

ANALYSIS OF THE COAL DEVELOPMENT TRUST FUND FOR THE 2005-07 BIENNIUM¹ AS OF MAY 2006

Beginning balance - July 1, 2005		\$122,653
Add estimated revenues		
Investment income	\$1,886,855	
School construction loan income	1,595,576	
Oil, gas, and coal impact loan income	<u>200,539</u>	
Total estimated revenues		<u>3,682,970</u>
Total available		\$3,805,623
Less estimated expenditures and transfers		
Administrative expenses	\$31,351	
Transfer to the general fund	<u>3,722,653²</u>	
Total estimated expenditures and transfers		<u>3,754,004</u>
Estimated ending balance - June 30, 2007 - Investment and interest income		<u>\$51,619</u>

¹The 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 March 31, 2006, the total value of permanent fund assets was \$59.5 million, of which \$34.4 million was school construction loans receivable; \$1.9 million was coal, oil, and gas impact loans receivable; and \$23.2 million was either invested or was a receivable of investment or other earnings.

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 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.

²Transfer to the general fund - The amount shown is \$622,653 more than the amount included in the 2005-07 legislative revenue forecast. This is due to more income being generated by higher short-term interest rates and additional income from school construction loans.

NOTE: The estimated ending balance of \$51,619 is \$15,130 more than estimated at the close of the 2005 legislative session. The increase is primarily a result of revised revenue estimates being more than original projections. The beginning balance was \$110,723 more than projected and revised 2005-07 revenue estimates exceed original projections by \$538,219 due to the net effect of investment income and school construction loan income exceeding projections and energy impact loan income being less than projected. Higher short-term interest rates for funds held as investments and an increase in school construction loans resulted in additional income for the coal development trust fund. As a result, the transfer to the general fund is expected to be \$622,653 more than projected by the 2005 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 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 the outstanding principal balance of school construction loans from the coal development trust fund to \$40 million.

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.