

Sixty-first
Legislative Assembly
of North Dakota

HOUSE BILL NO.

Introduced by

Representative S. Meyer

1 A BILL for an Act to amend and reenact section 57-62-03 of the North Dakota Century Code,
2 relating to authority to make loans from the permanent oil tax trust fund to oil and gas impacted
3 counties, cities, and school districts.

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

5 **SECTION 1. AMENDMENT.** Section 57-62-03 is amended:

6 **57-62-03. Loans for coal or oil and gas impact - Terms and conditions -**
7 **Repayment.**

8 1. The board of university and school lands is authorized to make loans to coal
9 development-impacted counties, cities, and school districts before or after the
10 beginning of actual coal mining from moneys deposited in the coal development
11 trust fund established by subsection 2 of section 57-62-02. Loans made prior to
12 actual mining must be preceded by site permitting and by beginning actual
13 construction of the mine or its mine mouth facility. Loans may be made for any
14 purpose for which a grant may be made pursuant to this chapter, but before
15 making any loan the board of university and school lands shall receive the
16 recommendation of the energy development impact office. The board of university
17 and school lands shall prescribe the terms and conditions of such loans within the
18 provisions of this chapter and shall require a warrant executed by the governing
19 body of the county, city, or school district as evidence of such loan. The warrants
20 must bear interest at a rate not to exceed six percent. The warrants shall be
21 payable only from the allocations of moneys from the coal development fund to the
22 borrowing county, city, or school district and shall not constitute a general
23 obligation of the county, city, or school district nor may such loans be considered
24 as indebtedness of the county, city, or school district. Loans made in advance of

1 actual coal mining must provide that repayment is to begin when the borrowing
2 county, city, or school district receives allocations from the coal development fund.
3 The terms of the loan must provide that not less than ten percent of each allocation
4 made to the borrowing county, city, or school district pursuant to this chapter must
5 be withheld by the state treasurer to repay the principal of the warrants and the
6 interest thereon. The amount withheld by the state treasurer as payment of
7 interest must be deposited in the general fund and the amount withheld by the
8 state treasurer as payment of principal must be remitted to the board of university
9 and school lands and deposited by the board in the trust fund provided for in
10 subsection 2 of section 57-62-02. The warrants executed by the county, city, or
11 school district have all of the qualities and incidents of negotiable paper and are
12 not subject to taxation by the state of North Dakota or by any political subdivision
13 thereof.

14 2. The board of university and school lands may make loans to oil and gas
15 development-impacted counties, cities, and school districts before or after the
16 beginning of oil and gas extraction from moneys deposited in the permanent oil tax
17 trust fund. Loans made prior to actual oil and gas extraction must be preceded by
18 issuance of oil or gas drilling permits. Loans may be made for any purpose for
19 which a grant may be made under this chapter, but before making any loan under
20 this section the board of university and school lands shall obtain the
21 recommendation of the energy development impact office. The board of university
22 and school lands shall prescribe the terms and conditions of such loans within the
23 provisions of this chapter and shall require a warrant executed by the governing
24 body of the county, city, or school district as evidence of such loan. The warrants
25 must bear interest at a rate not to exceed six percent. The warrants must be
26 payable only from the allocations of moneys from the oil and gas gross production
27 tax to the borrowing county, city, or school district and do not constitute a general
28 obligation of the county, city, or school district and such loans may not be
29 considered as indebtedness of the county, city, or school district. Expenditure of
30 loan proceeds to address oil and gas impact under this section is not considered
31 an extraordinary expenditure and is not subject to section 11-11-18. Loans made

1 in advance of oil and gas production must provide that repayment is to begin when
2 the borrowing county, city, or school district receives allocations from the oil and
3 gas gross production tax. The terms of the loan must provide that not less than ten
4 percent of each allocation made to the borrowing county, city, or school district
5 from the oil and gas gross production tax must be withheld by the state treasurer to
6 repay the principal and interest of warrants executed under this section. The
7 amount withheld by the state treasurer as payment of interest must be deposited in
8 the state general fund and the amount withheld by the state treasurer as payment
9 of principal must be deposited in the permanent oil tax trust fund. Warrants
10 executed by a county, city, or school district have all of the qualities and incidents
11 of negotiable paper and are not subject to taxation by the state of North Dakota or
12 any political subdivision of this state.

13 3. The board of university and school lands is authorized to sell such warrants to
14 other parties and the proceeds of such sale which constitute principal must be
15 deposited in the coal development trust fund and that which constitutes interest in
16 the general fund. If the future allocations of moneys to the borrowing county, city,
17 or school district should, for any reason, permanently cease, the loan shall be
18 canceled except that if the county, city, or school district is merged with another
19 county, city, or school district which receives an allocation of moneys from the coal
20 development fund, the surviving county, city, or school district is obligated to repay
21 the loan from such allocation. If the loan is canceled due to the permanent
22 cessation of allocations of moneys to the county, city, or school district pursuant to
23 this chapter, the board of university and school lands shall cancel those warrants it
24 holds from such county, city, or school district and shall pay from any moneys in
25 the trust fund provided for in subsection 2 of section 57-62-02 the principal and
26 interest, as it becomes due, on those warrants of the county, city, or school district
27 which are held by another party.