

ANALYSIS OF THE COAL DEVELOPMENT TRUST FUND INVESTMENT AND INTEREST INCOME FOR THE 2001-03 BIENNIUM

Beginning balance - July 1, 2001 - Investment and interest income		\$118,965 ¹
Add estimated revenues		
Investment income	\$2,228,639	
School construction loan income	1,065,000	
Oil, gas, and coal impact loan income	436,777	
Total estimated revenues		<u>\$3,730,416²</u>
Total available		<u>\$3,849,381</u>
Less estimated expenditures and transfers		
Administrative expenses	\$23,526	
Transfer to the general fund	3,630,000 ³	
Total estimated expenditures and transfers		<u>\$3,653,526</u>
Estimated ending balance - June 30, 2003 - Investment and interest income		<u><u>\$195,855⁴</u></u>

¹ Beginning balance - July 1, 2001 - The beginning balance does not include the value of permanent assets of the coal development trust fund which must be maintained pursuant to North Dakota Century Code (NDCC) Section 57-62-02 and Article X, Section 21, of the Constitution of North Dakota. As of December 31, 2001, the total value of permanent fund assets was \$55.9 million, of which \$26.8 million was school construction loans receivable, \$3.6 million was coal, oil, and gas impact loans receivable, and \$25.5 million was either invested or was a receivable of investment or other earnings.

² Estimated revenues - Current revenue estimates exceed original projections by \$51,142 due to the net effect of investment income exceeding projections and school construction loan income and energy impact loan income being less than projected. Funds held as investment generally earn a higher rate of return than funds used for school construction loans or energy impact loans. As a result of less funds being used for school construction loans and energy impact loans, more funds were held in investments, resulting in additional income for the coal development trust fund.

³ Transfer to the general fund - 2001-03 biennium - The amount shown is the amount included in the 2001-03 legislative revenue forecast.

⁴ Estimated ending balance - The currently estimated ending balance is \$47,424 more than estimated at the close of the 2001 legislative session. The additional ending balance is primarily a result of revised revenue estimates being higher than original projections.

The estimated ending balance does not include the value of permanent assets of the coal development trust fund which must be maintained pursuant to NDCC Section 57-62-02 and Article X, Section 21, of the Constitution of North Dakota. As of December 31, 2001, the total value of permanent fund assets was \$55.9 million, of which \$26.8 million was school construction loans receivable, \$3.6 million was coal, oil, and gas impact loans receivable, and \$25.5 million was either invested or was a receivable of investment or other earnings.

NOTE: North Dakota Century Code Section 57-62-02 and Article X, Section 21, 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 the preceding 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.

FUND HISTORY

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

North Dakota Century Code 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 to \$40 million the outstanding principal balance of school construction loans from the coal development trust fund.

North Dakota Century Code 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.