

ANALYSIS OF THE LIGNITE RESEARCH FUND FOR THE 2007-09 AND 2009-11 BIENNIUMS

	2007-09 Biennium		2009-11 Biennium	
	Actual		Estimated	
Beginning balance		\$11,773,094		\$14,159,546
Add revenues				
Separate two-cent coal severance tax	\$1,199,122		\$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)	3,372,597		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)	1,348,944		1,350,000	
Investment income on Dakota Gasification Company ammonia plant and Red Trail	2,415,420		2,937,440	
Three and one-half percent of the general fund share of coal conversion tax (2007 HB 1093)	1,778,758 ¹		0	
Five percent of the general fund share of coal conversion tax (2007 HB 1093)			2,500,000	
Revenue bonds/short-term loan	0 ²		0 ²	
Interest income and return of funds	926,480		120,000	
Total revenues		11,041,321		11,482,440
Total available		\$22,814,415		\$25,641,986
Less expenditures and transfers ^{3,4}				
Administration	\$360,291		\$750,000	
Lignite feasibility studies (nonmatching grants)	550,000		1,000,000	
Small research grants	1,008,636		1,300,000	
Lignite marketing	1,870,000		1,076,000	
Lignite litigation	83,379		416,621 ⁵	
Demonstration projects	4,782,563		20,386,305	
Total expenditures and transfers		8,654,869		24,928,926 ⁶
Ending balance		\$14,159,546		\$713,060

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 allocated to the lignite research fund through July 31, 2018.

²Pursuant to North Dakota Century Code Section 54-17.5-04, the Industrial Commission may issue revenue bonds or borrow short-term funds from the Bank of North Dakota.

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 research project can receive more than 37.5 percent of available funds.

⁴The Industrial Commission has waived the fund allocation policy and has committed \$22 million through the 2009-11 biennium, with \$1,360,750 to be spent during the 2003-05 biennium, \$2,243,391 during the 2005-07 biennium, \$2.2 million during the 2007-09 biennium, and \$16,195,859 during the 2009-11 biennium, for the Lignite Vision 21 Project. The objective of the Lignite Vision 21 Project is to construct new lignite-fired power plants in North Dakota. (These amounts are net of funds expended and then subsequently returned when projects did not proceed.)

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. Activities associated with the litigation have been initiated with \$83,379 spent during the 2007-09 biennium and \$416,621 anticipated to be spent during the 2009-11 biennium.

⁶The 2009 Legislative Assembly appropriated \$22,971,300 for lignite research grants; however, the Industrial Commission anticipates spending \$24,928,926 for lignite research grants during the 2009-11 biennium. The Industrial Commission has continuing appropriation authority for all money deposited in the lignite research fund pursuant to Section 57-61-01.6.

NOTE: The estimated June 30, 2011, balance made at the end of the 2009 legislative session was \$204,520. The increase in the estimated balance of \$508,540 is the net effect of a higher than anticipated July 1, 2009, balance due to a return of grant dollars totaling \$562,500 and delayed requests for project payments.

FUND HISTORY

North Dakota Century Code Section 57-61-01.5(2) and Section 21, Article X, 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.