

# MAINE STATE LEGISLATURE

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(EMERGENCY)  
FIRST SPECIAL SESSION

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ONE HUNDRED AND SIXTH LEGISLATURE

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**Legislative Document**

**No. 2229**

H. P. 1761

House of Representatives, January 2, 1974

Referred to the Committee on Education. Sent up for concurrence and ordered printed.

E. LOUISE LINCOLN, Clerk

Presented by Mr. Haskell of Houlton.

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STATE OF MAINE

IN THE YEAR OF OUR LORD NINETEEN HUNDRED  
SEVENTY-FOUR

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**AN ACT Clarifying the Source of Payment of Bonds, Notes and Other  
Evidences of Indebtedness Issued for School Purposes.**

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**Emergency preamble.** Whereas, Acts of the Legislature do not become effective until 90 days after adjournment unless enacted as emergencies; and

Whereas, in 1973 the Legislature enacted a law providing for all education costs to be paid 50% from a uniform property tax limited as to rate and assessed against all municipalities in the State and 50% from nonproperty tax revenues; and

Whereas, it is not clear whether said law limits the ultimate source of payment of bonds, notes or other evidences of indebtedness issued for school purposes by school administrative units; and

Whereas, to any extent that the source of payment of bonds or notes outstanding at the time said law was enacted is substantially impaired by placing a limit on the amount of money that may be raised to pay principal thereof and interest thereon, such law would violate provisions of the United States Constitution against impairment of the obligation of contracts; and

Whereas, uncertainties as to the sources of payment of bonds or notes will tend to increase borrowing costs for school purposes; and

Whereas, under existing federal laws and regulations certain banks and banking institutions may not underwrite municipal bonds or notes that are not general obligations of political subdivision "supported by the full faith

and credit of an obligor possessing general powers of taxation including property taxation"; and

Whereas, such banks and banking institutions are major purchasers of Maine school bonds and notes and limitations on their ability to underwrite such bonds or notes would diminish competition and tend to increase borrowing costs; and

Whereas, in the judgment of the Legislature, these facts create an emergency within the meaning of the Constitution of Maine and require the following legislation as immediately necessary for the preservation of the public peace, health and safety; now, therefore,

Be it enacted by the People of the State of Maine, as follows:

**Sec. 1. R. S., T. 20, § 3452, amended.** The first paragraph of section 3452 of Title 20 of the Revised Statutes, as last repealed and replaced by section 66 of chapter 622 of the public laws of 1971 and as amended by section 49-A of chapter 571 of the public laws of 1973, is further amended to read as follows:

For the purposes of this chapter, chapters 117, 207, 209, 211 and ~~512~~ 510, and sections 522, 851, 1292, 2356-A to 2356-H and 3457 to 3460, the following terms are defined:

**Sec. 2. R. S., T. 20, § 3452, sub-§ 1, amended.** Subsection 1 of section 3452 of Title 20 of the Revised Statutes is amended to read as follows:

1. **Administrative unit.** "Administrative unit" shall include all municipal or quasi-municipal corporations responsible for operating or constructing public schools.

**Sec. 3. R. S., T. 20, § 3713, sub-§ 1, ¶¶ F and G, amended.** Paragraphs F and G of subsection 1 of section 3713 of Title 20 of the Revised Statutes, as enacted by section 1 of chapter 556 of the public laws of 1973, are amended to read as follows:

**F.** Record the **estimated** expenditures of the ~~preceding~~ **current** year for capital outlay projects approved by the local unit and the State Board;

**G.** Record the **estimated** expenditures of the ~~preceding~~ **current** year for debt service projects which have been approved by the local unit and the State Board.

**Sec. 4. R. S., T. 20, § 3714, additional.** Title 20 of the Revised Statutes is amended by adding a new section 3714 to read as follows:

§ 3714. **Bonds, notes, etc.**

All bonds, notes or other evidences of indebtedness issued for school purposes by an administrative unit, as defined in section 3452, for capital outlay purposes or for current operating expenses, including tax or other revenue anticipation notes, shall be general obligations of such administrative unit. The municipal officers, school directors, trustees or other governing board exercising like functions in each administrative unit shall require such sums

as may be necessary to meet in full the principal of and interest on such bonds, notes or other evidences of indebtedness payable in each year to be assessed and collected in the manner provided by law for the assessment and collection of taxes, provided that the sums to be so assessed and collected shall be reduced by the amount of any property and nonproperty tax revenues to become available to such unit to pay such principal and interest in such year as shall be certified to the unit by the Commissioner of Educational and Cultural Services on or before March 1st. The sums so assessed shall be payable from ad valorem taxes which may be levied without limit as to rate or amount upon all the taxable property within the administrative unit.

Sec. 5. R. S., T. 20, § 3715, additional. Title 20 of the Revised Statutes is amended by adding a new section 3715 to read as follows:

§ 3715. Special school districts

All special legislative school districts or coterminous districts created by special Acts of the Legislature for the purpose of constructing school buildings are prevented from issuing special assessments to meet debt service and maintenance costs, such dollar needs shall be submitted to the school committee or board of directors and said committee or board shall include such requests in the school budget and shall pay the trustees of the district the necessary sums of money when due, to meet the debt service obligations and the maintenance costs.

**Emergency clause.** In view of the emergency cited in the preamble, this Act shall take effect when approved.

STATEMENT OF FACT

The purpose of this bill is reflected in the emergency preamble.