

ANALYSIS OF THE COAL DEVELOPMENT TRUST FUND FOR THE 2007-09 AND 2009-11 BIENNIUMS

	2007-09 Biennium Actual ¹		2009-11 Biennium Estimated ¹	
Beginning balance		\$260,267		\$155,044
Add revenues				
Investment income	\$1,973,834		\$1,294,202	
School construction loan income	1,389,841		1,472,633	
Oil, gas, and coal impact loan income	198,955			
Total revenues		3,562,630		2,766,835
Total available		\$3,822,897		\$2,921,879
Less expenditures and transfers				
Investment expense	\$101,981		\$88,859	
Administrative expenses	9,763		14,820	
Transfer to the general fund	3,556,108		2,800,000	
Total expenditures and transfers		3,667,853		2,903,679
Ending balance		\$155,044		\$18,200

¹The beginning and ending balances do not include the value of permanent assets of the coal development trust fund which must be maintained pursuant to North Dakota Century Code Section 57-62-02 and Section 21, Article X, of the Constitution of North Dakota. As of February 28, 2010, the total value of permanent fund assets was \$63.3 million, of which \$32.4 million was school construction loans receivable, \$4.8 million was coal impact loans receivable, and \$26.1 million was either invested or was a receivable of investment or other earnings.

Section 57-62-02 and Section 21, Article X, of the Constitution of North Dakota, provide that the income from the coal development trust fund must be used first to replace any uncollectible loans made from the fund and any remaining income must be deposited in the general fund. The amounts shown on this analysis include only the income in excess of any allowance for uncollectible loans made from the fund and do not include any revenues or expenses affecting the permanent fund balance.

NOTE: The estimated June 30, 2011, balance made at the end of the 2009 legislative session was \$59,211. The decrease in the estimated balance of \$41,011 is a result of the actual July 1, 2009, balance being \$247,455 less than estimated and revised 2009-11 revenue estimates being \$379,735 less than originally estimated. The net effect of a larger than estimated transfer to the general fund in the 2007-09 biennium and a decrease in school construction loans resulted in less income for the coal development trust fund. As a result, the transfer to the general fund for the 2009-11 biennium is expected to be \$600,000 less than projected by the 2009 Legislative Assembly.

FUND HISTORY

The coal development trust fund originated in 1979 with passage of House Bill No. 1257, now codified as various sections of North Dakota Century Code Chapter 57-62. In 1980 the voters of North Dakota approved constitutional measure No. 5, creating Section 21, Article X, of the Constitution of North Dakota, and establishing the coal development trust fund as a constitutional trust fund.

Section 57-62-02 provides that 30 percent of the coal severance tax must be deposited in the coal development trust fund. Section 57-62-02 provides that the Board of University and School Lands shall administer the fund and use money in the fund for loans to coal-impacted counties, cities, and school districts and for loans to school districts for school construction. Section 15.1-36-02 limits the outstanding principal balance of school construction loans from the coal development trust fund to \$50 million.

Section 57-61-01.5 provides that 70 percent of the money deposited in the coal development trust fund must be transferred to the lignite research fund. Consequently, 30 percent of the coal severance taxes deposited in the fund (9 percent of total coal severance taxes collected) remain in the coal development trust fund to be used for the purposes provided in Section 57-62-02.