

Sixty-second  
Legislative Assembly  
of North Dakota

**HOUSE BILL NO. 1428**

Introduced by

Representatives Monson, Damschen

Senator Olafson

1 A BILL for an Act to amend and reenact section 6-09.4-23 of the North Dakota Century Code,  
2 relating to authority to withhold school district state aid.

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

4 **SECTION 1. AMENDMENT.** Section 6-09.4-23 of the North Dakota Century Code is  
5 amended and reenacted as follows:

6 **6-09.4-23. Evidences of indebtedness - Authority to withhold school district state aid.**

- 7 1. If the public finance authority or a paying agent notifies the superintendent of public  
8 instruction, in writing, that a school district has failed to pay when due the principal or  
9 interest on any evidences of indebtedness issued after July 31, 1999, or that the public  
10 finance authority, school district, or the paying agent has reason to believe a school  
11 district will not be able to make a full payment of the principal and interest when the  
12 payment is due, the superintendent of public instruction shall withhold any funds that  
13 are due or payable or appropriated to the school district under chapter 15.1-27 until  
14 the payment of the principal or interest has been made to the public finance authority  
15 or the paying agent, or until the public finance authority, school district, or the paying  
16 agent notifies the superintendent of public instruction that arrangements satisfactory to  
17 the public finance authority or the paying agent have been made for the payment of  
18 the principal and interest then due and owing. The notification must include  
19 information required by the superintendent of public instruction. State funds available  
20 to a school district under chapter 15.1-27 are not subject to withholding under this  
21 section unless the withholding is authorized by resolution of the district's school board.
- 22 2. Notwithstanding any withholding of state funds under section 15-39.1-23 or any other  
23 law, the superintendent of public instruction shall make available any funds withheld  
24 under subsection 1 to the public finance authority or the paying agent. The public

1 finance authority or the paying agent shall apply the funds to payments that the school  
2 district is required to make to the public finance authority or the paying agent.

3 3. If funds are withheld from a school district and made available to the public finance  
4 authority or a paying agent under this section and if tax revenues are received by the  
5 school district during the fiscal year in which the funds are withheld and are deposited  
6 in the district's sinking fund established in accordance with section 21-03-42, the  
7 district, with the consent of the public finance authority or the paying agent, may  
8 withdraw from its sinking fund an amount equal to that withheld by the superintendent  
9 of public instruction and made available to the public finance authority or a paying  
10 agent under this section.

11 4. Any excess funds at the Bank of North Dakota escrowed pursuant to an agreement  
12 between the public finance authority and the state board of public school education for  
13 the benefit of the public finance authority and a school district must be held by the  
14 Bank. With the approval of the superintendent of public instruction, those funds may  
15 be used to subsidize the debt service payments on construction loans that are made  
16 to school districts by the public finance authority and which are subject to the  
17 withholding provisions of this section or construction loans made to school districts  
18 under the state school construction program established by section 11 of chapter 2 of  
19 the 1989 Session Laws. Notwithstanding the existence of an escrow agreement  
20 between the public finance authority and the state board of public school education,  
21 those funds must be transferred to the public finance authority upon certification by the  
22 public finance authority that the funds are in excess of the amount needed to provide  
23 for the payment in full of the outstanding principal and interest, when due, on the  
24 public finance authority bonds issued to purchase the municipal securities for which  
25 the escrow fund was established.

26 5. The superintendent of public instruction shall develop detailed procedures for school  
27 districts to notify the superintendent of public instruction that they have obligated  
28 themselves to be bound by the provisions of this section; procedures for school  
29 districts, paying agents, and the public finance authority to notify the superintendent of  
30 public instruction of potential defaults and to request payment under this section; and  
31 procedures for the state to expedite payments to prevent defaults.