

HOUSE BILL NO. 1525

Introduced by

Representatives Bellew, Becker, Hoverson, Kading, Paulson, Skroch

Senator 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 building and renovation grant fund; to amend and reenact section
3 15-03-04 and subsection 1 of section 57-15-16 of the North Dakota Century Code, relating to
4 legal investments and school district tax levies for building funds; to provide a continuing
5 appropriation; and to provide for a report to the legislative management.

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

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

9 **15-03-04. Legal investments.**

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

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

3 **15.1-36-09. Common schools building and maintenance fund - Board of university**
4 **and school lands - Continuing appropriation - Report to legislative management.**

- 5 1. The common schools building and maintenance fund is a special fund within the
6 investments of the common schools trust fund administered by the board of university
7 and school lands. The board shall transfer funds from the common schools trust fund
8 to the common schools building and maintenance fund as needed for the purposes in
9 this section. The fund consists of all moneys transferred into the fund, all real property
10 acquired or constructed with fund assets, and all interest or other earnings of the fund.
11 The board of university and school lands shall use the assets in the fund for the
12 acquisition, construction, and maintenance of all common school facilities in the state.
13 The board of university and school lands shall adopt policies and establish guidelines
14 to administer the fund in accordance with this section.
- 15 2. The board of university and school lands shall identify all outstanding school bonds
16 encumbering common schools in the state. Notwithstanding any other provision of law,
17 school districts shall transfer all real property of the school district to the board of
18 university and school lands. The board of university and school lands shall accept the
19 real property of all school districts and shall retire any outstanding related debt.
- 20 3. To be eligible for new building construction and renovation of existing school district
21 real property under this section, the board of a school district shall obtain the approval
22 of the superintendent of public instruction for the building project under section
23 15.1-36-01 and submit a completed application to the board of university and school
24 lands. The board of university and school lands, in consultation with the
25 superintendent of public instruction, shall review construction and renovation
26 applications and shall consider:
- 27 a. Student occupancy, student enrollment growth, and academic needs in the
28 district;
- 29 b. The age of structures to be replaced or remodeled;
- 30 c. Building design proposals based on safety and vulnerability assessments;
- 31 d. Cost; and

- 1 e. Any other criteria established by the board of university and school lands, in
2 consultation with the superintendent of public instruction, after consultation with
3 an interim committee appointed by the legislative management.
- 4 4. If the new building construction or renovation project is approved by the
5 superintendent of public instruction and the board of university and school lands, the
6 board of university and school lands shall provide funding for the construction or
7 renovation project and shall take ownership of the real property.
- 8 5. The board of university and school lands annually shall provide for the maintenance
9 of existing common school facilities, including the land on which the facilities are
10 constructed.
- 11 6. All moneys and assets in the common schools building and maintenance fund are
12 appropriated on a continuing basis to the board of university and school lands for the
13 purposes provided for in this section.
- 14 7. The fair market value of each common school facility shall be assessed annually and
15 included in the assets of the common school building and maintenance fund. The
16 board of university and school lands shall report to the legislative management by
17 September thirtieth of each year regarding the common schools building and
18 maintenance fund, including information regarding projects completed with fund
19 assets, the value of real property held in the fund, and the change in value of total
20 fund assets.

21 **SECTION 3. AMENDMENT.** Subsection 1 of section 57-15-16 of the North Dakota Century
22 Code is amended and reenacted as follows:

- 23 1. The governing body of any school district ~~shall~~may levy taxes annually for a school
24 building fund, not in excess of twenty mills, which levy is in addition to and not
25 restricted by the levy limitations prescribed by law, when authorized to do so by sixty
26 percent of the qualified electors voting upon the question at a regular or special
27 election in any school district. The governing body of the school district may create the
28 building fund by appropriating and setting up in its budget for an amount not in excess
29 of twenty percent of the current annual appropriation for all other purposes combined,
30 exclusive of appropriations to pay interest and principal of the bonded debt, and not in
31 excess of the limitations prescribed by law. If a portion or all of the proceeds of the

1 levy have been allocated by contract to the payment of rentals upon contracts with the
2 state board of public school education as administrator of the state school construction
3 fund, the levy must be made annually by the governing body of the school district until
4 the full amount of all such obligations is fully paid. Any portion of a levy for a school
5 building fund which has not been allocated by contract with the state board of public
6 school education must be allocated by the governing body pursuant to section
7 57-15-17. Upon the completion of all payments to the state school construction fund,
8 or upon payment and cancellation or defeasance of the bonds, the levy ~~may~~must be
9 discontinued ~~at the discretion of the governing body of the school district~~, or upon
10 petition of twenty percent of the qualified electors who voted in the last school election,
11 the question of discontinuance of the levy must be submitted to the qualified electors
12 of the school district at any regular or special election and, upon a favorable vote of
13 sixty percent of the qualified electors voting, the levy must be discontinued. Any school
14 district, executing a contract or lease with the state board of public school education or
15 issuing general obligation bonds, which contract or lease or bond issue requires the
16 maintenance of the levy provided in this section, shall immediately file a certified copy
17 of the contract, lease, or bond issue with the county auditor or auditors of the county or
18 counties in which the school district is located. The county auditor or auditors shall
19 register the contract, lease, or bond issue in the bond register in substantially the
20 manner provided in section 21-03-23. Upon the filing of the contract, lease, or bond
21 issue with the county auditor or auditors, the school district may not discontinue the
22 levy and the levy must automatically be included in the tax levy of the school district
23 from year to year by the county auditor or auditors until a sufficient sum of money has
24 been collected to pay to the state treasurer for the retirement of all obligations of the
25 school district with the state board of public school education or to pay to the
26 custodian of the bond sinking fund all amounts due or to become due on the bonds.