

MAINE STATE LEGISLATURE

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STATE OF MAINE
LEGISLATIVE RESEARCH COMMITTEE

SUMMARY REPORT
TO THE
ONE HUNDRED AND SIXTH LEGISLATURE

VOLUME ONE

JANUARY, 1973

STATE OF MAINE

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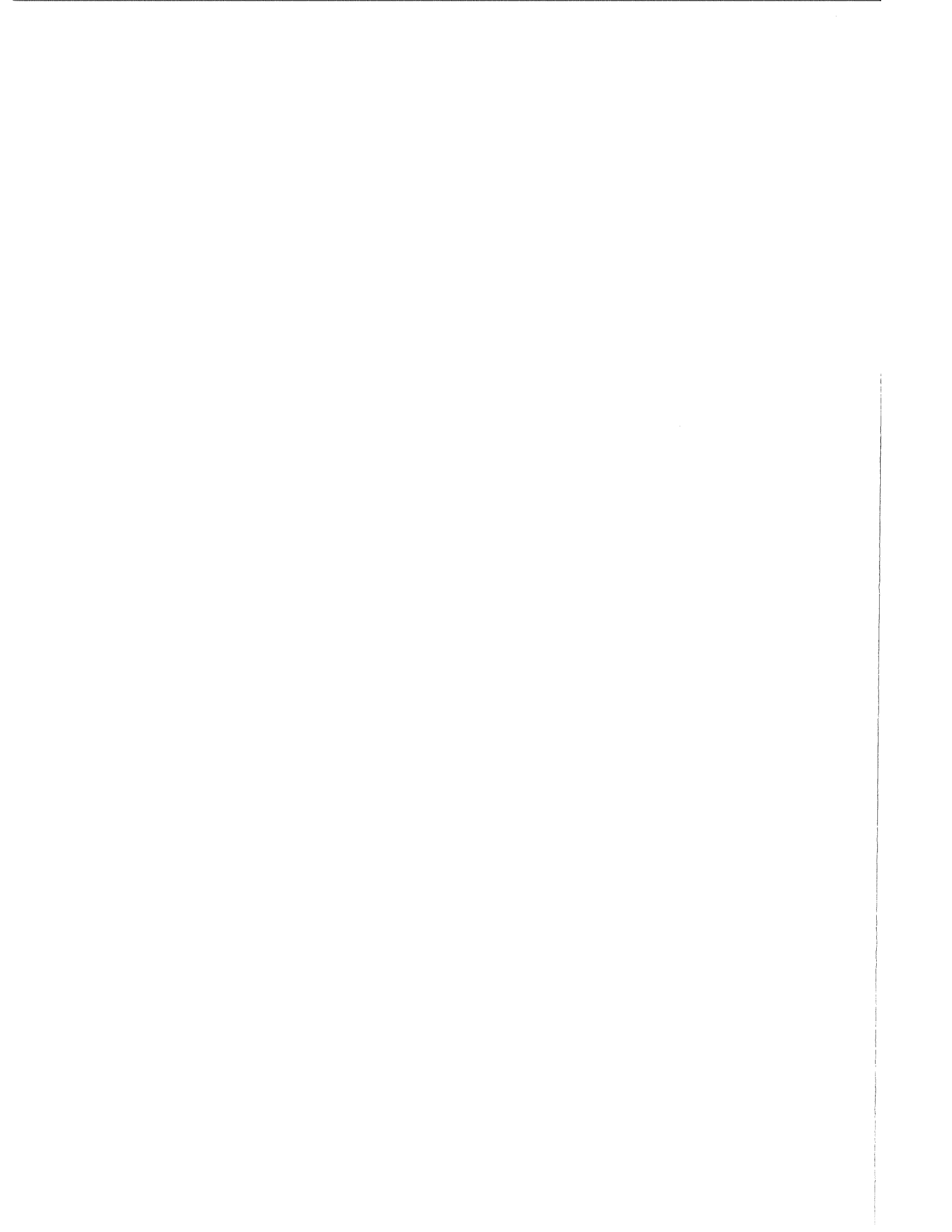
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STATE OF MAINE
LEGISLATIVE RESEARCH COMMITTEE
STATE HOUSE
AUGUSTA, MAINE 04330

January 3, 1973

To the Members of the 106th Legislature:

The Legislative Research Committee hereby has the pleasure of submitting to you its report on activities for the past two years. This summary, designated as Volume I, deals with both assigned and unassigned studies and contains the findings and recommendations pursuant thereto.

The Committee was unfortunate in the loss of its original vice-chairman, the late Representative John E. Gill of South Portland. In his death on July 23, 1972, the State of Maine lost an able public servant. We of the Committee gratefully acknowledge our indebtedness to his ability and his contribution to the work of the Committee.

The Committee also wishes to acknowledge with appreciation the countless public and private individuals, organizations and agencies without whose assistance and cooperation the Committee would not have reached its conclusions.

The members of the Committee appreciate having been chosen to participate in this work and sincerely hope the results of many hours of work and devoted study transmitted here will prove beneficial to the members of the Legislature and ultimately to the citizens of the State of Maine.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "J. Sewall".

JOSEPH SEWALL, Chairman
Legislative Research Committee



STATE OF MAINE
LEGISLATIVE RESEARCH COMMITTEE

REPORT ON
MUNICIPAL SECURITIES APPROVAL BOARD
to the
ONE HUNDRED AND SIXTH LEGISLATURE

JANUARY, 1973
Legislative Research Committee
Publication 106-11

MUNICIPAL SECURITIES APPROVAL BOARD

ORDERED, the Senate concurring, that the Legislative Research Committee study and investigate the operation of the Municipal Securities Approval Board and the statutes relating thereto all in order that the Legislature may determine whether further legislative action is necessary to protect the credit, health, peace and safety of the State of Maine and specifically to determine whether the purposes and powers of the Municipal Securities Approval Board should be broadened or amended and to determine whether the supervisory powers of the Municipal Securities Approval Board over securities and obligations authorized by them should be expanded or modified; and be it further

ORDERED, that the Maine Municipal Securities Approval Board and Securities Division of the Department of Banks and Banking provide the committee with such information and technical assistance as the committee deems necessary or desirable in carrying out the purposes of this order; and be it further

ORDERED, that the committee report the results of its findings and recommendations, including any necessary legislation, at the next regular session of the Legislature; and be it further

ORDERED, upon passage, that copies of this order be transmitted forthwith to the Maine Municipal Securities Approval Board and the Department of Banks and Banking.

HP 693	House of Representatives	In Senate Chamber
Lund	Read and Passed	Read and Passed
Augusta	February 17, 1971	June 21, 1971
	Sent up for concurrence	In concurrence

SUBCOMMITTEE ON MUNICIPAL SECURITIES APPROVAL BOARD

CHAIRMAN - John L. Martin

VICE CHAIRMAN - Harvey Johnson

Ethel B. Baker

Armand J. Fortier

Guy A. Marcotte

MUNICIPAL SECURITIES APPROVAL BOARD

The 105th Legislature, by Joint Order H. P. 693 directed the Legislative Research Committee to study and investigate the operation of the Municipal Securities Approval Board and the statutes relating thereto all in order that the Legislature may determine whether further legislative action is necessary to protect the credit, health, peace and safety of the State of Maine and specifically to determine whether the purposes and powers of the Municipal Securities Approval Board should be broadened or amended and to determine whether the supervisory powers of the Municipal Securities Approval Board over securities and obligations authorized by them should be expanded or modified.

The Maine Municipal Securities Approval Board and Securities Division of the Department of Banks and Banking were also named in the Order for the purpose of assisting the Committee in their endeavor.

In brief, the Municipal Industrial and Recreational Obligations Act was enacted under chapter 423 of the public laws of 1965 in answer to a state-wide need for financing industrial and recreational projects to provide enlarged opportunities for gainful employment by the people of Maine, thus insuring the preservation and betterment of the economy of the State and the living standards and health of its inhabitants. Under the Act, tax funds cannot be used nor is the credit of the State or municipality pledged. Instead, financing is made available through municipalities issuing tax exempt securities called municipal industrial revenue bonds. The basic advantage to a company under this arrangement is a substantial

lower interest rate to finance plant and equipment. The investor benefits from purchasing a municipal security which is exempt from the income tax. These securities are retired entirely from lease income paid by the company. Other features of this law include requirements for public meeting and voter approval; 25-year maximum term and 100% of the capital expenditures may be included with no minimum or maximum project size except for possible loss of the tax exempt feature under certain conditions. The law is administered by a 7-member board which is appointed by the Governor and the board employs a manager to act as its chief administrative officer. The board, originally named the Industrial and Recreational Finance Approval Board, was renamed under chapter 340 of the public laws of 1969 as the Municipal Securities Approval Board.

In the course of studying the operation of this agency and statutes related thereto, the committee found that under Maine Municipal Securities Approval Board procedures, individual and institution investors lend the money, repayment of which is provided for in a lease between the company and the municipality. The money is loaned to the municipality to be disbursed for authorized project expenditures.

As to the relationship of the Board to the State of Maine, the Maine Municipal Securities Approval Board is an independent state agency responsible for carrying out the Municipal Industrial and Recreational Obligations Act purpose which is to help: (1) provide enlarged opportunities for gainful employment; (2) provide a more healthy environment through pollution-control; and (3) insure the preservation and betterment of the economy of the State and the living standards and health of its inhabitants.

The Board's role while trying to carry out these purposes is (1) to properly safeguard the fiscal integrity of the State and its municipalities; (2) to help protect municipalities from disorderly industrial development; (3) to prevent abuse of tax exempt industrial revenue securities; and (4) provide technical assistance to municipalities.

The Committee further learned in pinpointing the exact extent of the State's involvement that the State of Maine, except for funding administrative costs of the Maine Municipal Securities Approval Board which has amounted to over 170 thousand dollars since 1965 is in no way financially involved in industrial revenue securities. The faith and credit of the State is not pledged or obligated, the same is true of the municipality. Involvement is only incidental to carrying out the overall review aspects of the Board's functions and its furnishing of technical assistance.

After hearing this matter in full, reviewing the law and its purpose and the performance to date pursuant thereto, the Committee concludes that the Municipal Industrial and Recreational Obligation Act had not fulfilled the enlarged opportunities for gainful employment nor insured the preservation and betterment of the economy as originally contemplated and therefore should be abolished as expeditiously as possible in order to prevent further needless expense to the State.

For the foregoing reasons, the Committee submits the following proposal as an emergency measure and unanimously recommends its adoption:

An Act Repealing the Municipal Securities Approval Act.

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

Whereas, the Industrial and Recreational Finance Approval Act, now called the Municipal Securities Approval Act, was enacted in 1965 by the Legislature to provide enlarged opportunities for gainful employment by the people of Maine and thus to insure the preservation and betterment of the economy of the State and the living standards and health of its inhabitants; and

Whereas, the purpose of the law has not been fulfilled and should be repealed with a resulting saving of state dollars; 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:

R.S., T. 30, §§5325-5343, repealed. Sections 5325 to 5343 of Title 30 of the Revised Statutes, as enacted by section 1 of chapter 423 of the public laws of 1965 and as amended, are repealed.

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.