

**ANALYSIS OF THE LIGNITE RESEARCH FUND
FOR THE 2005-07 AND 2007-09 BIENNIUMS**

	2005-07 Biennium		2007-09 Biennium	
Beginning balance		\$10,362,794		\$7,493,469
Add estimated revenues				
Separate two-cent coal severance tax	\$1,200,000		\$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		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		1,350,000	
Investment income on Dakota Gasification Company ammonia plant and Red Trail	1,732,920		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			2,050,000 ²	
Interest income	180,000		200,000	
Total estimated revenues		7,837,920		11,925,000
Total available		\$18,200,714		\$19,418,469
Less estimated expenditures ^{3,4}				
Administration	\$400,000		\$400,000	
Lignite feasibility studies (nonmatching grants)	1,715,000		1,000,000	
Small research grants	2,801,646		1,466,300	
Lignite marketing	1,594,300		1,594,300	
Lignite litigation			500,000 ⁵	
Demonstration projects	4,196,299		14,450,000	
Total estimated expenditures and transfers		10,707,245 ⁶		19,410,600 ⁶
Estimated ending balance		\$7,493,469		\$7,869

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 (NDCC) 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 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 for the Lignite Vision 21 Project. The object of the Lignite Vision 21 program is to construct new lignite-fired power plants in North Dakota.

⁵Lignite litigation - House Bill No. 1093 (2007) 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; however, the Industrial Commission anticipates spending \$10,707,245 for lignite research grants during the 2005-07 biennium. The legislative appropriation for the 2007-09 biennium is \$19,410,600.

NOTE: 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.