DEPARTMENT OF TRUST LANDS

BIENNIAL REPORT 2023-2025

NORTH Dakota | Trust Lands

Be Legendary.

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DEPARTMENT OF TRUST LANDS 2023-2025 BIENNIAL REPORT

DEAR GOVERNOR ARMSTRONG AND SECRETARY HOWE:

It's amazing to think that I am already approaching my fourth year serving as North Dakota's Commissioner of University and School Lands. Each day I continue to be impressed at the beauty and productivity of North Dakota's lands and natural resources!

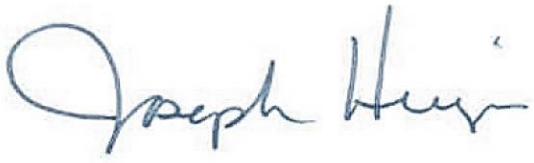
The Department's mission is to prudently manage the Land Board's assets for the long - term benefit of North Dakota public K-12 education and other critical state institutions. By that standard we had another successful biennium as evidenced by the following highlights:

- Common Schools Trust Fund K-12 distributions increased to $85 million (17%) from FY23-25 $500 million to FY25-27 $585 million, equating to nearly 24% of the state's per student funding for K-12 public education
- Common Schools Trust Fund balance increased $1.7 billion (+27%) from FY23 $6.2 billion to FY25 $7.9 billion
- Combined other permanent funds balance increased $84 million (+24%) from FY23 $345 million to FY25 $429 million
- Net investable assets grew $1.9 billion (23%) over the biennium, totaling $10.25 billion as of June 30, 2025
- The investment portfolio generated over $1.6 billion from income and growth, returning above benchmark returns of 9.42% and 11.64% in fiscal years 2024 and 2025, respectively
- Generated $970 million in oil & gas royalties, $26 million in oil & gas bonus payments, and $34 million in rental income
- Another record biennium for our Unclaimed Property Division with 43,653 claims paid, resulting in $23,034,561 in property returned to rightful owners: 7,374 holder reports totaling $52,773,036 in collections
- Started a new Unclaimed Property in-state compliance program
- Re-structured our Unclaimed Property 3rd party auditor contracts to promote increased holder compliance
- New online customer portal with electronic payment processing went live May 2025

Thank you to my talented and dedicated team for helping to achieve these results and making all our jobs enjoyable and rewarding.

We look forward to another successful biennium in 2025-27 with goals of fully integrating the new customer portal, implementing the in-state unclaimed property compliance program, continuing to build out the investment portfolio, diversifying revenue streams, and evaluating underperforming lands.

Thank you to the Land Board for its steady and insightful leadership as we work together to achieve these goals for the long-term support of the trusts and their beneficiaries!



JOSEPH A HERINGER, 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.

We are grateful for the faith placed in us to protect and develop North Dakota's resources. We are committed to fulfilling our fiduciary duties, while securing sustainable beneficiary funding for current and future generations.

VISION

The Department of Trust Lands empowers prosperity through responsible stewardship of our extensive mineral and surface resources, driving growth in our trusts and funds, and maximizing the long-term value of our assets for generations to come.

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, section 16 in every township was granted 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 mission of the Investments Division is to preserve the purchasing power of the trust funds and maintain stable distributions to fund beneficiaries, including North Dakota public schools.

The Investment Policy Statement governs how funds are managed and follows the industry-standard Prudent Investor Rule – to invest using the same judgement and care that an institutional investor of ordinary prudence, discretion, and intelligence exercises in the management of large investments entrusted to it.

Successful institutional portfolio management begins with a thoughtful strategic asset allocation, constructed using portfolio management theory. North Dakota Trust Lands has built a diversified multi-asset portfolio designed to withstand market volatility. The asset mix includes traditional equity and fixed income as well as alternative asset classes, such as private markets and absolute return.

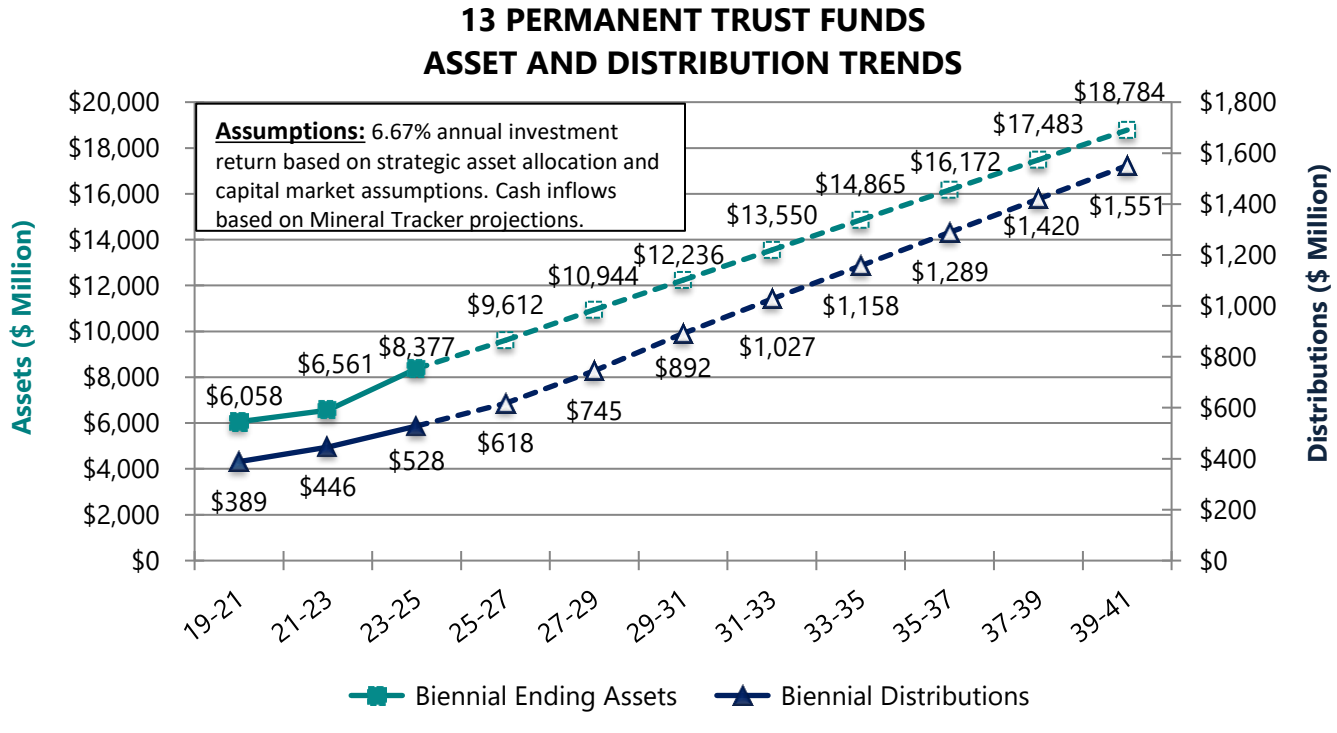
We seek excess returns by investing with managers who have a proven track record of consistent outperformance. Our manager selection and investment decision-making process combines qualitative research and quantitative analysis. The goal of our target portfolio is to compound superior risk-adjusted returns in perpetuity.

Through this approach to risk management and manager selection, the Investment Division serves as long-term stewards of capital for the State of North Dakota. As of June 30, 2025, net investable assets for the Department totaled $10.25 billion, growing by $1.9 billion or 23% over the biennium.

The growth was a result of strong oil and gas revenues coupled with strong investment returns. Fiscal years 2024 and 2025 generated a combined $970 million in oil and gas royalty revenue. Despite intermittent volatility around the US election and policy uncertainty, global equity markets marched higher over the biennium. The investment portfolio generated over $1.6 billion from income and growth, returning 9.42% and 11.64% in fiscal years 2024 and 2025, respectively.

Beneficiaries continue to realize growing distributions. In the 2023-25 biennium, Common Schools Trust Fund (CSTF) distributions totaled $500 million. In the 2025-27 biennium, CSTF distributions will total $585 million. This is a 17% increase and equates to nearly 24% of the state's per student funding for K-12 public education.

The Board manages seventeen additional 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.

FINANCIAL REPORTS

Eide Bailly completed its review of the Department's financial statements for the fiscal year ending on June 30, 2025, below are the final audited totals.

BOARD OF UNIVERSITY AND SCHOOL LANDS COMPARATIVE FINANCIAL POSITION

ASSETS BY TRUST

	JUNE 30, 2024	JUNE 30, 2025
Common Schools Trust Fund	6,997,804,865	7,947,818,906
North Dakota State University	103,395,050	115,493,290
School for the Blind	17,707,007	20,036,985
School for the Deaf	27,140,564	30,387,010
State Hospital	17,081,609	18,639,301
Ellendale*	33,877,278	37,713,627
Valley City State University	19,049,989	22,211,986
Mayville State University	13,753,814	15,705,388
Youth Correctional Center	38,247,932	43,116,178
State College of Science	24,586,258	27,030,423
School of Mines **	31,062,962	34,077,942
Veterans Home	6,734,873	7,329,421
University of North Dakota	51,063,659	57,016,713
Capitol Building	12,756,891	8,438,235
Strategic Investment and Improvements	1,312,921,866	1,737,442,259
Coal Development	74,726,493	75,569,050
Indian Cultural Education Trust	1,485,574	1,603,919
Theodore Roosevelt Presidential Library and Museum Endowment	53,243,102	57,109,518
TOTAL	**$8,836,639,786**	**$10,256,740,151**

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

Dickinson State University | Minot State University | Dakota College at Bottineau | 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.*

ASSETS BY TYPE

	JUNE 30, 2024	JUNE 30, 2025
Cash	$535,885,735	$997,639,235
Investments	7,983,110,808	9,082,558,002
Receivable	73,737,975	75,862,898
Farm Loans	2,243,893	2,082,342
School Construction Loans (Coal)	31,315,638	30,611,395
Due to/from Other Trusts and Agencies	187,099,124	76,839,293
Capital Asset – Land	7,736,490	7,736,490
TOTAL	**$8,821,129,663**	**$10,273,329,655**

During the Sixty-ninth Legislative Assembly, Senate Bill 2013 provided an appropriation to defray the expenses of the Commissioner of University and School Lands for the 2023-25 biennium, as outlined in the following disclosures.

APPROPRIATED EXPENDITURES JULY 1, 2023 TO JUNE 30, 2025	
Salaries and Wages*	$ 8,823,877
Operating Expenses	1,769,094
Capital Assets	4,949,500
Contingencies	100,000
TOTAL	**$ 15,642,471**

*As of June 30, 2024, appropriations increased by $1,300,056, funded through allocations from the State's equity and FTE Funding Pools.

APPROPRIATED EXPENDITURES - FURTHER BREAKDOWN			
	Expenditures FY Ended June 30, 2024	Expenditures FY Ended June 30, 2025	Unexpended Appropriations
Salaries and Wages*	$ 4,029,795	$4,323,942	$470,140
Operating Expenses	462,001	530,963	776,130
Capital Assets	486,233	3,975,950	487,317
Contingencies	0	0	100,000
TOTAL	**$ 4,978,029**	**$ 8,830,855**	**$ 1,833,587**

OPERATING EXPENSES			
	Expenditures FY Ended June 30, 2024	Expenditures FY Ended June 30, 2025	2023-2025 Biennium Expenditures
Travel	$ 31,074	$ 28,374	$ 59,448
Software/licenses/IT supplies	2,117	18,931	21,048
Operating	65,347	48,834	114,181
Postage	10,750	20,251	31,001
Printing	4,186	3,581	7,767
Equipment – IT and office	2,363	49,725	52,088
OMB – Risk Management	3,757	4,290	8,047
Building rent	78,284	68,947	147,231
NDIT expenditures	149,700	100,338	250,038
Professional development	33,597	26,961	60,558
Legal fees	80,826	160,731	241,557
TOTAL	**$ 462,001**	**$ 530,963**	**$ 992,964**

SURFACE MANAGEMENT

The North Dakota Department of Trust Land's Surface Management Division manages approximately 706,000 acres of surface estate throughout the state of North Dakota for the benefit of the various trusts under the control of the Board of University and School Lands as outlined in the North Dakota Constitution.

The Surface Division consists of 6 full-time staff members and 8-10 part-time field staff. Surface Division staff manage daily demands faced by land managers in addition to learning about new management opportunities and continually working towards ensuring that the land will continue to function for the benefit of the trusts. Examples include:

- Interactions with lease and encumbrance holders
- Inspections
- Permanent Improvements Cost Share
- Weed and Pest Management
- Grazing Management Plans
- Reclamation Activities
- Construction Aggregate Leases & Prospecting
- Reviewing and Issuing Encumbrances (pipelines, electric lines, roads, well pads, etc.)

The major source of surface income from these lands is generated through agricultural leases (grassland, crop, and hay land uses) with significant revenue generated through encumbrances (pipelines, electric lines, etc.) and construction aggregate leases. During the 2023-25 biennium, a total of approximately $33.7 million was generated from the surface acreage through surface division management. There were no acreage adjustments during the biennium.

State trust lands are leased for agricultural purposes to farmers and ranchers. The land is leased in a series of auctions held each fall and spring with the minimum bid set by the Commissioner based upon the Board's Fair Market Value Minimum Rent Policy. All auctions are open to the public and the lease is awarded to the highest bidder. The Surface Division manages over 4,400 active surface agricultural leases. Agricultural interest continues to be high with over 99 percent of the tracts offered successfully leased. During this biennium, the Surface Division saw an increase of $2.3 million over the prior biennium with $20.5 million being collected in agricultural surface rental income.

During the 2023-25 biennium, encumbrance agreements generated over $12.7 million dollars in revenue for the trusts. There were 421 encumbrances granted by the Commissioner on behalf of the Board during this biennium. In addition to encumbrance revenue, the Surface Division also generated approximately $330,000 from royalties for aggregate leases.

The surface acres are inspected by trained field inspectors at least once during the five-year agricultural lease period. Routine inspections allow for early detection of noxious and invasive weed species and allow for increased proactive responsiveness to any changes in land integrity. Reclamation inspections also occur where encumbrances have been granted and these inspections identify whether the disturbed and reclaimed area is meeting the agreement re-vegetation standards, providing for noxious and invasive weed control, or experiencing erosion. The surface inspection program generates approximately 1,500 tract inspections on an annual basis.

The division has made meaningful progress with the implementation of the new Land Management System (LMS), including a new soils database that has been added to support surface-related analysis. Communication tools have expanded through automated internal and external notices, improved billing visibility and tracking, clearer workflow timelines, and cloud-based remote access—including real time surface auction information.

The new customer portal centralizes applications and supports online payments for the first time in Department history. Customers may view public records without creating an account and access "My Records" for their leases, payments, applications and right-of-way projects. While there are still areas under refinement, these improvements lay a more solid foundation for ongoing enhancements to staff processes and customer interactions.

SURFACE ACRES BY COUNTY
AS OF JUNE 30, 2025

COUNTY	ACRES	COUNTY	ACRES	COUNTY	ACRES
ADAMS	17097.52	GRAND FORKS	1274.77	RAMSEY	2056.5
BARNES	2803.32	GRANT	33049.65	RANSOM	1120
BENSON	12005.78	GRIGGS	1741.24	RENVILLE	1910.12
BILLINGS	30922.04	HETTINGER	10132.5	RICHLAND	400
BOTTINEAU	3271.94	KIDDER	28643.79	ROLETTE	6226.08
BOWMAN	29310.48	LAMOURE	1435.72	SARGENT	1128.17
BURKE	16116.21	LOGAN	9410.68	SHERIDAN	25826.44
BURLEIGH	27904.28	MCHENRY	22720.1	SIOUX	23411.56
CASS	40	MCINTOSH	6209.87	SLOPE	23605.98
CAVALIER	556.47	MCKENZIE	64586.7	STARK	6150.13
DICKEY	3981.51	MCLEAN	20890.99	STUTSMAN	15627.81
DIVIDE	20778.96	MERCER	15113.05	TOWNER	8076
DUNN	25673.31	MORTON	18101.82	WALSH	160
EDDY	10294.81	MOUNTRAIL	32445.59	WARD	10798.98
EMMONS	13533.97	NELSON	2694.45	WELLS	5251.89
FOSTER	3111.51	OLIVER	7588.41	WILLIAMS	38382.45
GOLDEN VALLEY	28983.55	PIERCE	13694.52	**TOTAL**	**706,251.62**

SURFACE ACRES BY TRUST FUND
AS OF JUNE 30, 2025

TRUST FUND	ACRES
COMMON SCHOOLS	631480.4
SCHOOL FOR THE BLIND	3481.69
CAPITOL BUILDING	10034.45
SCHOOL FOR THE DEAF	4830.44
ELLENDALE[1]	4919
FARM LOAN POOL (PRE 1/1/98)[2]	3714
STATE HOSPITAL	2206.11
ND INDUSTRIAL SCHOOL	3584.42
INDIAN CULTURAL TRUST	160
SCHOOL OF MINES[3]	3330.38
ND STATE UNIVERSITY	15040.23
VETERANS HOME	2753.69
UNIVERSITY OF ND	8897.98
VALLEY CITY	640
ND SCHOOL OF SCIENCE	3712.94
MAYVILLE	640
VALLEY/MAYVILLE[4]	6825.89
Total	**706,251.62**

[1] Receipts from acreage are allocated equally to Dickinson State University, School for the Blind, ND School of Science, Minot State University, Veterans Home, Dakota College at Bottineau, and State Hospital.

[2] Receipts from acreage are allocated to the permanent trusts that have an interest in the Board's Farm Loan Pool.

[3] The benefits of the original grant to the School of Mines are distributed to the University of North Dakota.

[4] Receipts from acreage held jointly by Valley City and Mayville State Universities are allocated 62.5% to Valley City and 37.5% to Mayville.

MINERALS MANAGEMENT

The Minerals Management Division has four full-time staff, overseeing nearly 2.6 million mineral acres held in trust by the Board. The Division's responsibilities include mineral ownership management; 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. The Division is very active in helping to protect the sovereignty of the minerals from infringement by other entities. The main goal of the Division is to responsibly manage and develop the mineral resources owned in Trust for the people of North Dakota and provide funding for K-12 education, ultimately resulting in tax relief for all citizens in the State.

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 2023-25 biennium, the Minerals Management Division offered 904 oil and gas leases, generating over $26 million in bonuses. As of the end of the biennium, the Department managed 7,972 oil and gas leases covering approximately 676,000 net mineral acres which correlates to having some level of interest in roughly 49 percent of the producing oil and gas wells in North Dakota.

The Department continues to periodically monitor its portfolio so it can accurately manage its resources. An independent mineral valuation establishes an opinion of value using fair market determinations in conjunction with directives provided by the Board's Minerals Valuation Policy that was adopted on June 25, 2020. The updated valuation has appraised the value of all the minerals for oil and gas development under the Board's management as of June 30, 2024, at $2.46 billion.

As mentioned earlier with the surface division, the minerals division has made meaningful progress with the implementation of the new Land Management System (LMS), which has begun improving data accessibility, communication, and customer service, even as development continues.

The new customer portal allows for oil and gas lease nominations, now without a fee, to be submitted electronically and processed by staff quickly, improving the historically longer timeline when waiting for nomination payments. Mineral lessees may view their leases and associated applications, including shut in and extension application information, online.

REVENUE COMPLIANCE

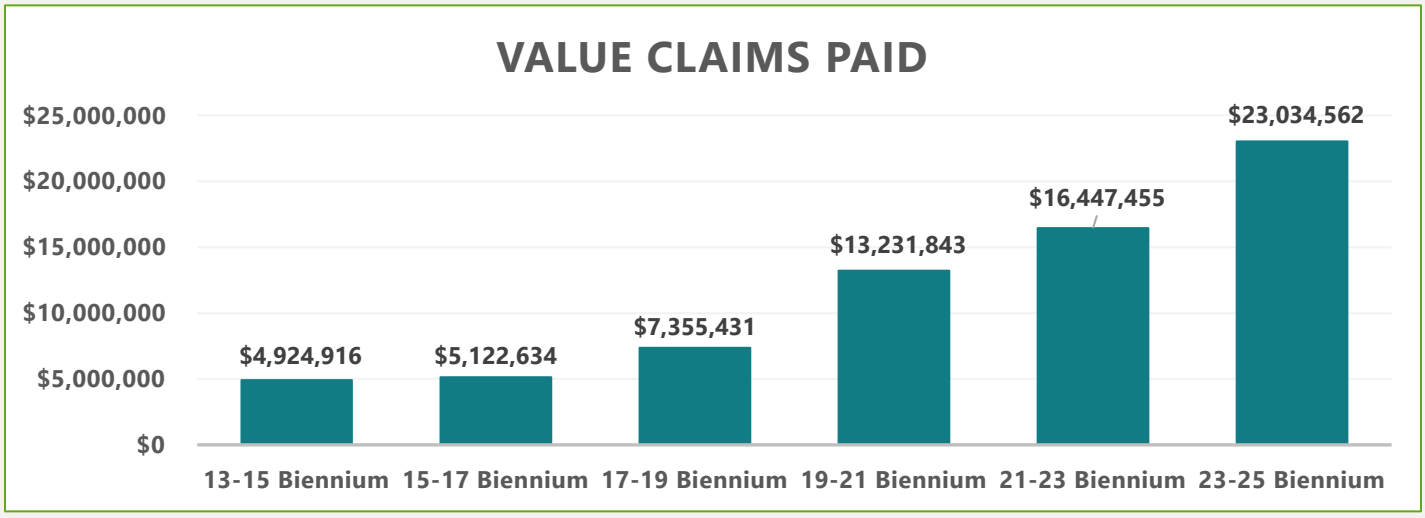
The Department's Revenue Compliance Division has four full-time staff responsible for developing and implementing procedures to ensure the timely and accurate accounting of all royalties, bonuses, rentals, and other revenues received. A significant amount of time is dedicated to evaluating the accounting and collection of oil and gas royalties. The 2023-25 biennium continued with months of record-breaking royalty income for the Department, collecting $970,211,691. When totaling bonus, rents and royalties the Department collected more than $1 billion in minerals related income over the biennium.

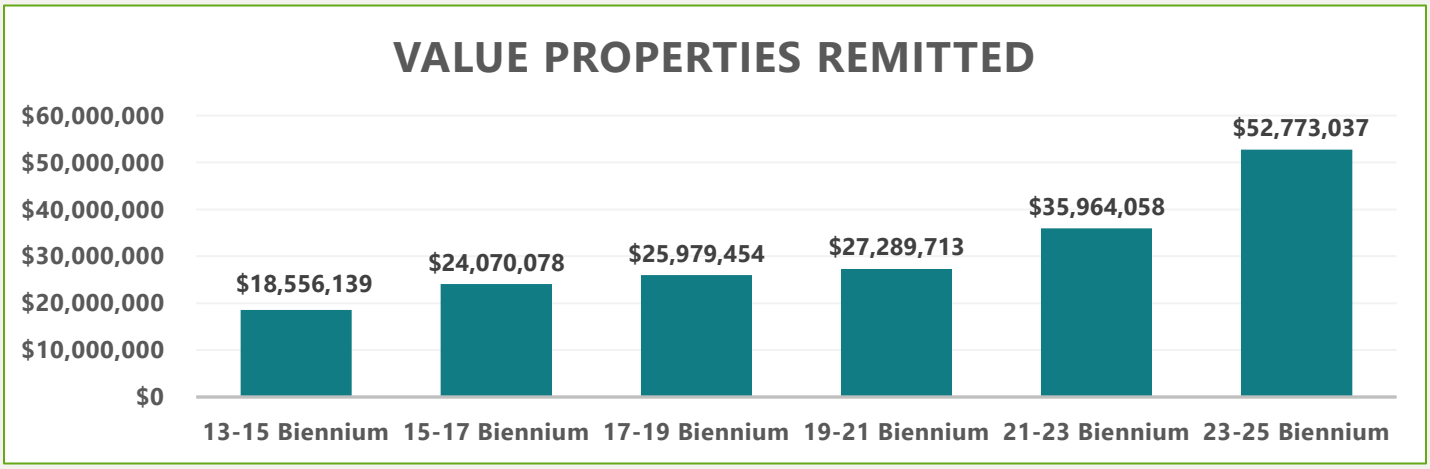
In addition to the surface and minerals division improvements with the customer portal, royalty operators now receive royalty report submission receipts and may export reports with highlighted errors when issues arise rather than combing through hundreds, and at times, thousands of lines of data for a timesaving and more friendly customer experience.

UNCLAIMED PROPERTY

The Unclaimed Property Division (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 2023-25 biennium saw a total of 43,653 claims paid, resulting in $23,034,562 returned to owners. Abandoned property reported to the Department totaled $52,773,037 from the receipt of 7,374 holder reports.





The 69th Legislative Assembly granted an additional FTE for a Compliance Officer to bolster the Division's efforts to enforce compliance with N.D.C.C. 47-30.2.

During the 2023-25 Biennium, the Division increased its public outreach efforts by partnering with Department of Agriculture to meet face to face with constituents by attending the Pride of Dakota Holiday Showcases as well as several other in-person events. In addition, the Division created a Facebook page and had success with social media advertising.

The Dvision continues to participate in the nationwide effort called SURCH (States Unclaimed Retirement Clearing House). This program is a collaboration between the National Association of State Treasurers (NAST), the National Association of Unclaimed Property Administrators (NAUPA) and the US Department of Labor (DOL) to facilitate state collection of unclaimed private sector retirement plan checks to overcome ERISA pre-emption of state laws.


NORTH
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