

HOUSE BILL NO. 1350

Introduced by

Representatives Paulson, Hoverson, Johnston, Simons

Senators Kannianen, O. Larsen

1 A BILL for an Act to create and enact section 15.1-36-09 of the North Dakota Century Code,
2 relating to a common schools revolving loan fund; to amend and reenact section 15-03-04 of
3 the North Dakota Century Code, relating to legal investments; to provide a continuing
4 appropriation; and to provide for a contingent effective date.

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

6 **SECTION 1. AMENDMENT.** Section 15-03-04 of the North Dakota Century Code is
7 amended and reenacted as follows:

8 **15-03-04. Legal investments.**

9 Subject to the provisions of section 15-03-05 and section 15.1-36-09, the board of university
10 and school lands shall apply the prudent investor rule in investing the permanent funds under its
11 control. The "prudent investor rule" means that in making investments the board shall exercise
12 the same judgment and care, under the circumstances then prevailing and limitations of North
13 Dakota and federal law, that an institutional investor of ordinary prudence, discretion, and
14 intelligence exercises in the management of large investments entrusted to it, not in regard to
15 speculation but in regard to the permanent disposition of funds, considering probable safety of
16 capital as well as probable investment returns. Notwithstanding any investments made before
17 July 1, 1997, the board may not use any funds entrusted to it to purchase, as sole owner,
18 commercial or residential real property in North Dakota without prior approval of the legislative
19 assembly or the budget section of the legislative management. The board may also lend
20 securities held by the permanent funds, including the authority to pledge a security interest in
21 the securities in the possession of a custodian agent. These securities must be collateralized as
22 directed by the board.

23 **SECTION 2.** Section 15.1-36-09 of the North Dakota Century Code is created and enacted
24 as follows:

1 **15.1-36-09. Common schools revolving loan fund - Continuing appropriation.**

- 2 1. The common schools revolving loan fund is a special revolving loan fund within the
3 investments of the common schools trust fund administered by the board of university
4 and school lands. All principal and interest payments received on loans made from the
5 common schools revolving loan fund must be deposited into the fund. Moneys in the
6 fund, including moneys made available by the legislative assembly from the common
7 schools trust fund, interest or other earnings of the fund, and repayments of loans
8 made from the fund are appropriated to the board of university and school lands on a
9 continuing basis for administrative costs and for loan disbursement according to this
10 section. The board of university and school lands may use a portion of the interest
11 paid on the outstanding loans as a servicing fee to pay administrative costs, which
12 may not exceed one-half of one percent of the amount of the interest payments.
- 13 2. Notwithstanding any other provisions of law, to be eligible for a loan under this
14 section, the board of a school district shall:
- 15 a. Propose a new construction, expansion, or remodeling project with a cost of at
16 least one million dollars and an expected utilization of at least thirty years;
- 17 b. Provide evidence the school district has unsuccessfully sought voter approval to
18 levy taxes pursuant to section 57-15-16 for a school building fund to finance the
19 project at least one time in the five years preceding the application deadline;
- 20 c. Identify at least one funding source for the debt repayment including:
- 21 (1) Distributions received from state aid under chapter 15.1-27;
22 (2) Distributions received from oil and gas gross production tax revenues under
23 section 57-51-15;
24 (3) Taxes levied by the school district subject to the maximum levy limits under
25 chapter 57-15, provided the taxes are irrepealable pursuant to section
26 21-03-15; or
27 (4) Other sources of revenue;
- 28 d. Obtain the approval of the superintendent of public instruction for the project
29 under section 15.1-36-01; and
- 30 e. Submit a completed application to the board of university and school lands.

- 1 3. The board of university and school lands may adopt policies and establish guidelines
2 to administer this loan program in accordance with this section. In processing loan
3 applications under this section, the board of university and school lands shall consider
4 the ability of the applicant to repay the loan when processing the application and shall
5 issue loans only to applicants that provide reasonable assurance of sufficient future
6 income to repay the loan. After reviewing all applications filed during the twelve-month
7 period preceding April first, the board of university and school lands, in consultation
8 with the superintendent of public instruction, shall process loan applications using a
9 prioritization system that gives consideration to the following:
- 10 a. Student occupancy and academic needs in the district;
11 b. The age of existing structures to be replaced or remodeled;
12 c. Building design proposals that are based on safety and vulnerability
13 assessments;
14 d. Cost; and
15 e. Any other criteria established by the superintendent of public instruction, after
16 consultation with an interim committee appointed by the legislative management.
- 17 4. For a loan made under this section:
- 18 a. The maximum loan amount for which a school district may qualify is one hundred
19 million dollars. However, if a school district's unobligated general fund balance on
20 the preceding June thirtieth exceeds the limitation under section 15.1-27-35.3,
21 the loan amount under this section may not exceed eighty percent of the project's
22 cost up to a maximum loan amount of eighty million dollars;
- 23 b. The term of the loan is thirty years, unless the board of the school district
24 requests a shorter term in the written loan application; and
- 25 c. The interest rate of the loan may not exceed one percent per year.
- 26 5. The board of university and school lands shall arrange for the conduct of an annual
27 audit of the common schools revolving loan fund, the cost of which must be paid from
28 the fund and which must be conducted by an independent accounting firm.

29 **SECTION 3. CONTINGENT EFFECTIVE DATE.** This Act is contingent on the passage of
30 House Concurrent Resolution No. 3008 by the sixty-sixth legislative assembly and approval of

Sixty-sixth
Legislative Assembly

- 1 that measure by the voters of this state. If House Concurrent Resolution No. 3008 is approved
- 2 by the voters, this Act becomes effective on December 4, 2020.