

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 of the board of university and school lands to make loans from the
3 permanent oil tax trust fund to oil and gas development-impacted counties, cities, and school
4 districts; and to provide a continuing appropriation.

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

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

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

8 **Repayment - Continuing appropriation.**

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

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

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

an extraordinary outlay and is not subject to section 11-11-18. Loans made before oil and gas production must provide that repayment is to begin when the borrowing county, city, or school district receives allocations from the oil and gas gross production tax. The terms of the loan must provide that not less than ten percent of each allocation made to the borrowing county, city, or school district from the oil and gas gross production tax must be withheld by the state treasurer to repay the principal and interest of warrants executed under this section. The amount withheld by the state treasurer as payment of interest must be deposited in the general fund and the amount withheld by the state treasurer as payment of principal must be deposited in the permanent oil tax trust fund. Warrants executed by a county, city, or school district have all of the qualities and incidents of negotiable paper and are not subject to taxation by the state of North Dakota or any political subdivision of this state.

3. The board of university and school lands ~~is authorized to~~ may sell such warrants under this section to other parties and the proceeds of such sale which constitute principal must be deposited in the coal development trust fund or permanent oil tax trust fund, as appropriate, and that which constitutes interest in the general fund. If the future allocations of moneys to the borrowing county, city, or school district should, for any reason, permanently cease, the loan shall be canceled except that if the county, city, or school district is merged with another county, city, or school district which receives an allocation of moneys from the coal development fund or oil and gas gross production tax, as appropriate, the surviving county, city, or school district is obligated to repay the loan from such allocation. If the loan is canceled due to the permanent cessation of allocations of moneys to the county, city, or school district pursuant to this chapter or chapter 57-51, the board of university and school lands shall cancel those warrants ~~# the board~~ holds from such county, city, or school district and shall pay from any moneys in the coal development trust fund ~~provided for in subsection 2 of section 57-62-02 or~~ permanent oil tax trust fund, as appropriate, the principal and interest, as it becomes due, on those warrants of the county, city, or school district which are held by another party.

- 1 4. A continuing appropriation is provided to the board of university and school lands
2 from the coal development trust fund and the permanent oil tax trust fund for the
3 purpose of loans to counties, cities, and school districts as provided in this section.