

**HOUSE BILL NO. 1362**

Introduced by

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

- 1       3. Loans made in advance of actual oil and gas production must provide that repayment  
2       is to begin when the borrowing county, city, or school district receives allocations from  
3       the gross production tax. The terms of the loan must provide that not less than  
4       ten percent of each allocation made to the borrowing county, city, or school district  
5       pursuant to chapter 57-51 must be withheld by the state treasurer to repay the  
6       principal of the warrants and the interest thereon. The amount withheld by the state  
7       treasurer as payment of principal and interest must be deposited in the legacy fund.  
8       The warrants executed by the county, city, or school district have all of the qualities  
9       and incidents of negotiable paper and are not subject to taxation by the state of North  
10       Dakota or by any political subdivision thereof.
- 11       4. The ~~board of university and school lands~~state investment board may sell the warrants  
12       to other parties and the proceeds of the sale which constitute principal and interest  
13       must be deposited in the legacy fund. If for any reason the future allocations of  
14       moneys to the borrowing county, city, or school district permanently cease, the loan  
15       must be canceled except that if the county, city, or school district is merged with  
16       another county, city, or school district that receives an allocation of moneys from the  
17       gross production tax, the surviving county, city, or school district is obligated to repay  
18       the loan from the allocation. If the loan is canceled due to the permanent cessation of  
19       allocations of moneys to the county, city, or school district pursuant to chapter 57-51,  
20       the ~~board of university and school lands~~state investment board shall cancel those  
21       warrants the board holds from the county, city, or school district and shall pay from any  
22       moneys in the legacy fund the principal and interest, as it becomes due, on those  
23       warrants of the county, city, or school district which are held by another party.

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