

Sixty-sixth  
Legislative Assembly  
of North Dakota

## REENGROSSED SENATE BILL NO. 2275

Introduced by

Senators Wardner, Cook, Robinson

Representatives Lefor, Nathe, Porter

1 A BILL for an Act to create and enact section 6-09.4-28 of the North Dakota Century Code,  
2 relating to the infrastructure revolving loan fund debt repayments; to amend and reenact  
3 sections 6-09-49, 6-09.4-06, and 6-09.4-10, subsection 6 of section 21-03-07, and  
4 sections 21-03-19, 57-15-06.6, and 57-47-02 of the North Dakota Century Code, relating to the  
5 infrastructure revolving loan fund, borrowing and lending authority, reserve funds, and expanded  
6 bonding authority for counties; to repeal section 61-02-78 of the North Dakota Century Code,  
7 relating to a revolving loan fund for water projects; to provide a transfer; to provide a continuing  
8 appropriation; to provide a bond issuance limitation; and to provide an effective date.

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

10 **SECTION 1. AMENDMENT.** Section 6-09-49 of the North Dakota Century Code is amended  
11 and reenacted as follows:

12 **6-09-49. Infrastructure revolving loan fund -- Continuing appropriation.**

- 13 1. ~~The infrastructure revolving loan fund is a special fund in the state treasury from which~~  
14 ~~the Bank of North Dakota shall provide loans to political subdivisions for essential~~  
15 ~~infrastructure projects. The Bank shall administer the infrastructure revolving loan~~  
16 ~~fund. The maximum term of a loan made under this section is thirty years. A loan~~  
17 ~~made from the fund under this section must have an interest rate that does not exceed~~  
18 ~~two percent per year.~~
- 19 2. For purposes of this section, "essential infrastructure projects" means capital  
20 construction projects for the following:
- 21 a. New or replacement of existing water treatment plants;  
22 b. New or replacement of existing wastewater treatment plants;  
23 c. New or replacement of existing sewer lines and water lines; and

- 1           d. ~~New or replacement of existing storm water and transportation infrastructure,~~  
2           ~~including curb and gutter construction.~~
- 3       ~~3. In processing political subdivision loan applications under this section, the Bank shall~~  
4       ~~calculate the maximum loan amount for which a qualified applicant may qualify, not to~~  
5       ~~exceed fifteen million dollars per loan. The Bank shall consider the applicant's ability to~~  
6       ~~repay the loan when processing the application and shall issue loans only to~~  
7       ~~applicants that provide reasonable assurance of sufficient future income to repay the~~  
8       ~~loan.~~
- 9       ~~4. The Bank shall deposit in the infrastructure revolving loan fund all payments of interest~~  
10      ~~and principal paid under loans made from the infrastructure revolving loan fund. The~~  
11      ~~Bank may use a portion of the interest paid on the outstanding loans as a servicing fee~~  
12      ~~to pay for administrative costs which may not exceed one-half of one percent of the~~  
13      ~~amount of the interest payment. All moneys transferred to the fund, interest upon~~  
14      ~~moneys in the fund, and payments to the fund of principal and interest are~~  
15      ~~appropriated to the Bank on a continuing basis for administrative costs and for loan~~  
16      ~~disbursement according to this section.~~
- 17      ~~5. The Bank may adopt policies and establish guidelines to administer this loan program~~  
18      ~~in accordance with the provisions of this section and to supplement and leverage the~~  
19      ~~funds in the infrastructure revolving loan fund. Additionally, the Bank may adopt~~  
20      ~~policies allowing participation by local financial institutions.~~

21      **Infrastructure revolving loan fund - Bank of North Dakota - Continuing appropriation.**

- 22      1. The infrastructure revolving loan fund is a special fund in the state treasury  
23      administered by the Bank of North Dakota. The Bank shall use moneys in the fund to  
24      provide loans to political subdivisions for eligible infrastructure projects pursuant to  
25      subsections 6 and 7 and to provide loans to institutions of higher education for eligible  
26      infrastructure projects pursuant to subsection 8.
- 27      2. The Bank may adopt policies and establish guidelines to administer the loan program  
28      in accordance with this section, including policies to supplement and leverage the  
29      moneys in the fund and policies to allow participation by local financial institutions. A  
30      loan made from the fund must have an interest rate that does not exceed two percent  
31      per year. The maximum term of a loan for an infrastructure project under

1           subsections 6 and 8 is thirty years, and the maximum term of a loan for an  
2           infrastructure project under subsection 7 is forty years.

3           3. All principal and interest payments received on loans made from the infrastructure  
4           revolving loan fund must be deposited into the fund. The Bank may use a portion of  
5           the interest paid on the outstanding loans as a servicing fee to pay administrative  
6           costs, which may not exceed one-half of one percent of the amount of the interest  
7           payment. All moneys transferred to the fund, interest upon moneys in the fund, and  
8           payments to the fund of principal and interest are appropriated to the Bank on a  
9           continuing basis for administrative costs and for loan disbursement according to this  
10           section.

11           4. An applicant shall issue an evidence of indebtedness as authorized by law. An  
12           institution of higher education shall identify at least one funding source for the debt  
13           repayment, including:

14           a. Tuition or fee revenue collected by the institution of higher education;

15           b. Distributions of state aid received by the institution of higher education under  
16           chapter 15-18.2; or

17           c. Other sources of revenue.

18           5. In processing loan applications under this section, the Bank shall calculate the  
19           maximum loan amount available to a qualified applicant. Each applicant may have up  
20           to twenty-five million dollars of outstanding loans from the fund for infrastructure  
21           projects under subsections 6 and 8. The Bank shall consider the ability of the applicant  
22           to repay the loan when processing the application and shall issue loans only to  
23           applicants that provide reasonable assurance of sufficient future income to repay the  
24           loan. If an infrastructure project qualifies for funding through the state revolving fund  
25           established pursuant to chapters 61-28.1 and 61-28.2, the Bank shall verify the loan  
26           application only is for the portion of the project that is ineligible to receive funding from  
27           the state revolving fund.

28           6. Eligible infrastructure projects are capital construction projects to construct new  
29           infrastructure or to replace existing infrastructure, which provide the fixed installations  
30           necessary for the function of a political subdivision and are in the public interest.

- 1           Capital construction projects exclude routine maintenance and repair projects, but  
2           include the following:  
3           a.   Water treatment plants;  
4           b.   Wastewater treatment plants;  
5           c.   Sewer lines and water lines, including lift stations and pumping systems;  
6           d.   Water storage systems, including dams, water tanks, and water towers;  
7           e.   Storm water infrastructure, including curb and gutter construction;  
8           f.   Road and bridge infrastructure, including paved and unpaved roads and bridges;  
9           g.   Airport infrastructure;  
10          h.   Electricity transmission infrastructure;  
11          i.   Natural gas transmission infrastructure; and  
12          j.   Communications infrastructure.

- 13        7.   Eligible infrastructure projects are capital construction projects to construct new  
14        infrastructure or to replace existing infrastructure, which provide the fixed installations  
15        necessary for the function of a political subdivision and are in the public interest.

16        Capital construction projects exclude routine maintenance and repair projects, but  
17        include the following:

- 18        a.   Flood control;  
19        b.   Water supply; and  
20        c.   Water management.

- 21        8.   Eligible infrastructure projects for institutions of higher education are capital  
22        construction projects to construct new infrastructure or to replace existing  
23        infrastructure, which provide the fixed installations necessary for the function of the  
24        institution and are in the public interest. Capital construction projects exclude routine  
25        maintenance and repair projects, but include the following:

- 26        a.   Sewer lines and water lines;  
27        b.   Storm water infrastructure, including curb and gutter construction; and  
28        c.   Road infrastructure.

29        **SECTION 2. AMENDMENT.** Section 6-09.4-06 of the North Dakota Century Code is  
30        amended and reenacted as follows:

1       **6-09.4-06. Lending and borrowing powers generally.**

2       1. The public finance authority may lend money to political subdivisions or other  
3       contracting parties through the purchase or holding of municipal securities which, in  
4       the opinion of the attorney general, are properly eligible for purchase or holding by the  
5       public finance authority under this chapter or chapter 40-57 and for purposes of the  
6       public finance authority's capital financing program the principal amount of any one  
7       issue does not exceed five hundred thousand dollars. However, the public finance  
8       authority may lend money to political subdivisions through the purchase of securities  
9       issued by the political subdivisions through the capital financing program without  
10      regard to the principal amount of the bonds issued, if the industrial commission  
11      approves a resolution that authorizes the public finance authority to purchase the  
12      securities. The capital financing program authorizing resolution must state that the  
13      industrial commission has determined that private bond markets will not be responsive  
14      to the needs of the issuing political subdivision concerning the securities or, if it  
15      appears that the securities can be sold through private bond markets without the  
16      involvement of the public finance authority, the authorizing resolution must state  
17      reasons for the public finance authority's involvement in the bond issue. The public  
18      finance authority may hold such municipal securities for any length of time it finds to  
19      be necessary. The public finance authority, for the purposes authorized by this chapter  
20      or chapter 40-57, may issue its bonds payable solely from the revenues available to  
21      the public finance authority which are authorized or pledged for payment of public  
22      finance authority obligations, and to otherwise assist political subdivisions or other  
23      contracting parties as provided in this chapter or chapter 40-57.

24      2. The public finance authority may lend or transfer money to the Bank of North Dakota  
25      underas follows:  
26      a. Under terms and conditions requiring the Bank to use the proceeds to make  
27      loans for agricultural improvements that qualify for assistance under the revolving  
28      loan fund program established byunder chapter 61-28.2; and  
29      b. Under terms and conditions requiring the Bank to use the transferred proceeds to  
30      make loans for infrastructure projects that qualify for assistance under the  
31      infrastructure revolving loan fund established under section 6-09-49 and to use

1           the transferred proceeds to support the resources trust fund. Bonds issued for  
2           this purpose are payable in each biennium solely from amounts the legislative  
3           assembly may appropriate for debt service for any biennium or from a reserve  
4           fund established for the bonds. This section may not be construed to require the  
5           state to appropriate funds sufficient to make debt service payments with respect  
6           to the bonds or replenish a related reserve fund. The bonds are not a debt of the  
7           Bank or the state, and the full faith, credit, and taxing powers of the state are not  
8           pledged to the payment of the bonds. The obligation of the public finance  
9           authority with respect to the bonds must terminate and the bonds are no longer  
10           outstanding as of the date appropriated funds and reserves are not sufficient to  
11           pay debt service on the bonds. In addition to providing funds for transfers to the  
12           Bank, the public finance authority may use the bond proceeds to pay the costs of  
13           issuance of the bonds and establish a reserve fund for the bonds.

14       3. Bonds of the public finance authority issued under this chapter or chapter 40-57 are  
15       not in any way a debt or liability of the state and do not constitute a loan of the credit of  
16       the state or create any debt or debts, liability or liabilities, on behalf of the state, or  
17       constitute a pledge of the faith and credit of the state, but all such bonds are payable  
18       solely from revenues pledged or available for their payment as authorized in this  
19       chapter. Each bond must contain on its face a statement to the effect that the public  
20       finance authority is obligated to pay such principal or interest, and redemption  
21       premium, if any, and that neither the faith and credit nor the taxing power of the state  
22       is pledged to the payment of the principal of or the interest on such bonds. Specific  
23       funds pledged to fulfill the public finance authority's obligations are obligations of the  
24       public finance authority.

25       4. All expenses incurred in carrying out the purposes of this chapter or chapter 40-57 are  
26       payable solely from revenues or funds provided or to be provided under this chapter or  
27       chapter 40-57 and nothing in this chapter may be construed to authorize the public  
28       finance authority to incur any indebtedness or liability on behalf of or payable by the  
29       state.

30       **SECTION 3. AMENDMENT.** Section 6-09.4-10 of the North Dakota Century Code is  
31       amended and reenacted as follows:

1       **6-09.4-10. Reserve fund.**

2       1.    The public finance authority shall establish and maintain a reserve fund in which there  
3            must be deposited all moneys appropriated by the state for the purpose of the fund, all  
4            proceeds of bonds required to be deposited therein by terms of any contract between  
5            the public finance authority and its bondholders or any resolution of the public finance  
6            authority with respect to the proceeds of bonds, any other moneys or funds of the  
7            public finance authority which it determines to deposit therein, any contractual right to  
8            the receipt of moneys by the public finance authority for the purpose of the fund,  
9            including a letter of credit or similar instrument, and any other moneys made available  
10          to the public finance authority only for the purposes of the fund from any other source  
11          or sources. Moneys in the reserve fund must be held and applied solely to the  
12          payment of the interest on and the principal of bonds and sinking fund payments as  
13          the same become due and payable and for the retirement of bonds, including payment  
14          of any redemption premium required to be paid when any bonds are redeemed or  
15          retired prior to maturity. Moneys in the reserve fund may not be withdrawn therefrom if  
16          the withdrawal would reduce the amount in the reserve fund to an amount less than  
17          the required debt service reserve, except for payment of interest then due and payable  
18          on bonds and the principal of bonds then maturing and payable and sinking fund  
19          payments and for the retirement of bonds in accordance with the terms of any contract  
20          between the public finance authority and its bondholders and for the payments on  
21          account of which interest or principal or sinking fund payments or retirement of bonds,  
22          other moneys of the public finance authority are not then available in accordance with  
23          the terms of the contract. The required debt service reserve must be an aggregate  
24          amount equal to at least the largest amount of money required by the terms of all  
25          contracts between the public finance authority and its bondholders to be raised in the  
26          then current or any succeeding calendar year for the payment of interest on and  
27          maturing principal of outstanding bonds, and sinking fund payments required by the  
28          terms of any contracts to sinking funds established for the payment or redemption of  
29          the bonds.

30       2.    If the establishment of the reserve fund for an issue or the maintenance of an existing  
31          reserve fund at a required level under this section would necessitate the investment of

1 all or any portion of a new reserve fund or all or any portion of an existing reserve fund  
2 at a restricted yield, because to not restrict the yield may cause the bonds to be  
3 taxable under the Internal Revenue Code, then at the discretion of the public finance  
4 authority no reserve fund need be established prior to the issuance of bonds or the  
5 reserve fund need not be funded to the levels required by other subsections of this  
6 section or an existing reserve fund may be reduced.

7 3. No bonds may be issued by the public finance authority unless there is in the reserve  
8 fund the required debt service reserve for all bonds then issued and outstanding and  
9 the bonds to be issued. Nothing in this chapter prevents or precludes the public  
10 finance authority from satisfying the foregoing requirement by depositing so much of  
11 the proceeds of the bonds to be issued, upon their issuance, as is needed to achieve  
12 the required debt service reserve. The public finance authority may at any time issue  
13 its bonds or notes for the purpose of providing any amount necessary to increase the  
14 amount in the reserve fund to the required debt service reserve, or to meet such  
15 higher or additional reserve as may be fixed by the public finance authority with  
16 respect to such fund.

17 4. In order to assure the maintenance of the required debt service reserve, there shall be  
18 appropriated by the legislative assembly and paid to the public finance authority for  
19 deposit in the reserve fund, such sum, if any, as shall be certified by the industrial  
20 commission as necessary to restore the reserve fund to an amount equal to the  
21 required debt service reserve. However, the commission may approve a resolution for  
22 the issuance of bonds, as provided by section 6-09.4-06, which states in substance  
23 that this subsection is not applicable to the required debt service reserve for bonds  
24 issued under that resolution.

25 5. If the maturity of a series of bonds of the public finance authority is three years or less  
26 from the date of issuance of the bonds, the public finance authority may determine that  
27 no reserve fund need be established for that respective series of bonds. If such a  
28 determination is made, holders of that respective series of bonds may have no interest  
29 in or claim on existing reserve funds established for the security of the holders of  
30 previously issued public finance authority bonds, and may have no interest in or claim



1 on reserve funds established for the holders of subsequent issues of bonds of the  
2 public finance authority.

3 6. The industrial commission may determine that this section is inapplicable in whole or  
4 in part for bonds issued ~~under section~~ as follows:

5 a. Under section 6-09.4-06:

6 b. Under section 6-09.4-24; or ~~under~~

7 c. Under the public finance authority's state revolving fund program.

8 **SECTION 4.** Section 6-09.4-28 of the North Dakota Century Code is created and enacted  
9 as follows:

10 **6-09.4-28. Debt service requirements - Infrastructure revolving loan fund - Resources**  
11 **trust fund.**

12 Each biennium, the public finance authority shall request from the legislative assembly an  
13 appropriation from the general fund to meet the debt service requirements for evidences of  
14 indebtedness issued by the authority to support the infrastructure revolving loan fund and the  
15 resources trust fund.

16 **SECTION 5. AMENDMENT.** Subsection 6 of section 21-03-07 of the North Dakota Century  
17 Code is amended and reenacted as follows:

18 6. The governing body of any county may also by resolution adopted by a two-thirds vote  
19 dedicate the tax levy authorized by section 57-15-06.6 and subsection 5 of  
20 section 57-15-06.7 and may authorize and issue general obligation bonds to be paid  
21 by the dedicated levy for the ~~purpose of providing funds for the purchase, construction,~~  
22 ~~reconstruction, or repair of regional or county correction centers, or parks and~~  
23 ~~recreational facilities~~ purposes identified under section 57-15-06.6 and subsection 5 of  
24 section 57-15-06.7; provided, that the initial resolution authorizing the tax levy  
25 dedication and general obligation bonds must be published in the official newspaper,  
26 and any owner of taxable property within the county may, within sixty days after  
27 publication, file with the county auditor a protest against the adoption of the resolution.  
28 Protests must be in writing and must describe the property which is the subject of the  
29 protest. If the governing body finds such protests to have been signed by the owners  
30 of taxable property having an assessed valuation equal to five percent or more of the

1           assessed valuation of all taxable property within the county, as theretofore last finally  
2           equalized, all further proceedings under the initial resolution are barred.

3           **SECTION 6. AMENDMENT.** Section 21-03-19 of the North Dakota Century Code is  
4 amended and reenacted as follows:

5           **21-03-19. Bonds - Terms.**

6           Bonds issued under this chapter must be authorized by resolution, bear such date or dates,  
7 be in such denomination or denominations, be in such form, be subject to redemption with or  
8 without premium, and be subject to such other terms or conditions as in the judgment of the  
9 municipality are in the public interest of the municipality, and must provide that the last  
10 installment of principal falls due not more than twenty years from the date of the bonds or not  
11 more than thirty years for bonds sold to the entities under section 21-03-30. The requirements  
12 of this section apply to each new issue of bonds, or if so determined by the governing body, to  
13 the bonds of a new issue combined with all of the outstanding bonds of one or more designated  
14 issues of bonds previously issued and similarly payable from taxes or other sources of  
15 revenues, or both, as the case may be.

16           **SECTION 7. AMENDMENT.** Section 57-15-06.6 of the North Dakota Century Code is  
17 amended and reenacted as follows:

18           **57-15-06.6. County capital projects levy.**

19           1. The board of county commissioners of each county may levy an annual tax not  
20 exceeding ten mills plus any voter-approved additional levy as provided in  
21 subsection 8 of section 57-15-06.7 for the purpose of the following capital projects:

22           ~~1.~~ a. Constructing and equipping and maintaining structural and mechanical  
23 components of regional or county corrections centers or for the purpose of  
24 contracting for corrections center space capacity from another public or private  
25 entity.

26           ~~2.~~ b. Acquiring real estate as a site for public parks and construction and equipping  
27 and maintaining structural and mechanical components of recreational facilities  
28 under section 11-28-06.

29           ~~3.~~ c. Acquiring real estate as a site for county buildings and operations and  
30 constructing and equipping and maintaining structural and mechanical  
31 components of county buildings and property.

- 1        4. d. Acquiring real estate as a site for county fair buildings and operations and  
2                    constructing and equipping and maintaining structural and mechanical  
3                    components of county fair buildings and property as provided in section 4-02-26.
- 4        5. e. Acquiring and developing real estate, capital improvements, buildings, pavement,  
5                    equipment, and debt service associated with financing for county supported  
6                    airports or airport authorities.
- 7        6. f. Expenditures for the cost of leasing as an alternative means of financing for any  
8                    of the purposes for which expenditures are authorized under  
9                    ~~subsections 1 subdivisions a through 5e.~~
- 10        g. Improvement of the county road system, including the acquisition of land,  
11                    construction of new paved and unpaved roads and bridges, replacement of  
12                    existing paved and unpaved roads and bridges, and maintenance and repair of  
13                    existing paved and unpaved roads and bridges.
- 14        2. Any voter-approved levy for the purposes specified in this section approved by the  
15                    electors before January 1, 2015, remains effective through 2024 or the period of time  
16                    for which it was approved by the electors, whichever is less, under the provisions of  
17                    law in effect at the time it was approved. After January 1, 2015, approval or  
18                    reauthorization by electors of increased levy authority under this section may not be  
19                    effective for more than ten taxable years.

20        **SECTION 8. AMENDMENT.** Section 57-47-02 of the North Dakota Century Code is  
21        amended and reenacted as follows:

22        **57-47-02. County authorized to borrow - Term - Interest rate.**

23        Whenever in the judgment of the board of county commissioners all taxes authorized to be  
24        levied in any one year for general or special county purposes are insufficient to carry on the  
25        primary governmental functions, or to pay the mandatory obligations imposed by law upon a  
26        county, then such a county may borrow money in such an amount as the board shall determine  
27        to be necessary to meet the deficiencies existing in its general or special funds, or to carry on  
28        primary governmental functions, and to pay mandatory obligations. For the purpose of  
29        borrowing, a county may issue evidences of indebtedness, which must consist of an agreement  
30        by the county to pay a stated sum on a specified date, or on or before a specified date, not  
31        more than ~~five~~twenty years in the future, together with interest thereon at a rate or rates

1 resulting in an average annual net interest cost not to exceed twelve percent per annum if sold  
2 privately, or with no interest rate ceiling if sold at a public sale or to the state of North Dakota or  
3 any of its agencies or instrumentalities. A public sale must comply with the procedures set out in  
4 chapter 21-03. There is no requirement for an advertisement for bids if an evidence of  
5 indebtedness is sold privately or to the state of North Dakota or any of its agencies or  
6 instrumentalities.

7 **SECTION 9. REPEAL.** Section 61-02-78 of the North Dakota Century Code is repealed.

8 **SECTION 10. TRANSFER INFRASTRUCTURE REVOLVING LOAN FUND FOR WATER**  
9 **PROJECTS TO INFRASTRUCTURE REVOLVING LOAN FUND.** The state water commission  
10 shall transfer any outstanding loans from the infrastructure revolving loan fund under section  
11 61-02-78 to the infrastructure revolving loan fund during the biennium beginning July 1, 2019,  
12 and ending June 30, 2021.

13 **SECTION 11. PUBLIC FINANCE AUTHORITY - BOND ISSUANCE LIMITATION.** Pursuant  
14 to the bonding authority under section 6-09.4-06, the public finance authority may issue up to  
15 \$500,000,000 of evidences of indebtedness, but not in an amount that would cause the  
16 repayments to exceed \$55,000,000 per biennium, for the purpose of supporting the  
17 infrastructure revolving loan fund and the resources trust fund during the biennium beginning  
18 July 1, 2019, and ending June 30, 2021. Of the total evidences of indebtedness issued by the  
19 public finance authority, an amount equal to the transfer under section 10 of this Act must be  
20 used to support the resources trust fund, and the remaining amount must be used to support  
21 the infrastructure revolving loan fund. The term of any evidences of indebtedness issued under  
22 this section may not exceed thirty years. The public finance authority may issue bond  
23 anticipation notes for the purpose of financing loans under the infrastructure revolving loan fund  
24 prior to a bond issuance.

25 **SECTION 12. APPROPRIATION.** There is appropriated out of any moneys in the general  
26 fund in the state treasury, not otherwise appropriated, the sum of \$26,000,000, or so much of  
27 the sum as may be necessary, to the public finance authority for the purpose of debt service  
28 repayments associated with bonds issued to support the infrastructure revolving loan fund, for  
29 the biennium beginning July 1, 2019, and ending June 30, 2021.

30 **SECTION 13. EFFECTIVE DATE.** Section 9 of this Act becomes effective July 1, 2021.