

MAINE STATE LEGISLATURE

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114th MAINE LEGISLATURE

FIRST SPECIAL SESSION - 1989

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H.P. 1296

House of Representatives, August 17, 1989

Approved for introduction by a majority of the Legislative Council pursuant to Joint Rule 26.

Received by the Clerk of the House on August 16, 1989. Referred to the Committee on Appropriations and Financial Affairs and 1,400 ordered printed pursuant to Joint Rule 14.

EDWIN H. PERT, Clerk

Presented by Representative GWADOSKY of Fairfield.

STATE OF MAINE

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

An Act Permitting the Issuance of Certain Pending Revenue Obligation Securities

(EMERGENCY)



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

4
6 Whereas, the Legislature recently enacted Public Law 1989,
chapter 552, effective September 30, 1989, providing for certain
8 amendments to the Finance Authority of Maine Act, including
sections 16 and 17, pertaining to the issuance of revenue
obligation securities backed by capital reserve funds; and

10
12 Whereas, the Finance Authority of Maine is preparing to
issue revenue obligation securities to finance the costs of 6
14 manufacturing projects within the State; and

16 Whereas, bond counsel to the authority has determined that
the amendments effected by Public Law 1989, chapter 552, sections
16 and 17, must be in effect in order for the revenue obligation
18 securities to be issued with letters of credit securing the
capital reserve fund obligation; and

20 Whereas, delaying the bond issue until the effective date of
22 Public Law 1989, chapter 552, will result in increased costs to
the beneficiaries of the bond issue and may have other adverse
24 effects in the event that the current favorable market for
issuing tax-exempt bonds changes before the bonds can be issued;
26 and

28 Whereas, in the judgment of the Legislature, these facts
create an emergency within the meaning of the Constitution of
30 Maine and require the following legislation as immediately
necessary for the preservation of the public peace, health and
32 safety; now, therefore,

34 **Be it enacted by the People of the State of Maine as follows:**

36 **Sec. 1. 10 MRSA §1053, sub-§2,** as enacted by PL 1985, c. 344,
§78, is amended to read:

38
40 **2. Application.** Money held in any capital reserve fund,
except as provided in this section, shall be used solely with
42 respect to revenue obligation securities, repayment of which is
secured by any such fund and solely for the payment of principal
of the securities, the purchase or redemption of the securities,
44 including any fees or premiums or the payment of interest on the
securities. In addition, if the authority obtains a letter of
46 credit, insurance contract, surety bond or similar financial
undertaking to establish and fund a capital reserve fund under
48 subsection 1, money in the fund may be used to pay, as and when
due, whether by acceleration or otherwise, all reimbursement
50 obligations of the authority established in connection with that
letter of credit, insurance contract, surety bond or similar
52 financial undertaking, including, but not limited to, all fees,

2 expenses, indemnities and commissions. Money in excess of the
4 reserve requirement ~~set forth~~ established as provided in
subsubsection 3 may be transferred to other funds and accounts of
the authority.

6 **Sec. 2. 10 MRSA §1053, sub-§§3 and 4,** as amended by PL 1987,
c. 697, §12, are further amended to read:

8
10 **3. Reserve requirement.** The authority may provide that
12 money in any such fund shall not be withdrawn at any time in such
14 amount as would reduce the amount of any such fund ~~to less than~~
16 ~~the maximum amount of principal and interest becoming due and~~
18 ~~payable under any applicable trust agreement or other agreement~~
20 ~~in the next succeeding 12-month period~~ below an amount
22 established by the authority with respect to the fund, the amount
established by the authority being referred to as the "capital
reserve requirement," except for the purpose of paying the amount
due and payable with respect to revenue obligation securities,
repayment of which is secured by any such fund, or reimbursement
obligations of the authority with respect to any letter of
credit, insurance contract, surety bond or similar financial
undertaking pertaining to any such fund.

24 **4. Issuance limit.** The authority may provide that it shall
26 not issue revenue obligation securities if the capital reserve
28 requirement established by the authority with respect to
30 securities outstanding and then to be issued and secured by any
such fund will exceed the amount of any such fund, including the
amount available ~~to be drawn on~~ under any letter of credit,
32 insurance contract, surety bond or other similar financial
34 undertaking given to secure the capital reserve requirement, at
the time of issuance, unless the authority, at the time of
issuance of the securities, shall deposit in any such fund from
proceeds of the securities so to be issued, or from other
sources, an amount, which, together with the amounts then in any
such fund and amounts available ~~to be drawn~~ under any letter of
36 credit, insurance contract, surety bond or other similar
38 financial undertaking, will not be less than the capital reserve
requirement.

40 **Sec. 3. PL 1989, c. 552, §§16 and 17** are repealed.

42 **Emergency clause.** In view of the emergency cited in the
44 preamble, this Act shall take effect when approved.

46
48 **STATEMENT OF FACT**

50 This bill facilitates the issuance of tax-exempt bonds which
52 the Finance Authority of Maine currently proposes to issue to
assist in the financing of manufacturing projects for 6 Maine

businesses. The changes by this bill have already been enacted
2 in Public Law 1989, c. 552, sections 16 and 17, but that Act will
not be in effect until September 30, 1989. The authority would
4 be required to delay sale of the pending bond issue for at least
6 weeks if this bill is not enacted. The bill clarifies that the
moral obligation authority which the Finance Authority of Maine
6 uses to provide credit enhancement on bonds and loans covers
8 principal and interest due as well as all amounts due with
respect to letters of credit issued on the authority's behalf to
10 secure the bonds or the capital reserve funds securing the bonds.