

# MAINE STATE LEGISLATURE

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(EMERGENCY)  
FIRST SPECIAL SESSION

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ONE HUNDRED AND SEVENTH LEGISLATURE

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**Legislative Document**

**No. 2317**

S. P. 768

In Senate, March 22, 1976

Reported by Senator Katz of Kennebec from the Committee on Education pursuant to Joint Order (S. P. 767) and printed under Joint Rules No. 18.

HARRY N. STARBRANCH, Secretary

Pursuant to S. P. 767.

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STATE OF MAINE

IN THE YEAR OF OUR LORD NINETEEN HUNDRED  
SEVENTY-SIX

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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, the Legislature has enacted chapter 660 of the public laws of 1975 which limits the burden of education costs in public schools which are borne by the uniform property tax to no more than 50% of the basic education appropriation and provides at least 50% of the basic education appropriation from state general fund revenue sources; 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 State Constitution against impairment of the obligation of contracts; and

Whereas, uncertainties as to the sources of payment of bonds or notes will tend to delay the issuance of bonds or notes and 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 banks 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 delay the issuance of bonds or notes and increase borrowing costs; and

Whereas, certain elementary and secondary school facilities within the State are inadequate and it is imperative that bonds or notes be issued to allow construction of school facilities to proceed without delay in order to protect the health and safety of school children; 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:

20 MRSA § 3753 is enacted to read:

**§ 3753. 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 the administrative unit. The municipal officers, school directors, trustees or other governing board exercising like functions in each administrative unit shall require the sums as may be necessary to meet in full the principal of and interest in these 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 allocation of funds appropriated by the Legislature and to become available to the unit to pay the principal and interest in the year as shall be certified to the unit by the Commissioner of Educational and Cultural Services on or before April 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.

**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 to enact provisions which were previously contained in Title 20, section 3714 which were inadvertently repealed by chapter 660 of the public laws of 1975. The necessity for said provisions is adequately set forth in the emergency preamble.