

Introduced by

Representatives Onstad, Frantsvog, S. Meyer

Senators Wardner, Warner

1 A BILL for an Act to provide for oil and gas impact loans from the legacy fund and to provide for
2 repayment; and to provide an effective date.

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

4 **SECTION 1.**

5 **Oil and gas impact loans - Terms and conditions - Repayment.**

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

1 pursuant to chapter 57-51 must be withheld by the state treasurer to repay the
2 principal of the warrants and the interest thereon. The amount withheld by the state
3 treasurer as payment of principal and interest must be deposited in the legacy fund.
4 The warrants executed by the county, city, or school district have all of the qualities
5 and incidents of negotiable paper and are not subject to taxation by the state of North
6 Dakota or by any political subdivision thereof.

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

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