

HOUSE BILL NO. 1194

Introduced by

Representative Klemin

Senator Burckhard

1 A BILL for an Act to create and enact a new chapter to title 21 of the North Dakota Century
2 Code, relating to a political subdivision borrowing funds; and to amend and reenact sections
3 11-11-18, 21-02-01, and 21-03-02 of the North Dakota Century Code, relating to exemptions
4 from statutory provisions for bonds and the definition of revenues.

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

6 **SECTION 1. AMENDMENT.** Section 11-11-18 of the North Dakota Century Code is
7 amended and reenacted as follows:

8 **11-11-18. Board to submit extraordinary outlay to vote.**

9 The board of county commissioners shall submit to the electors of the county at any regular
10 or special election any proposal for an extraordinary outlay of money by the county when the
11 proposed expenditure is greater in amount than can be provided for by the annual tax levies. If
12 the board considers the courthouse, jail, or other public buildings of the county inadequate for
13 the needs of the county or deems it necessary to build a county hospital, and if it is thought that
14 it is not for the best interests of the county to issue bonds to aid in the construction of such
15 buildings or that the construction of such buildings by any other procedure is not for the best
16 interests of the county, it shall submit to the electors of the county, at any regular or special
17 election, the proposal for the construction of a courthouse, jail, or other public building by
18 establishing a building fund to aid in the construction thereof. The requirements of this section
19 shall not apply to lease-purchase agreements authorized by section 24-05-04 or to bank or
20 credit union loans authorized in title 21.

21 **SECTION 2. AMENDMENT.** Section 21-02-01 of the North Dakota Century Code is
22 amended and reenacted as follows:

23 **21-02-01. Definitions.**

24 In this chapter unless the context or subject matter otherwise requires:

- 1 1. "Political subdivision" means a local governmental unit created by statute or by the
2 Constitution of North Dakota for local governmental or other public purposes.
- 3 2. "Revenues" means any of the following:
 - 4 a. Uncollected taxes.
 - 5 b. Amounts to be received from a distribution of federal moneys, including currently
6 existing bureau of Indian affairs contracts.
 - 7 c. Amounts to be received from a distribution of moneys pursuant to a state
8 appropriation or a state statutory or constitutional provision.
 - 9 d. Amounts to be received from a grant or loan of state or federal funds.
 - 10 e. Amounts to be received from the issuance and sale of obligations by a political
11 subdivision.
- 12 3. "Uncollected taxes" means taxes for the year during which a certificate of
13 indebtedness is issued and the preceding four years that have been levied but from
14 which moneys have not come into the public treasury by payment or by satisfaction of
15 tax lien, exclusive of tax levies dedicated to the payment of principal of and interest on
16 outstanding evidences of indebtedness.

17 **SECTION 3. AMENDMENT.** Section 21-03-02 of the North Dakota Century Code is
18 amended and reenacted as follows:

19 **21-03-02. Provisions not applicable to certain issues.**

20 This chapter is not applicable:

- 21 1. To issues of bonds, warrants, or other forms of public securities issued on account of
22 public improvements and for the payment of which special assessments are or shall
23 be levied upon and against property benefited thereby which do not constitute, at the
24 time of their issuance, a general obligation or fixed liability of the municipality issuing
25 the same, nor the portion of any such issue payable by general taxation on account of
26 assumption of a portion of the cost of such improvement under section 40-24-10 or
27 any similar law. Nothing in this subsection may be construed to prevent the issuance
28 of bonds by any city for the purposes specified in subdivision g of subsection 2 of
29 section 21-03-06.
- 30 2. To drainage bonds or irrigation bonds.

1 3. To borrowing of money in anticipation of tax collections by means of certificates of
2 indebtedness, as provided by chapter 21-02.

3 4. To revenue bonds under the provisions of chapter 40-35.

4 5. To bank or credit union loans authorized in title 21.

5 **SECTION 4.** A new chapter to title 21 of the North Dakota Century Code is created and
6 enacted as follows:

7 **Definitions.**

8 As used in this chapter, unless the context or subject matter otherwise requires:

9 1. "Political subdivision" means a local government unit created by statute or by the
10 Constitution of North Dakota for local governmental or other public purposes.

11 2. "Revenue" means any of the following:

12 a. Amounts to be received from a distribution of federal moneys, including bureau of
13 Indian affairs contracts.

14 b. Amounts to be received from a distribution of state moneys pursuant to a state
15 appropriation or a state statutory or constitutional provision.

16 **Political subdivision authority to enter agreement for bank or credit union loans.**

17 A political subdivision may borrow against its anticipated revenue, from a bank or credit
18 union located in this state. A bank or credit union loan and terms must be authorized by
19 resolution of the governing body for the political subdivision. The resolution must identify the
20 revenue to be used to repay the loan and any collateral that will secure repayment of the loan.
21 The loan agreement must be signed on behalf of the political subdivision by the president,
22 chairman, or equivalent officer; auditor; business manager; and secretary or equivalent officer of
23 the political subdivision.

24 **Limit on amount of loans - Loan terms.**

25 Except as limited by this section, a bank or a credit union and political subdivision may
26 agree to terms and conditions of a bank or credit union loan, including the rate of interest and
27 any collateral.

28 1. A political subdivision may have no more than five hundred thousand dollars in
29 outstanding principal on bank or credit union loans at any time.

30 2. A political subdivision bank or credit union loan must be paid in full within five years
31 from the date of loan origination.

1 3. The loan documents must describe the revenues from which the loan is anticipated to
2 be paid and may require the political subdivision to establish a separate fund for the
3 repayment of the loan, including interest, on or before the due date.

4 4. Collateral for a loan may consist only of property that is purchased with loan proceeds.

5 **Delinquent loans.**

6 If designated revenues are not sufficient to pay a loan balance, in addition to the designated
7 revenues, the political subdivision may set aside up to ten percent of the amount of the
8 collections from current tax revenues to pay to the lending bank or credit union on a monthly
9 basis until the delinquent loans have been paid in full.