

HB 1116
House Finance and Taxation Committee
January 11, 2021

Mr. Chairman and members of the Committee:

My name is Scott Wegner. I am a member of the law firm of Arntson Stewart Wegner PC (701.255.1008 / swegner@aswbondlaw.com). We serve as bond counsel to political subdivisions.

Counties have the following borrowing options:

- A. General Obligation Bond (60% approv.; excess levy; debt limit; 20 year maturity) (21-03-06)
- B. Limited GO Bond (protest; 10 mills correction/parks; 30% highway cost-share) (21-03-07)
- C. Limited Tax Bond (primary govt functions; general fund; 5 year maturity) (Chap. 57-47)
- D. Certificate of Indebtedness (uncollected taxes; state & federal distributions) (Chap. 21-02)
- E. Special Assessments (water, sewer, streets, flood control; 30 year maturity) (11-11-55.1)
- F. Lease Financing (acquire by lease; subject to annual appropriation) (11-11-14(20))
- G. Home Rule (sales tax) (Chap. 11-09.1)

HB 1116 provides enhanced options for counties to access the bond market and loan programs for road and bridge projects by expanding options A., B. and C., within existing levy limitations (*no new or increased tax levy*).

Section 1

Section 1 allows Limited GO Bonds (B.) for any of the purposes listed in the Capital Projects Levy (10 mills, 20 mills with vote) (57-15-06.6), and also permits borrowing against the County Road & Bridge Levy (10 mills, 30 mills with vote) (57-15-06.7(5)). Currently, this option is limited to correction center projects and parks & recreation facilities.

Sections 2 and 3

7 different political subdivisions are authorized to issue General Obligation Bonds. The maximum term is 20 years. HB 1116 amends Chapter 21-03 to provide for a maturity of up to 30 years. With low fixed rates, it may be advantageous to finance for a longer term. Some communities need a longer term to hold down the annual tax levy. Also, timing the tax levy often results in a 19 yr term.

Section 4

Adds road projects as a permitted use of the Capital Projects Levy (57-15-06.6).

Section 5

Section 5 extends the maximum maturity of limited tax bonds (C.) from 5 years to 20 years. Chapter 57-47 permits county borrowing for primary governmental functions. In 2015 the Legislature repealed the mill tax levy associated with this borrowing option. Counties must now pledge existing mills from the general fund. Without an additional tax levy, the borrowing term needs to be longer than 5 years to reduce the impact on the general fund.