

HOUSE BILL NO.

Introduced by

Representative Pinkerton

1 A BILL for an Act to amend and reenact section 57-62-03 of the North Dakota Century Code,
2 relating to authority of the board of university and school lands to make loans from the
3 permanent oil tax trust fund to oil and gas development-impacted counties, cities, and school
4 districts; and to provide a continuing appropriation.

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

6 **SECTION 1. AMENDMENT.** Section 57-62-03 of the North Dakota Century Code is
7 amended and reenacted as follows:

8 **57-62-03. Loans for coal or oil and gas impact - Terms and conditions -**
9 **Repayment - Continuing appropriation.**

10 1. The board of university and school lands ~~is authorized to~~ may make loans to coal
11 development-impacted counties, cities, and school districts, before or after the
12 beginning of ~~actual~~ coal mining, from ~~moneys deposited in the coal development~~
13 trust fund ~~established by subsection 2 of section 57-62-02.~~ Loans made ~~prior to~~
14 ~~actual~~ before coal mining must be preceded by site permitting and by beginning
15 ~~actual~~ construction of the mine or its mine mouth facility. Loans may be made for
16 any purpose for which a grant may be made ~~pursuant to~~ under this chapter, but
17 before making any loan the board of university and school lands shall ~~receive~~
18 obtain the recommendation of the energy development impact office. The board of
19 university and school lands shall prescribe the terms and conditions of ~~such~~ loans
20 within the provisions of this chapter and shall require a warrant executed by the
21 governing body of the county, city, or school district as evidence of ~~such~~ the loan.
22 The warrants must bear interest at a rate not to exceed six percent. The warrants
23 ~~shall~~ must be payable only from the allocations of moneys from the coal
24 development fund to the borrowing county, city, or school district and ~~shall~~ do not

1 constitute a general obligation ~~of the county, city, or school district nor may such~~
2 ~~loans and may not~~ be considered as indebtedness of the county, city, or school
3 district. Loans made ~~in advance of actual~~ before coal mining must provide that
4 repayment is to begin when the borrowing county, city, or school district receives
5 allocations from the coal development fund. The terms of the loan must provide
6 that not less than ten percent of each allocation made to the borrowing county, city,
7 or school district ~~pursuant to~~ under this chapter must be withheld by the state
8 treasurer to repay the principal and interest of ~~the warrants and the interest~~
9 ~~thereon~~ executed under this section. The amount withheld by the state treasurer
10 as payment of interest must be deposited in the general fund and the amount
11 withheld by the state treasurer as payment of principal must be remitted to the
12 board of university and school lands and deposited ~~by the board~~ in the coal
13 development trust fund ~~provided for in subsection 2 of section 57-62-02~~. The
14 warrants executed by the county, city, or school district have all of the qualities and
15 incidents of negotiable paper and are not subject to taxation by the state of North
16 Dakota or ~~by any political subdivision thereof~~ of the state.

17 2. The board of university and school lands may make loans to oil and gas
18 development-impacted counties, cities, and school districts, before or after the
19 beginning of oil and gas production, from the permanent oil tax trust fund. Loans
20 made before oil and gas production must be preceded by issuance of oil or gas
21 drilling permits. Loans may be made for any purpose for which a grant may be
22 made under this chapter, but before making any loan under this section the board
23 of university and school lands shall obtain the recommendation of the energy
24 development impact office. The board of university and school lands shall
25 prescribe the terms and conditions of loans within the provisions of this chapter
26 and shall require a warrant executed by the governing body of the county, city, or
27 school district as evidence of the loan. The warrants must bear interest at a rate
28 not to exceed six percent. The warrants must be payable only from the allocations
29 of moneys from the oil and gas gross production tax to the borrowing county, city,
30 or school district and do not constitute a general obligation and may not be
31 considered as indebtedness of the county, city, or school district. Expenditure of

1 loan proceeds to address oil and gas impact under this section is not considered
2 an extraordinary outlay and is not subject to section 11-11-18. Loans made before
3 oil and gas production must provide that repayment is to begin when the borrowing
4 county, city, or school district receives allocations from the oil and gas gross
5 production tax. The terms of the loan must provide that not less than ten percent
6 of each allocation made to the borrowing county, city, or school district from the oil
7 and gas gross production tax must be withheld by the state treasurer to repay the
8 principal and interest of warrants executed under this section. The amount
9 withheld by the state treasurer as payment of interest must be deposited in the
10 general fund and the amount withheld by the state treasurer as payment of
11 principal must be deposited in the permanent oil tax trust fund. Warrants executed
12 by a county, city, or school district have all of the qualities and incidents of
13 negotiable paper and are not subject to taxation by the state of North Dakota or
14 any political subdivision of this state.

- 15 3. The board of university and school lands ~~is authorized to~~ may sell such warrants
16 under this section to other parties and the proceeds of such sale which constitute
17 principal must be deposited in the coal development trust fund or permanent oil tax
18 trust fund, as appropriate, and that which constitutes interest in the general fund. If
19 the future allocations of moneys to the borrowing county, city, or school district
20 should, for any reason, permanently cease, the loan shall be canceled except that
21 if the county, city, or school district is merged with another county, city, or school
22 district which receives an allocation of moneys from the coal development fund or
23 oil and gas gross production tax, as appropriate, the surviving county, city, or
24 school district is obligated to repay the loan from such allocation. If the loan is
25 canceled due to the permanent cessation of allocations of moneys to the county,
26 city, or school district pursuant to this chapter or chapter 57-51, the board of
27 university and school lands shall cancel those warrants ~~if~~ the board holds from
28 such county, city, or school district and shall pay from any moneys in the coal
29 development trust fund ~~provided for in subsection 2 of section 57-62-02 or~~
30 permanent oil tax trust fund, as appropriate, the principal and interest, as it

- 1 becomes due, on those warrants of the county, city, or school district which are
2 held by another party.
- 3 4. A continuing appropriation is provided to the board of university and school lands
4 from the coal development trust fund and the permanent oil tax trust fund for the
5 purpose of loans to counties, cities, and school districts as provided in this section.