



Objective:

Use Legacy Fund principal balance for loans to Local Governments for critical infrastructure projects that secure the future of North Dakota communities.

Proposal Details

- » Loans available to North Dakota Counties, Cities, Water Resource Districts, Rural Water Systems, and Airport Authorities
- » Up to 15% of Legacy Fund principal balance (currently \$780 million) used to capitalize loan program in the 2019-2021 biennium
- » 50 year maximum term
- » 1.56% fixed interest rate
- » Up to 20% of total capital can be used to refinance existing debt (currently \$156 million)
- » \$10 million minimum loan amount on new projects and \$1 million on refinanced debt

Eligible Infrastructure

- » Flood Control & Protection
- » Water & Wastewater Treatment Plants
- » Regional Water Supply
- » Municipal Water Supply
- » Airport Authority

CREATE A LOCAL LEGACY
by investing Legacy Funds into North Dakota communities



Benefits

- » Lower borrowing costs to local governments
- » No broker/small underwriting fees
- » Investments made locally now equals long-term project cost savings
- » Reduced taxes with lower borrowing costs
- » Investing locally encourages economic development, thereby increasing state and local tax collection
- » Utilizing a revolving loan fund provides a return on investment to the Legacy Fund

Program Administration

Bank of North Dakota will underwrite and administer the loan program

0.06% BND Service Fee

Comments

The Legacy Fund balance is currently invested in several low-interest municipal bonds and securities that benefit local governments outside of North Dakota. The 66th Legislative Assembly has the opportunity to invest in the State's economic prosperity today while preserving the cash balance in the Legacy Fund for tomorrow.

As local governments search for sustainable financing, the threat of natural disasters persists, project costs escalate, and the security of North Dakotans remains questionable. Completing projects sooner will save the State and local governments money, will grow the economy and will create additional tax revenue. The reduction in interest costs alone will save taxpayers hundreds of millions of dollars.

Utilizing the Legacy Fund for critical infrastructure projects will alleviate pressure on traditional State funding resources (Resources Trust Fund, BND Infrastructure Revolving Loan Fund, etc.) for the benefit of all North Dakota communities.

Investing in North Dakota communities for the prosperity of current and future North Dakotans will allow local governments to create their own legacy.

CREATE A LOCAL LEGACY

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In 2009, the North Dakota Legislative Assembly passed House Concurrent Resolution No. 3054, which placed the question of creating the Legacy Fund on the 2010 general election ballot. North Dakota voters approved the measure which created a perpetual source of state revenue from the finite natural resources of oil and natural gas. This created Article X, Section 26, of the Constitution of North Dakota.

As its name implies, the intent of the fund was to establish a resource for posterity in North Dakota. In our history as a State, no two natural occurrences have threatened the prosperity of North Dakota citizens more than flooding and drought. The juxtaposition of these extremes can bewilder, but examination of our past history illuminates the challenge.

Flooding in the Minot region in 2011 caused in excess of a billion dollars in damages to urban and rural residents alike. The Grand Forks area was ravaged by extreme flooding in 1997. Our State's capital city narrowly escaped catastrophic flooding in 2011. The State's largest population and economic center, Fargo, has frequently and effectively fought floods along the Red River. But temporary and heroic emergency measures are neither sustainable nor logical means to protect such vital components of the North Dakota economic and social fabric.

Crippling droughts have brought the State's economy to the brink of collapse in the 1930s and 1980s. Again in 2017, portions of the State of North Dakota experienced wide-spread drought that threatened our agrarian way of life and the water supplies of several communities. The general outlook for 2018 indicates similar drought risk.

The Legacy Fund has a principal balance in excess of \$5 billion. The 66th North Dakota Legislative Assembly has an opportunity to invest in the State's economic prosperity today while preserving the cash balance in the Legacy Fund for tomorrow by establishing a revolving loan fund that can be utilized by North Dakota local governments to finance the local share of large infrastructure projects.

Local governments across the state are searching to find sustainable and affordable ways to finance critically important, long-term infrastructure projects that will secure the future of North Dakota communities for generations. As local governments search for sustainable financing, the threat of natural disasters continues, project costs escalate, and the security of North Dakotans remains questionable and tied to natural disasters outside of our personal control.

Projects intended to serve a lifetime require long-term, affordable financing. The Legacy Infrastructure Revolving Loan program would make loans available to local governments from the principal balance of the Legacy Fund with payback terms of up to 50-years at a 1.56% interest rate. And because it's a loan to the taxpayers of North Dakota, the principal balance of the Legacy Fund would continue to be preserved for posterity.

The benefits are numerous. Lower borrowing costs equate to lower taxes and insurance, in particular crippling flood insurance. Currently, the Legacy Fund balance is invested in several low-interest municipal bonds and securities that benefit local governments outside of North Dakota. Investing in North Dakota communities for the prosperity of current and future North Dakotans will allow local governments to create their own legacy.

Constitution of North Dakota Article X, Section 26

1. Thirty percent of total revenue derived from taxes on oil and gas production or extraction must be transferred by the State Treasurer to a special fund in the state treasury known as the Legacy Fund. The Legislative Assembly may transfer funds from any source into the Legacy Fund and such transfers become part of the principal of the Legacy Fund.

2. The principal and earnings of the Legacy Fund may not be expended until after June 30, 2017, and an expenditure of principal after that date requires a vote of at least two-thirds of the members elected to each house of the Legislative Assembly. Not more than fifteen percent of the principal of the Legacy Fund may be expended during a biennium.

3. Statutory programs, in existence as a result of legislation enacted through 2009, providing for impact grants, direct revenue allocations to political subdivisions, and deposits in the Oil and Gas Research Fund must remain in effect but the Legislative Assembly may adjust statutory allocations for those purposes.

The State Investment Board shall invest the principal of the North Dakota Legacy Fund. The State Treasurer shall transfer earnings of the North Dakota Legacy Fund accruing after June 30, 2017, to the State's General Fund at the end of each biennium.