

ANALYSIS OF THE LIGNITE RESEARCH FUND FOR THE 2007-09 BIENNIUM

	2007-09 Biennium	
Beginning balance - July 1, 2007		\$11,773,094
Add estimated revenues		
Separate two-cent coal severance tax	\$1,200,000	
Fifty percent of coal severance taxes deposited in the coal development trust fund (result of passage of measure No. 3 in June 1990)	3,375,000	
Twenty percent of coal severance taxes deposited in the coal development trust fund (committed to clean coal projects) (result of passage of constitutional amendment passed by voters in June 1994)	1,350,000	
Investment income on Dakota Gasification Company ammonia plant and Red Trail	2,000,000	
Three and one-half percent of the general fund share of coal conversion tax (2007 HB 1093)	1,750,000 ¹	
Revenue bonds/short-term loan	1,400,000 ²	
Interest income	200,000	
Total estimated revenues		11,275,000
Total available		\$23,048,094
Less estimated expenditures and transfers ^{3,4}		
Administration	\$400,000	
Lignite feasibility studies (nonmatching grants)	1,760,000	
Small research grants	2,159,300	
Lignite marketing	2,000,000	
Lignite litigation	500,000 ⁵	
Demonstration projects	16,204,851	
Total estimated expenditures and transfers		23,024,151 ⁶
Estimated ending balance - June 30, 2009		\$23,943

¹House Bill No. 1093 (2007) provides that 3.5 percent of the general fund share of coal conversion taxes be allocated to the lignite research fund for the period beginning July 1, 2007, and ending June 30, 2009. After June 30, 2009, 5 percent of the general fund share of coal conversion taxes is to be allocated to the lignite research fund through July 31, 2018.

²Pursuant to North Dakota Century Code Section 54-17.5-04, the Industrial Commission may issue revenue bonds or borrow short-term funds from the Bank of North Dakota if all projects proceed as scheduled in the 2007-09 biennium.

³The Industrial Commission has a policy stating that 18 percent of lignite research fund income will be used for small research projects, 56 percent for large demonstration research projects, 21 percent for marketing projects, and 5 percent for administration. The commission has further directed that no single large demonstration project can receive more than 37.5 percent of available funds.

⁴The Industrial Commission has waived the fund allocation policy and has committed \$22,185,443 through the 2009-11 biennium for the Lignite Vision 21 Project with \$1,653,481 to be spent during the 2005-07 biennium, \$14,450,000 during the 2007-09 biennium, and \$6,081,962 during the 2009-11 biennium. The objective of the Lignite Vision 21 Project is to construct new lignite-fired power plants in North Dakota. In April 2008 one project withdrew from the program and all funding disbursed for the project will be returned. Current obligations for the remaining three projects in the program are \$12,893,583 for the 2007-09 biennium and \$5,502,276 for the 2009-11 biennium.

⁵Lignite litigation - House Bill No. 1093 provides that \$500,000 of the amount allocated to the lignite research fund in Section 1 of the bill is to be used to pay for fees associated with lignite litigation that may be brought by the state to protect and promote the continued development of lignite resources. If activities associated with the litigation are not initiated by January 1, 2009, the \$500,000 must be returned to the general fund.

⁶The 2005 Legislative Assembly appropriated \$15,200,000 for lignite research grants for the 2005-07 biennium. The Industrial Commission spent \$7,537,459 for lignite research grants during the 2005-07 biennium with some project payments delayed until the 2007-09 biennium. As a result, the total estimated expenditures and transfers for the 2007-09 biennium have increased from \$19,410,600 anticipated at the end of the 2007 legislative session to \$23,024,151.

NOTE: The estimated June 30, 2009, balance made at the end of the 2007 legislative session was \$7,869. The increase in the estimated balance of \$16,074 is the net effect of a higher beginning balance due to a return of grant dollars totaling \$562,500, delayed requests for project payments, and higher interest rates and increased expenditures for the 2007-09 biennium.

FUND HISTORY

North Dakota Century Code Section 57-61-01.5(2) and Article X, Section 21, of the Constitution of North Dakota provide for 70 percent of the taxes collected and deposited in the coal development trust fund to be deposited in the lignite research fund. The remaining 30 percent of the funds deposited in the coal development trust fund are to be held in trust and administered by the Board of University and School Lands, which has the authority to invest the funds, and may as provided by law lend money from the fund to political subdivisions.