

Sixty-ninth
Legislative Assembly
of North Dakota

HOUSE BILL NO. 1163

Introduced by

Representatives Jonas, Longmuir, Murphy, Richter, Schreiber-Beck, Warrey

1 A BILL for an Act to create and enact a new section to chapter 15.1-36 of the North Dakota
2 Century Code, relating to a legacy fund school construction assistance loan fund; to amend and
3 reenact section 21-10-11, relating to the legacy and budget stabilization fund advisory board;
4 and to provide a continuing appropriation.

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

6 **SECTION 1.** A new section to chapter 15.1-36 of the North Dakota Century Code is created
7 and enacted as follows:

8 **Legacy fund school construction assistance loan fund - Bank of North Dakota -**

9 **School construction projects - Continuing appropriation.**

- 10 1. The legacy fund school construction assistance loan fund is a special loan fund
11 administered by the Bank of North Dakota. Moneys in the fund are appropriated on a
12 continuing basis to the Bank of North Dakota for loan disbursements and
13 administrative costs. The fund must be audited annually pursuant to section 6-09-29,
14 and the cost of the audit must be paid from the fund.
- 15 2. The Bank of North Dakota may adopt policies and establish guidelines to administer
16 the legacy fund school construction assistance loan fund in accordance with this
17 section.
- 18 3. The Bank of North Dakota shall transfer all payments of principal and interest paid on
19 loans made from the legacy fund school construction assistance loan fund to the
20 legacy fund. The Bank may use a portion of the interest paid on the outstanding loans
21 as a servicing fee to pay for administrative costs, which may not exceed one-half of
22 one percent of the amount of the outstanding loans.
- 23 4. To be eligible for a loan under this section, the board of a school district shall:

- 1 a. Propose a new construction or remodeling project with a cost of at least
- 2 one million dollars and an expected utilization of at least thirty years;
- 3 b. Obtain the approval of the superintendent of public instruction for the project
- 4 under section 15.1-36-01;
- 5 c. (1) Publish in the official newspaper of the district the information regarding the
- 6 proposed estimated additional millage and the dollar increase per
- 7 one thousand dollars of taxable valuation in accordance with section
- 8 21-03-13 along with the notice of the election in accordance with section
- 9 21-03-12 or along with the initial resolution in accordance with subsection 7
- 10 of section 21-03-07; and
- 11 (2) Post the information on the school district's website before the date of the
- 12 election or during the protest period in accordance with chapter 21-03;
- 13 d. Receive authorization for a bond issuance in accordance with chapter 21-03; and
- 14 e. Submit a completed application to the superintendent of public instruction.
- 15 5. The superintendent of public instruction shall review loan applications based on a
- 16 prioritization system that includes a review of all applications filed during the
- 17 twelve-month period preceding April first and gives consideration to:
- 18 a. Student occupancy and academic needs in the district;
- 19 b. The age of existing structures to be replaced or remodeled;
- 20 c. Building design proposals based on safety and vulnerability assessments;
- 21 d. Community support;
- 22 e. Cost; and
- 23 f. Any other criteria established by the superintendent of public instruction, after
- 24 consultation with an interim committee appointed by the legislative management.
- 25 6. If the superintendent of public instruction approves the loan, the Bank of North Dakota
- 26 shall issue a loan from the legacy fund school construction assistance loan fund. For
- 27 loans made under this section:
- 28 a. School districts may apply for loan amounts up to a maximum of ten million
- 29 dollars for every one thousand students enrolled in the school district. School
- 30 districts with enrollments of one thousand students or less may apply for loan
- 31 amounts up to a maximum of ten million dollars. However, if a school district's

unobligated general fund balance on the preceding June thirtieth exceeds the limitation under section 15.1-27-35.3, the loan amount under this section may not exceed eighty percent of the maximum loan amount;

b. The term of the loan is twenty years, unless the board of the school district requests a shorter term in the written loan application;

c. The interest rate of the loan may not exceed one percent per year; and

d. A district with a school construction loan secured on the open bond market may apply to refinance the loan when callable with the legacy fund school construction assistance loan fund under this subsection.

SECTION 2. AMENDMENT. Section 21-10-11 of the North Dakota Century Code is amended and reenacted as follows:

21-10-11. Legacy and budget stabilization fund advisory board.

1. The legacy and budget stabilization fund advisory board is created to develop recommendations for the investment of funds in the legacy fund and the budget stabilization fund to present to the state investment board.
2. The goal of investment for the legacy fund is principal preservation and growth while maximizing total return for an appropriate level of risk and to provide a direct benefit to the state by investing a portion of the principal in the state. Preference must be given to qualified investment firms and financial institutions with a presence in the state for investment of the legacy fund.
3. The board shall determine the asset allocation for the investment of the principal of the legacy fund including:
 - a. A target allocation of ~~seven hundred million~~ one billion seven hundred million dollars to fixed income investments within the state, including:
 - (1) Up to one hundred fifty million dollars for infrastructure loans to political subdivisions under section 6-09-49.1. The net return to the legacy fund under this paragraph must be fixed at a target rate of one and one-half percent;
 - (2) Up to one billion dollars for loans from the legacy fund school construction assistance loan fund under section 1 of this Act. The net return to the legacy fund under this paragraph must be fixed at a target rate of one-half percent;

(2)(3) A minimum of four hundred million dollars for the Bank of North Dakota's certificate of deposit match program with an interest rate fixed at the equivalent yield of United States treasury bonds having the same term, up to a maximum term of twenty years; and

~~(3)~~(4). Other qualified fixed income investments within the state based on guidelines developed by the legacy and budget stabilization fund advisory board.

b. A target allocation of six hundred million dollars to equity investments in the state, including:

(1) Investments in one or more equity funds, venture capital funds, or alternative investment funds with a primary strategy of investing in emerging or expanding companies in the state. Equity investments under this paragraph must:

(a) Be managed by qualified investment firms, financial institutions, or equity funds which have a strategy to invest in qualified companies operating or seeking to operate in the state and which have a direct connection to the state; and

(b) Have a benchmark investment return equal to the five-year average net return for the legacy fund, excluding in-state investments; and

(2) Other eligible investments under this subdivision based on guidelines developed by the legacy and budget stabilization fund advisory board.

4. The board consists of three members of the senate appointed by the senate majority leader, three members of the house of representatives appointed by the house majority leader, the president of the Bank of North Dakota or designee, the tax commissioner or designee, the director of the office of management and budget or designee, and the state treasurer or designee. The board shall select a member from the senate or house of representatives to serve as chairman for no more than one consecutive year and must meet at the call of the chairman.

5. The board shall report at least semiannually to the budget section.

6. Legislative members are entitled to receive compensation and expense reimbursement as provided under section 54-03-20 and reimbursement for mileage as

- 1 provided by law for state officers. The legislative council shall pay the compensation
- 2 and expense reimbursement for the legislative members.
- 3 7. The legislative council shall provide staff services to the legacy and budget
- 4 stabilization fund advisory board.
- 5 8. The staff and consultants of the state retirement and investment office shall advise the
- 6 board in developing asset allocation and investment policies.
- 7 9. The board may develop a process to select a member of the board who is not a
- 8 member of the state investment board to serve on the state investment board in a
- 9 nonvoting capacity.