

HOUSE BILL NO. 1125

Introduced by

Representatives Richter, Longmuir, Monson, Nathe

Senators Patten, Schaible

1 A BILL for an Act to amend and reenact section 6-09.4-23 of the North Dakota Century Code,
2 relating to withholding school district state aid payments and the school district credit
3 enhancement program.

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

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

7 **6-09.4-23. Evidences of indebtedness - Authority to withhold school district state aid.**

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

- 1 2. Notification by the public finance authority, school district, or the paying agent that
2 satisfactory arrangements have been made for the payment of the principal and
3 interest then due and owing under subsection 1 must be made at least fifteen working
4 days before the principal or interest is due. The notice must be in writing and include
5 the name of the school district, an identification of the debt obligation issue, the date
6 the payment is due, the amount of principal and interest due on the payment date, the
7 amount of principal or interest the school district will be unable to pay, the paying
8 agent for the debt obligation, the wire transfer instructions to transfer funds to the
9 paying agent, and an indication that payment is requested under this section. A paying
10 agent shall notify the superintendent of public instruction or the state treasurer if the
11 paying agent becomes aware of a potential default. If the superintendent or the state
12 treasurer receives notice of a requested payment under this section, the
13 superintendent of public instruction or the state treasurer shall withhold and transfer
14 funds due or payable or appropriated to the school district under chapter 15.1-27 to
15 the paying agent after:
16 a. Consulting with the school district and the paying agent; and
17 b. Verifying the accuracy of the provided request information.
18 3. Notwithstanding any withholding of state funds under section 15-39.1-23 or any other
19 law, the superintendent of public instruction or the state treasurer shall make available
20 any funds withheld under subsection 1 to the public finance authority or the paying
21 agent. The public finance authority or the paying agent shall apply the funds to
22 payments that the school district is required to make to the public finance authority or
23 the paying agent.
24 4. If funds are withheld from a school district and made available to the public finance
25 authority or a paying agent under this section and if tax revenues are received by the
26 school district during the fiscal year in which the funds are withheld and are deposited
27 in the district's sinking fund established in accordance with section 21-03-42, the
28 district, with the consent of the public finance authority or the paying agent, may
29 withdraw from its sinking fund an amount equal to that withheld by the superintendent
30 of public instruction and made available to the public finance authority or a paying
31 agent under this section.

- 1 5. Any excess funds at the Bank of North Dakota escrowed pursuant to an agreement
2 between the public finance authority and the state board of public school education for
3 the benefit of the public finance authority and a school district must be held by the
4 Bank. With the approval of the superintendent of public instruction, those funds may
5 be used to subsidize the debt service payments on construction loans that are made
6 to school districts by the public finance authority and which are subject to the
7 withholding provisions of this section or construction loans made to school districts
8 under the state school construction program established by section 11 of chapter 2 of
9 the 1989 Session Laws. Notwithstanding the existence of an escrow agreement
10 between the public finance authority and the state board of public school education,
11 these funds must be transferred to the public finance authority upon certification by the
12 public finance authority that the funds are in excess of the amount needed to provide
13 for the payment in full of the outstanding principal and interest, when due, on the
14 public finance authority bonds issued to purchase the municipal securities for which
15 the escrow fund was established.
- 16 6. The superintendent of public instruction and the state treasurer shall develop detailed
17 procedures for a school districts~~district~~ to notify the superintendent of public instruction
18 or the state treasurer that they ~~have~~the school district has obligated themselvesthe
19 district to be bound by the ~~provisions of~~ this section; procedures for school
20 ~~districts~~district, paying agents, and the public finance authority to notify the
21 superintendent of public instruction or the state treasurer of potential defaults and to
22 request payment under this section; and procedures for the state to expedite
23 payments to prevent defaults.