

MAINE STATE LEGISLATURE

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(EMERGENCY)
(Governor's Bill)
FIRST REGULAR SESSION

ONE HUNDRED AND TENTH LEGISLATURE

Legislative Document

No. 1120

H. P. 944

House of Representatives, March 5, 1981

Referred to the Committee on Appropriations and Financial Affairs. Sent up for concurrence and ordered printed.

EDWIN H. PERT, Clerk

Presented by Representative J. Martin of Eagle Lake.

Cosponsors: Representative L. Higgins of Scarborough, Senator Conley of Cumberland and Senator Collins of Knox.

STATE OF MAINE

IN THE YEAR OF OUR LORD NINETEEN HUNDRED AND EIGHTY-ONE

AN ACT to Establish a Maine Guarantee Authority Reserve Fund.

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

Whereas, the 90-day period may not terminate until after the beginning of the next fiscal year; and

Whereas, the current statute provides for transfer of funds from the State Contingent Account to the Maine Guarantee Authority, if funds to meet obligations are required; and

Whereas, such a transfer might seriously deplete the State Contingent Account; 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. 5 MRSA § 1511, as enacted by P&SL 1975, c. 147, Pt. C, § 7, is amended by adding at the end a new sentence to read:

Further, the State Controller is authorized, at the close of each fiscal year, to transfer from the General Fund to the Guarantee Reserve Fund such additional amounts as may be available from time to time up to an amount of \$1,000,000 per year until a maximum of \$10,000,000 is achieved in that fund.

Sec. 2. 10 MRSA § 802, 2nd sentence, as repealed and replaced by PL 1977, c. 78, § 33, is amended to read:

The Governor shall transfer to that fund sufficient moneys for the appropriate purpose from the ~~State Contingent Account~~ **Guarantee Reserve Fund** or from the proceeds of bonds to be issued as provided in this section.

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 establish a Guarantee Reserve Fund of up to \$10,000,000 from the General Fund in lieu of current provisions for use of State Contingent Account funds to meet certain obligations of the Maine Guarantee Authority. Creation of such a reserve fund would both avoid the possibility of seriously depleting the State Contingent Account in the event that a transfer is required and provide a substantial resource for meeting appropriate short-term obligations which, in turn, would lessen the likelihood of requiring the sale of bonds to meet the needs and avoid the related impact these sales might have upon the state's overall credit rating. This bill is considered to be a positive and healthy step toward the restoration of the AAA bond rating to the State. The use of bonds for defaulted guaranteed loans was the primary reason the bond rating was lowered to AA. This legislation will, in time, avoid the necessity for bond financing of defaulted loans except in extraordinary circumstances.