by this fund is transferred to the State General Fund each year.

SURFACE MANAGEMENT

The Surface Management Division manages more than 706,000 surface acres owned by the various trust funds under the Board's control. The major source of income from these trust lands comes from agricultural leases (grassland, crop and hay land uses), with significant revenue generated from rights-of-way, surface damage agreements, and construction aggregate mining. The objective of surface management is to obtain a "fair market" return from the trust lands while maintaining or improving the condition and value of the land.

SURFACE ACRES BY COUNTY

As of June 30, 2021

COUNTY	ACRES	COUNTY	ACRES	COUNTY	ACRES
Adams	17,097.52	Golden Valley	28,983.55	Ramsey	2,056.50
Barnes	2,803.32	Grant	33,519.57	Ransom	1,120.00
Benson	12,005.78	Griggs	1,741.24	Renville	1,910.12
Billings	30,922.04	Hettinger	9,892.50	Richland	400
Bottineau	3,271.94	Kidder	28,643.79	Rolette	6,226.08
Bowman	29,310.48	LaMoure	1,435.72	Sargent	1,128.17
Burke	16,116.21	Logan	9,410.68	Sheridan	25,826.44
Burleigh	27,904.28	McHenry	22,720.56	Sioux	23,411.56
Cass	40	McIntosh	6,209.87	Slope	23,605.98
Cavalier	556.47	McKenzie	64,586.70	Stark	6,150.13
Dickey	3,981.51	McLean	20,890.99	Stutsman	15,627.81
Divide	20,778.96	Mercer	15,113.05	Towner	8,076.00
Dunn	25,673.31	Morton	18,101.82	Walsh	160
Eddy	10,292.81	Mountrail	32,445.59	Ward	10,798.98
Emmons	13,533.97	Nelson	2,694.45	Wells	5,251.89
Foster	3,111.51	Oliver	7,588.41	Williams	38,382.45
Grand Forks	1,274.77	Pierce	13,664.93	Total	706,480.00

SURFACE ACRES BY TRUST FUND

As of June 30, 2021

TRUST FUND	ACRES
Common Schools	631,628.78
School for the Blind	3,481.69
Capitol Building	10,034.45
School for the Deaf	4,830.44
Ellendale State College	4,919.00

SURFACE ACRES BY TRUST FUND (CONT.)

As of June 30, 2021

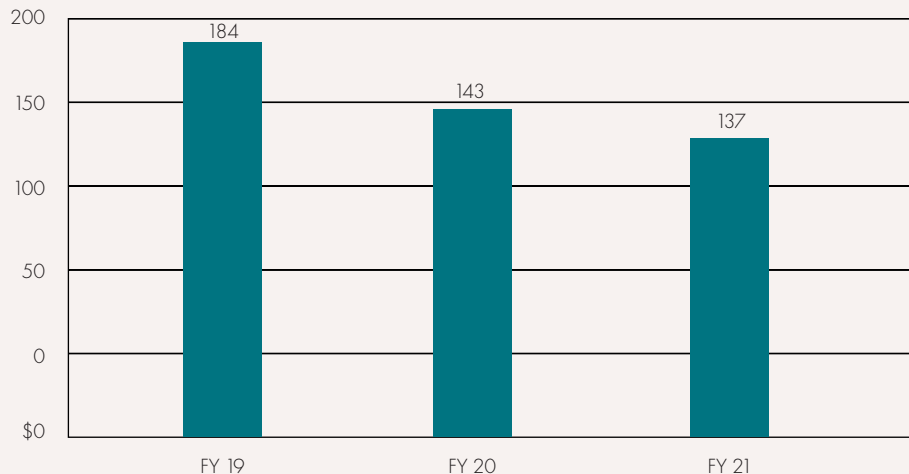
State Hospital	2,206.11
ND Youth Correctional Center	3,584.42
School of Mines ¹	3,330.38
North Dakota State University	15,120.23
Veterans Home	2,753.69
U.N.D.	8,897.98
Valley City State University	640
ND State College of Science	3,712.94
Mayville State University	640
Valley City/Mayville ²	6,825.89
Farm Loan Pool ³	3,714.00
Indian Cultural Education	160
TOTAL	706,480.00

1	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 are allocated to the permanent trusts that have an interest in the Board's Farm Loan Pool.

During the 2019-2021 biennium the Department acquired 50.2 acres through rights-of-way and abandoned railroad reversion and conveyed 179.1 acres through public purpose sales and abandoned railroad disclaimer.

The table below illustrates the surface acres by county managed by the Department.

RIGHTS-OF-WAY & SURFACE DAMAGE AGREEMENTS ISSUED



There were 280 rights-of-way issued during the 2019-2021 biennium generating consideration payments of over \$8.59 million dollars for the trusts. There was one (1) Wind Energy Easement Agreement entered into this past biennium, bringing the number of Wind Energy Easement Agreements to four (4). There are currently 14 turbines on Trust Lands having the capability of generating 33.7-megawatts of power when fully operational. There were four (4) Saltwater Disposal Facility Easement extensions and one (1) assignment granted this past biennium, bringing the total number of active Saltwater Disposal Facility Easement Agreements under management to 17.

The trust lands have been leased by generations of North Dakotans for agricultural purposes. The land is leased in a series of auctions held each fall and spring. All auctions are open to the public and each lease goes to the highest bidder with the minimum bid set by the Commissioner based upon the Board's Fair Market Value Minimum Rent Policy. The Department manages over 3,000 active surface land leases. Leasing interest continues to be high with over 99 percent of the tracts offered successfully leased. The Department generated \$18.6 million in rental income this biennium through the surface lease program, an increase of \$1.2 million over the prior biennium.

The surface acres managed by the Department are inspected by trained field inspectors at least once during the five-year lease period to help with early detection of noxious and invasive weed species and to monitor land integrity. Reclamation inspections assist in determining whether a right-of-way having surface disturbance is meeting agreement vegetation standards, providing for noxious and invasive weed control, and experiencing erosion. The surface inspection program generates approximately 1,500 tract inspections on an annual basis. These inspections are generally fall integrity, reclamation, livestock grazing, noxious weed, unleased tract, and posting inspections.

Professional staff work day-to-day on land management projects that result in land improvement on trust lands. These projects include:

- Oil well pad, saltwater disposal sites, pipeline and road siting, and reclamation
- Developing water wells, pipelines, dams, and dugouts for livestock water and wildlife enhancement
- Grazing management plans for improving range condition and productivity
- Cooperative trash site clean-up and abandoned water well sealing
- Gravel and scoria mine site reclamation
- Noxious weed chemical and biological control
- Coal mine reclamation
- Monitoring flood impacted tracts



MINERALS MANAGEMENT

The Minerals Management Division oversees nearly 2.6 million mineral acres held in trust by the Board. The Division's responsibilities include mineral ownership research and analysis; the administration of oil and gas, coal, potash, and other mineral leasing; the evaluation of well participation for royalty collection; and mineral ownership, leasehold, and well participation data management.

Oil and gas leasing generates significant revenue contributions to the trusts and funds, with the main source of mineral income being lease bonus payments and royalties. During the 2019-2021 biennium, the Minerals Management Division offered 1,187 oil and gas leases, generating \$11.2 million in bonuses. As of the end of the biennium, 711,247 net mineral acres are under 8,135 leases, and as of June 30, 2021, the Department manages an interest in over 46 percent of the 16,825 producing oil and gas wells in North Dakota.

During the biennium, the Department completed a Mineral Estate Valuation for the first time. The intention of this report is to establish an opinion of value using fair market determinations in conjunction with directives provided by the Board's Minerals Valuation Policy adopted on June 25, 2020. In consideration of all relevant information, the value of all the minerals under the Board's management as of December 31, 2019, is \$1,449,002,408.

Under North Dakota law, the Board is vested with the authority to manage state-owned minerals, including the oil, gas, and related hydrocarbons, within the beds of the State's navigable waters. The Sixty-Fifth Legislative Assembly's adoption of Senate Bill 2134 (SB 2134), codified as N.D.C.C. ch. 61-33.1, sought to establish state ownership of minerals below the ordinary high water mark of the historical Missouri riverbed channel (Historical OHWM) inundated by Pick-Sloan Missouri basin project dams. Senate Bill 2211 of the Sixty-Sixth Legislative Assembly amended N.D.C.C. ch. 61-33.1 relating to the ownership of mineral rights of land subject to inundation by Pick-Sloan Missouri basin project dams.

Under N.D.C.C. § 61-33.1-03(8), the Board contracted with Kadrmas, Lee & Jackson, Inc. (KLJ) "to analyze the final review findings and determine the acreage on a quarter-quarter basis or government lot basis above and below the [Historical OHWM] as delineated by the final review findings of the industrial commission." KLJ provided the Department with a Final Report for Acreage Determination along the Ordinary High Water Mark as adopted by the North Dakota Industrial Commission Order No. 29129. On June 25, 2020, the Board formally adopted the majority of the survey conducted by KLJ. On November 24, 2020, the Board formally adopted T152N R93W Section 11 Lot 2 and Section 10 Lot 6. On behalf of the Board, the Department has set in motion the refunding of royalty proceeds that fall within the six-month time frame outlined in N.D.C.C. § 61-33.1-04(1). Implementation and release of royalty proceeds is under way as acreage determinations have been calculated on "oil and gas mineral tracts lying entirely above the [Historical OHWM] on both the corps survey and the state phase two survey . . . absent a showing of other defects affecting mineral title." N.D.C.C. § 61-33.1-04(1)(a).

ENERGY INFRASTRUCTURE AND IMPACT OFFICE

It is important to acknowledge and reflect upon the significant work the legislature has done over the past forty years in dedicating funding to projects throughout the state through the EIO.

In 1977, the legislature authorized the Coal Development Impact Office resulting in the Energy Infrastructure and Development Office being managed by the Board. In 1989, the Oil and Gas Impact Program was established and managed within the Energy Infrastructure and Development Office. In 2011, the Energy Development Impact Office underwent a name change to the EIO. Over the past 40 years, EIO has reviewed thousands of grant applications and dispersed over \$626 million in funding.

- * **From July 1, 1981 to June 30, 2001** \$40,340,965.00 was awarded to help Townships, Counties, K-12 Schools, Emergency Medical Services (EMS) and Fire Districts to assist in projects related directly to oil and gas development.
- * **From July 1, 2001 to June 30, 2011** \$28,712,000 was awarded to help repair roads and for fire and ambulance districts to purchase necessary gear, trainings, new buildings, and equipment.
- * **During the 2011- 2013 biennium** \$135 million was awarded, with \$35 million appropriated during a special session for counties emerging as oil and gas producing areas. During the special session, EIO was also tasked with the implementation of a \$30 million Flood Impacted Program to assist political subdivisions with 2011 flood challenges.
- * **During the 2013 - 2015 biennium** \$240 million was awarded to airports, higher education institutions, first responders, infrastructure projects, and hub cities.
- * **During the 2015- 2017 biennium** \$140 million was appropriated; however, a sharp drop in gross production tax collections resulted in severely reduced revenues from the gross production tax. The reduced revenues limited the Board's ability to proceed with awarding grants appropriated by the Legislature.

Additional funding was authorized by the Legislature for social entities that do not adhere to N.D.C.C. ch. 57-62 which only authorizes EIO to fund taxing districts. This authorization allowed EIO to award grants to: domestic violence sexual assault organizations, local district health units, providers that serve individuals with developmental disabilities located in oil producing counties, critical access hospitals, nursing homes, basic care facilities, and providers of home health services and hospice programs

- * **During the 2017- 2019 biennium** the legislature appropriated \$40 million to the oil and gas impact fund to the Williston and Dickinson Airports in Senate Bill 2013. The Board awarded 13 grants, for a total of \$3,145,558, to political subdivisions with contingency funding.

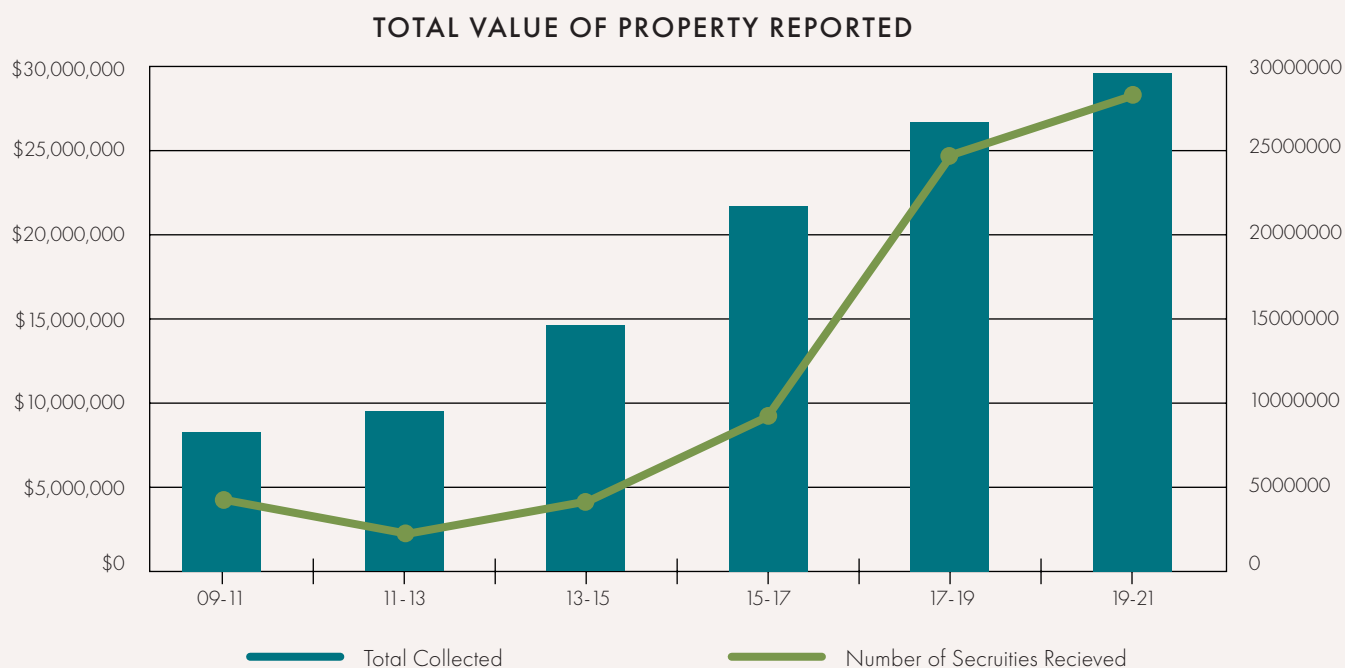
* **During the 2019 - 2021 biennium** the Legislature appropriated \$2 million. One grant round was held during the biennium. The grant round objective was to offset costs incurred for an emergency or unanticipated incident where the damage was directly related to or impacted by current oil and gas development. The Board awarded 14 grants, for a total of \$2,400,000.00 to political subdivisions with contingency funding. This grant round included \$400,000 that was available in the fund due to canceled grants from previous biennia from political subdivisions where the project came in under budget. The chart below reflects the awards from the 2019-2021 biennium.

APPLICANT	COUNTY	GRANT NUMBER	SHORT DESCRIPTION	PROJECT TOTAL	AMOUNT REQUESTED	AMOUNT AWARDED
Noonan Fire Department	Divide	G200001	Purchase A Used 1000 Gallon Pumper Apparatus	\$35,000	\$28,000	\$28,000
Zap Rural Fire Protection District	Mercer	G200002	Extrication Equipment	\$36,900	\$36,900	\$33,210
Gladstone Consolidated Fire District	Stark	G200003	New Pumper Fire Truck	\$375,000	\$375,000	\$187,500
Tolley Fire Department	Renville	G200004	50 X 50 Building Addition	\$555,000	\$555,000	\$355,172
Billings Co. Rural Fire Protection Dist.	Billings	G200005	Fairfield Rescue Truck	\$244,529	\$184,529	\$184,529
Billings County	Billings	G200006	Ambulance Replacement	\$573,761	\$264,943	\$120,000
City of Belfield	Stark	G200007	Ambulance Replacement	\$255,000	\$100,000	\$100,000
Bowman County Rural Ambulance District	Bowman	G200008	4- Wheel Drive Ambulance	\$210,000	\$50,000	\$50,000
Columbus Rural Fire District	Burke	G200009	Acquisition Of Vehicle Chassis	\$162,489	\$141,589	\$141,589
City of New England	Hettinger	G210001	2020 North Side Growth Area Street & Sewer Improvements	\$1,442,000	\$1,000,000	\$348,650
Williston Township	Williams	G210002	52nd Street Landslide	\$1,450,000	\$350,000	\$350,000
Mountrail County	Mountrail	G210003	36th St Nw- Cement Stabilization and Graveling	\$82,700	\$82,700	\$41,350
Williston	Williams	G210004	Asb Innovation Academy	\$14,092,183	\$500,000	\$250,000
City of Stanley	Mountrail	G210005	Wastewater Treatment Facility Improvements and Upgrades to Pumps at Main Lift Station	\$1,675,000	\$837,500	\$210,000
TOTAL:						\$2,400,000

UNCLAIMED PROPERTY

The Unclaimed Property Division administers and enforces the Uniform Unclaimed Property Act (currently N.D.C.C. ch. 47-30.2) which has been in effect since 1975. The program's objectives are to reunite lost and abandoned property with its rightful owner and to safeguard this property from being used for personal gain by non-owners. The property is maintained to the credit of the CSTF with revenue earned on the investment of properties benefiting school funding.

The 2019-2021 biennium saw a total of 19,284 properties paid, resulting in \$12,908,440.75 returned to owners. Abandoned property reported to the Department totaled \$29,444,443.59 from the receipting of 6,787 holder reports and 63 safe boxes.



During the 67th Legislative Assembly, the Revised Uniform Unclaimed Property Act (RUUPA) was passed under Senate Bill 2048, codified as N.D.C.C. ch. 47-30.2.

In today's high-tech world, time is money. RUUPA permits use of electronic notices, reduces the need for paper checks and mail transactions, and clarifies definitions that delayed and complicated the transfer of property.

Adoption of N.D.C.C. ch. 47-30.2 brings Unclaimed Property Division business transactions into the 21st Century. It identifies types of property not available in 1985, such as virtual currency, payroll cards and health savings accounts.

The new law specifies dormancy periods for many types of property and places a high priority on information security. It clarifies the process of securing properties from businesses and returning them to the rightful owners. It also conforms with the 2016 Revised Uniform Unclaimed Property Act, a movement toward national standardization and simplification of state property custody decisions.

The passage of Senate Bill 2048 was a three-year project which will significantly impact Unclaimed Property law, as the law had not been completely updated since 1985.

FINANCIAL REPORTS

Eide Bailly completed its review of the Department's financial statements for the fiscal year ending June 30, 2021. The draft report identified two audit finding recommendations. The full report can be found on the Department's website.

While the Department saw an increase in work, the Board saw a reduction in funding, resulting in a decrease in FTEs from 31 to 28 in the 2019-2021 biennium while managing \$6 billion in assets, more than 706,600 surface acres, and over 2.6 million mineral acres.

On July 1, 2020, the Department implemented a new Financial Management and Accounting system powered by Microsoft Dynamics 365. This is the first time since the early 1980s the accounting software has been updated.

BOARD OF UNIVERSITY AND SCHOOL LANDS		
COMPARATIVE FINANCIAL POSITION (UNAUDITED)		
Schedule of Net Assets		
ASSETS BY TRUST	JUNE 30, 2021	JUNE 30, 2019
Common Schools	\$5,736,576,907	\$4,651,515,838
North Dakota State University	85,724,293	72,045,457
School for the Blind	15,330,573	12,682,481
School for the Deaf	24,441,491	21,251,342
State Hospital	16,358,466	14,603,478
Ellendale*	27,724,824	21,852,063
Valley City State University	14,987,706	12,936,711
Mayville State University	10,205,855	8,093,248
Youth Correctional Center	30,414,485	24,651,950
State College of Science	21,984,530	17,946,053
School of Mines **	26,530,622	21,883,980
Veterans Home	6,043,852	5,370,988
University of North Dakota	41,240,750	34,344,393
Capitol Building	3,462,488	6,548,608
Strategic Investment and Improvements	860,465,439	1,134,326,018
Coal Development	71,117,670	70,296,353
Indian Cultural Education Trust	1,441,059	1,285,256
Theodore Roosevelt Presidential Library	38,446,695	15,050,748
TOTAL	\$7,032,497,705	\$6,146,684,965

ASSETS BY TYPE

	JUNE 30, 2021	JUNE 30, 2019
Cash	\$549,605,811	\$128,131,969
Receivable	43,729,070	50,537,931
Investments ***	6,253,609,271	5,808,514,418
Office Building (Net of Depreciation)	307,163	428,010
Farm Loans	4,988,534	9,229,151
Energy Construction Loans		979,447
Energy Development Impact Loans	9,781,118	11,269,205
School Construction Lons (Coal)	29,864,928	41,707,151
Due to/from Other Trusts and Agencies	159,925,996	98,115,243
Accounts Payable	(19,314,186)	(2,227,560)
TOTAL	\$7,032,497,705	\$6,146,684,965

*** Ellendale Trust - The following entiries are equal beneficiaries of the Ellendale Trust**

Dickinson State University | Minot State University | Dakota College at Bottienau | School for the Blind | Veterans Home State Hospital | State College of Science - Wahpeton

**** School of Mines**

Benefits of the original grant to the School of Mines are distributed to the University of North Dakota.

***** Investments**

Includes available cash for loans, investments, abandoned stock and claimant liability.

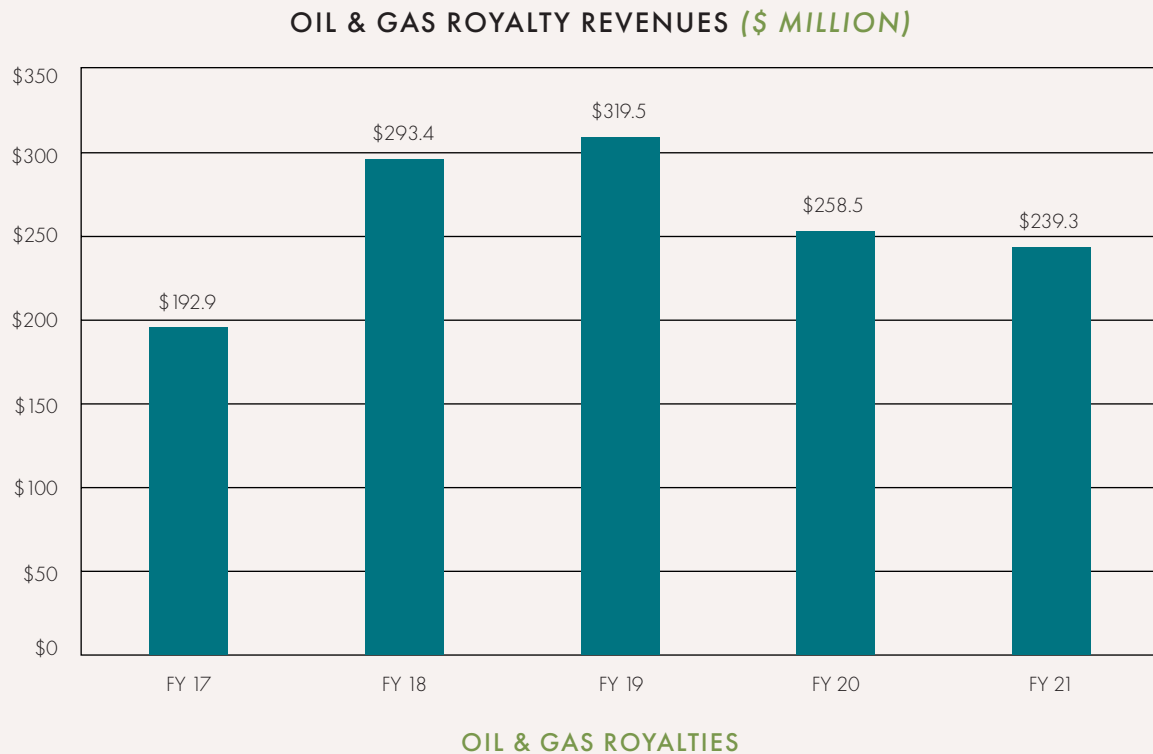
REVENUE COMPLIANCE

The Department's Revenue Compliance Division is responsible for developing and implementing procedures to assure the timely and accurate accounting of all royalties, bonuses, rentals, and other revenues received. A significant amount of time is dedicated to evaluating the accounting and collection of oil and gas royalties.

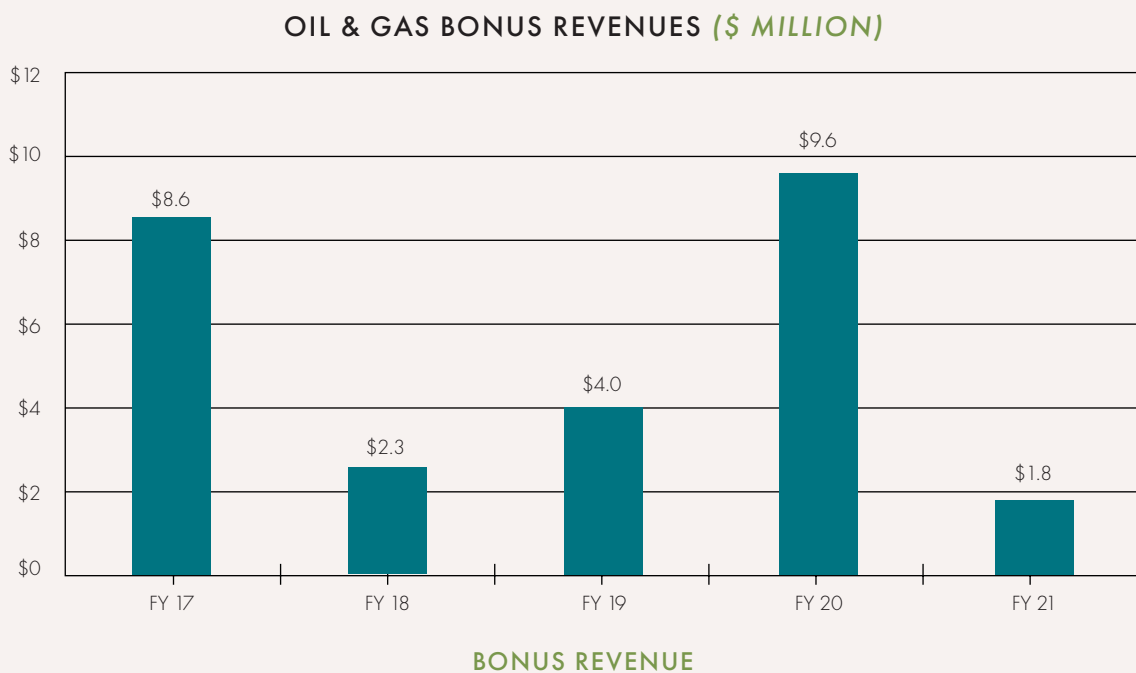
While the Department has a long-standing history of auditing, dating back to 1922, the Board began a concerted effort of auditing oil and gas royalties in the 1980s. Audits performed in the 1980s were primarily related to oil and gas royalties owed under leases issued prior to 1979, which have different terms than leases issued after 1979. These audits resulted in the Board collecting additional royalties dating back to as early as the 1950s. Through the decades, the Board has persistently worked with industry partners to collect payment or establish escrow accounts for royalties from the production of minerals, in accordance with the North Dakota Century Code, the Board's lease, rules, and policies.

Between 2006 and 2011, the Board saw a 240% increase in the number of producing wells, which tripled the number of royalty records that needed to be processed. A formal Revenue Compliance Division was created in March 2011 upon legislative approval of the hiring of necessary staff.

The Department collected oil and gas royalties of approximately \$258.4 million in FY 2020 and \$239.3 million in FY 2021.



Bonus revenue received totaled \$9.6 million in FY 2020 and \$1.75 million in FY 2021 as most of the favorable oil and gas production areas were already under lease.



COLLECTIONS

Royalty data is reviewed for discrepancies in volume, ownership, valuation, and lease terms. Reported volume data is compared with the North Dakota Industrial Commission's data to identify variances. Additionally, division orders and submitted royalty reports are reviewed to identify potential issues. These efforts have brought additional revenue to the trusts that may not have otherwise been collected. The enhanced efforts have resulted in additional royalty collections over the prior four fiscal years. The table below details the results of these efforts.

ADDITIONAL ROYALTY COLLECTIONS				
	FY 18	FY 19	FY 20	FY 21
Additional Royalties Collected	\$ 81,436	\$ 490,829	\$ 1,930,109	\$ 329,614
Repaid Taxes and Deductions Taken in Error	\$797,882	\$0	\$787,357	\$893,408
Penalties & Interest Collected	\$293,365	\$564,617	\$666,622	\$756,131
TOTAL COLLECTIONS	\$1,172,683	\$1,055,446	\$3,384,088	\$1,925,153

House Bill 1080 was introduced and was originally drafted to address concerns with the Board's penalties and interest for late royalty payments.

In its final version, House Bill 1080 replaces the current minimum annual interest rate of prime interest plus 4% (now at 7.25%) and maximum annual interest rate of 18% on unpaid royalties with a flat 0.75%/month rate, to a maximum of 9% interest per year. The Commissioner may waive all or a portion of the interest for good cause.





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