

Fifty-fifth
Legislative Assembly
of North Dakota

SENATE BILL NO. 2275

Introduced by

Senator Grindberg

Representative Clark

1 A BILL for an Act relating to school district bond ratings, assistance to school districts unable to
2 make principal or interest payments on certain debt obligations, and a special levy to repay any
3 assistance received; and to provide an appropriation.

4 **BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:**

5 **SECTION 1. Definitions.** For purposes of this Act, unless the context otherwise
6 requires, "debt obligation" means either a tax or aid anticipation certificate of indebtedness or a
7 general obligation bond.

8 **SECTION 2. Guaranteed debt obligations - Application.**

- 9 1. Subject to the provisions of this Act, a maximum of ten million dollars of the coal
10 development trust fund may be pledged to guaranty debt obligations of school
11 districts.
- 12 2. To be eligible for a guaranty under this Act, a district must submit an application to
13 the superintendent of public instruction which includes the principal amount of the
14 bonds to be issued, a maturity schedule for the bonds, the dates on which principal
15 and interest are to be paid, and any other information required by the
16 superintendent of public instruction.
- 17 3. Upon approval of the application, the superintendent of public instruction shall
18 execute and issue to the school district a certificate of guaranty which must certify
19 that payment of the bonds and interest will be secured by the coal development
20 trust fund in accordance with this Act. The guaranty becomes effective on the date
21 of payment for and delivery of the debt obligations.

22 **SECTION 3. Notification - School district's inability to pay.**

- 23 1. Notwithstanding the provisions of section 21-03-15, if a school district believes it
24 may be unable to make a scheduled principal or interest payment on any

1 outstanding debt obligation that has been guaranteed under authority of this Act,
2 the superintendent of the school district shall notify the superintendent of public
3 instruction and the commissioner of university and school lands not less than
4 fifteen working days before the date that the payment is due. The notice must
5 include the name of the school district, an identification of the debt obligation issue
6 in question, the date the payment is due, the amount of principal and interest due
7 on the payment date, the amount of principal or interest the school district may be
8 unable to pay on that date, the paying agent for the debt obligation, and any wire
9 transfer instructions to transfer funds to the paying agent. If a paying agent
10 becomes aware of a potential default, the agent shall inform the superintendent of
11 public instruction. The superintendent of public instruction, after receiving a
12 notification under this section, shall consult with the school district and the paying
13 agent, verify the accuracy of the information provided, and immediately notify the
14 commissioner of university and school lands of the potential default.

- 15 2. Upon submission of the notification from the superintendent of public instruction to
16 the commissioner of university and school lands under subsection 1, the
17 commissioner shall pay to the paying agent the amount of principal and interest
18 specified in the notification as being in default.

19 **SECTION 4. Pledge of district's full faith and credit.** If the superintendent of public
20 instruction authorizes the payment of part or all of the principal or interest due on a school
21 district's debt obligation as provided in section 2 of this Act, the pledge of the full faith and credit
22 and taxing authority of the school district to repay the principal and interest due on those debt
23 obligations, along with the interest required in section 5 of this Act becomes, without an election
24 or the requirement of a further authorization, a pledge of the full faith and credit and taxing
25 authority of the school district to repay the coal development trust fund. The school district shall
26 repay any amounts loaned under this Act in the order in which the payments were made.

27 **SECTION 5. School district bond - Interest rate on payment.** If the superintendent
28 of public instruction authorizes the payment of part or all of the principal or interest due on a
29 school district's debt obligation as provided in section 2 of this Act, the school district is bound
30 by all provisions of this Act and the total amount loaned from the coal development trust fund

1 must bear interest from the date of the loan to the date of repayment at a rate equal to two
2 percentage points above the Bank of North Dakota's prime lending rate.

3 **SECTION 6. Aid reduction for repayment.** The superintendent of public instruction
4 may, in lieu of a direct repayment by the school district, reduce the amount of foundation aid to
5 which a school district is entitled under chapter 15-40.1 by an amount equal to the total amount
6 owed to the coal development trust fund. The superintendent of public instruction shall deposit
7 the amount of foundation aid withheld from a district into the coal development trust fund.

8 **SECTION 7. Tax levy for repayment.** In addition to any other amount authorized by
9 statute, a school district may impose a special levy within one year after the commissioner
10 makes a payment under this Act. If the amount of the special levy needed for the full
11 repayment would create an undue financial hardship on the school district or cause an undue
12 disruption of the district's educational program, the superintendent of public instruction, upon
13 notification to the commissioner of university and school lands, upon the filing of a request by
14 the school district, may allow for an extension of the full repayment. In no event may the full
15 repayment exceed five years from the date of the loan from the coal development trust fund.

16 **SECTION 8. Administrative rules.** The superintendent of public instruction, in
17 accordance with chapter 28-32, may adopt rules for the administration and enforcement of this
18 Act.

19 **SECTION 9. APPROPRIATION.** There is hereby appropriated out of the coal
20 development trust fund, the sum of \$10,000,000, or so much of the sum as may be necessary,
21 to the superintendent of public instruction for the purpose of assisting certain school districts
22 that are unable to make principal or interest payments on debt obligations guaranteed under
23 authority of this Act for the biennium beginning July 1, 1997, and ending June 30, 1999.