

MAINE STATE LEGISLATURE

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June 5, 1933

Mr. Roy C. Haines
Washington, D. C.

Dear Mr. Haines:

In answer to your recent oral inquiry I am pleased to call your attention to the United States Emergency Relief and Construction Act of 1932.

The provisions of this Act appear to authorize loans to nonprofit corporations, with or without capital stock, organized for the purpose of financing the repair or reconstruction of buildings damaged by earthquake, fire, tornado or cyclone, in the year 1933, etc..

In order to enable Auburn and Ellsworth to secure financial aid from the Reconstruction Finance Corporation, nonprofit corporations with capital stock were formed in both Auburn and Ellsworth to apply for and receive loans for reconstruction and repair of private property in accordance with the terms of the aforesaid "Act", and as security therefor can pledge as security the assets of the corporation; and make such agreements regarding additional security as may be necessary, with the Reconstruction Finance Corporation, including, "obligations of the owner of such property secured by a paramount lien except as to taxes and special assessments on the property repaired or reconstructed, or on other property of the borrower."

In the case of municipalities, I regret to have to inform you that the city can only incur an indebtedness up to the debt limit of the Constitution and the amount which it may borrow in anticipation of taxes for the year 1933.

Any indebtedness over and above this would be only a moral obligation of the municipality.

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In view of the provision contained in the
"Reconstruction Act" that,--

"The corporation shall not deny
an otherwise acceptable application for
loans for repair or reconstruction of the
buildings of municipalities, ***** be-
cause of constitutional or other legal
inhibitions affecting the collateral."

the constitutional limit of the power to create any debt
or liability ought not to preclude Auburn and Ellsworth
from receiving the funds necessary to reconstruct and
repair the municipal buildings lost by the recent
conflagrations.

Very truly yours,

Deputy Attorney General

SLF H