

HOUSE BILL NO. 1362

Introduced by

Representatives Onstad, Frantsovog, S. Meyer

Senators Wardner, Warner

1 A BILL for an Act to create and enact section 57-62-03.2 of the North Dakota Century Code,
2 relating to oil and gas impact loans from the legacy fund and to provide for repayment; and to
3 provide an effective date.

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

5 **SECTION 1.** Section 57-62-03.2 of the North Dakota Century Code is created and enacted
6 as follows:

7 **57-62-03.2. Oil and gas impact loans - Terms and conditions - Repayment.**

- 8 1. The board of university and school lands may make loans to oil and gas
9 development-impacted counties, cities, and school districts before or after the
10 beginning of actual oil and gas production from moneys deposited in the legacy fund.
11 Loans made before actual production must be preceded by drilling permitting. Loans
12 may be made for any purpose for which a grant may be made pursuant to this chapter,
13 but before making any loan the board of university and school lands must receive the
14 recommendation of the energy development impact office.
- 15 2. The board of university and school lands shall prescribe the terms and conditions of
16 such loans within the provisions of this chapter and shall require a warrant executed
17 by the governing body of the county, city, or school district as evidence of the loan.
18 The warrants must bear interest at a rate not to exceed four percent. The warrants
19 must be payable only from the allocations of moneys from the gross production tax to
20 the borrowing county, city, or school district and do not constitute a general obligation
21 of the county, city, or school district nor may the loans be considered as indebtedness
22 of the county, city, or school district.
- 23 3. Loans made in advance of actual oil and gas production must provide that repayment
24 is to begin when the borrowing county, city, or school district receives allocations from

1 the gross production tax. The terms of the loan must provide that not less than
2 ten percent of each allocation made to the borrowing county, city, or school district
3 pursuant to chapter 57-51 must be withheld by the state treasurer to repay the
4 principal of the warrants and the interest thereon. The amount withheld by the state
5 treasurer as payment of principal and interest must be deposited in the legacy fund.
6 The warrants executed by the county, city, or school district have all of the qualities
7 and incidents of negotiable paper and are not subject to taxation by the state of North
8 Dakota or by any political subdivision thereof.

9 4. The board of university and school lands may sell the warrants to other parties and the
10 proceeds of the sale which constitute principal and interest must be deposited in the
11 legacy fund. If for any reason the future allocations of moneys to the borrowing county,
12 city, or school district permanently cease, the loan must be canceled except that if the
13 county, city, or school district is merged with another county, city, or school district that
14 receives an allocation of moneys from the gross production tax, the surviving county,
15 city, or school district is obligated to repay the loan from the allocation. If the loan is
16 canceled due to the permanent cessation of allocations of moneys to the county, city,
17 or school district pursuant to chapter 57-51, the board of university and school lands
18 shall cancel those warrants the board holds from the county, city, or school district and
19 shall pay from any moneys in the legacy fund the principal and interest, as it becomes
20 due, on those warrants of the county, city, or school district which are held by another
21 party.

22 **SECTION 2. EFFECTIVE DATE.** This Act becomes effective July 1, 2012.