

ANALYSIS OF THE COAL DEVELOPMENT TRUST FUND FOR THE 2007-09 BIENNIUM

	2007-09 Biennium	
Beginning balance - July 1, 2007 ¹		\$260,267
Add estimated revenues		
Investment income	\$1,126,397	
School construction loan income	1,408,375	
Oil, gas, and coal impact loan income	488,593	
Total estimated revenues		3,023,365
Total available		\$3,283,632
Less estimated expenditures and transfers		
Administrative expenses	\$89,676	
Transfers to the general fund	3,100,000	
Total estimated expenditures and transfers		3,189,676
Estimated ending balance - June 30, 2009 ¹		\$93,956

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 (NDCC) Section 57-62-02 and Article X, Section 21, of the Constitution of North Dakota. As of March 31, 2008, the total value of permanent fund assets was \$61.9 million, of which \$35.6 million was school construction loans receivable, \$5.5 million was coal impact loans receivable, and \$20.8 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.

NOTE: The estimated June 30, 2009, balance made at the end of the 2007 legislative session was \$21,942. The increase in the estimated balance of \$72,014 is primarily a result of the beginning balance being \$128,593 more than estimated and revised 2007-09 revenue estimates being \$377,231 less than projected. The net effect of an increase in coal impact loans, a decrease in funds held as investments, 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 is expected to be \$400,000 less than projected by the 2007 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.