

# MAINE STATE LEGISLATURE

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January 19, 1968

William T. Logan, Jr., Commissioner

Education

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Attorney General

L. D. 1851, An Act Relating to Loans to Maine Students in Higher Education.

FACTS:

The people by referendum approved an amendment to the Constitution pledging the credit of the State of Maine and providing for the future issuance of bonds not exceeding \$1,000,000 for loans to Maine students in higher education. In implementation of this Constitutional Amendment, the Legislature has passed to be enacted L. D. 1851.

QUESTION:

Whether the Constitutional Amendment pledging the credit of the State to an amount not to exceed \$1,000,000 established a limit of \$1,000,000 as being the total amount of loans that could be granted; or whether the reference fund can be considered as a reserve to guarantee loans in a greater amount?

ANSWER:

The fund is considered as a reserve to guarantee loans in a greater amount than \$1,000,000.

OPINION:

The Constitutional Amendment (Resolves of 1967, c. 73) provided that the Legislature might, by proper enactment, authorize the pledging of the credit of the State to insure the payment of loans made to Maine students attending institutions of higher education. Needed funds are to be obtained by issuance of state bonds not to exceed \$1,000,000, in the aggregate, at any one time.

It is our understanding that the intendment of the Constitutional Amendment is to set up a reserve fund which would guarantee loans totaling an amount greater than the \$1,000,000.

On May 15, 1967, an amendment was offered which appended a statement of facts to the resolve which originally proposed the Constitutional Amendment. This statement of facts, which is valid

as a clear expression of the intent of the Legislature and people in enacting this Constitutional Amendment, clearly indicates that the \$1,000,000 constituting the basis of the fund, was not to be considered as a limitation on the amount of the loans to be secured.

The language of that statement of facts is as follows:

"Statement of Facts

"This constitutional amendment, if passed and ratified by the voters, will permit the next Legislature to pass enabling legislation setting up a revolving student loan fund. It is anticipated that such legislation would permit the pledging of the credit of the State to an amount not to exceed a million dollars. This would release between 10 and 12 million dollars on a revolving basis so that any Maine youngster going to any higher educational facility, be it vocational school, junior college or university, would be able to borrow money as needed through his local bank and have much of the interest paid for by the Federal Government and the principal guaranteed by the State.

"National experience has indicated a top rate of repayment of this type loan. The state's financial responsibility would be only for those loans in default each biennium. It is not expected that any bonds will ever be issued." Legislative Record, 103rd Legislature, May 15, 1967.

We therefore advise that the Constitutional Amendment pledging the credit of the State to an amount not to exceed \$1,000,000 is to be considered as a reserve to guarantee loans in a greater amount.

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Jon R. Doyle  
Assistant Attorney General

JRD/eh