

MAINE STATE LEGISLATURE

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114th MAINE LEGISLATURE

SECOND REGULAR SESSION - 1990

Legislative Document

No. 2216

S.P. 865

In Senate, January 22, 1990

Reported by Senator BOST of Penobscot for the Committee on Education pursuant to Public Law 1989, chapter 559.

Reference to the Committee on Education suggested and ordered printed pursuant to Joint Rule 18.

A handwritten signature in cursive script that reads "Joy J. O'Brien".

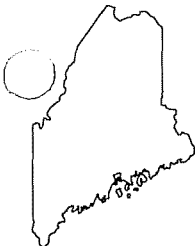
JOY J. O'BRIEN
Secretary of the Senate

STATE OF MAINE

IN THE YEAR OF OUR LORD
NINETEEN HUNDRED AND NINETY

An Act to Coordinate and Consolidate Student Financial Assistance Services
under the Finance Authority of Maine.

(EMERGENCY)



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

4 Whereas, students attending or planning to attend
6 institutions of higher education, who are residents of the State
or attending these institutions in the State, and families of
8 these students, are in need of financial assistance; and

10 Whereas, it is desirable for the State to improve the
methods of delivery of this financial assistance; and

12 Whereas, it is desirable to provide a comprehensive,
14 consolidated system of delivering this financial assistance
immediately so that students and their families will have access
16 to improved methods of delivery as soon as possible; and

18 Whereas, the Finance Authority of Maine has been designated
in legislation enacted in the First Regular Session of the 114th
20 Legislature as the agency responsible for providing a
comprehensive, consolidated financial assistance program; and

22 Whereas, additional legislation is necessary for the
24 Finance Authority of Maine to begin implementing the program as
soon as possible; and

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

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

34 **Sec. 1. 5 MRSA §12004-I, sub-§18-A, as enacted by PL 1989, c.**
36 **598, §1, is amended to read:**

38	18-A. Edu-	Higher	Legisla-	10 MRSA
	cation: Financial	<u>Maine</u>	tive Per	§1014
40	Aid	Education	Diem for	
		Students	Guber-	
42		Finaneial	natorial	
		Assistance	Appointees	
44		Board	Only	

46 **Sec. 2. 5 MRSA §17001, sub-§40, as amended by PL 1989, c. 443,**
48 **§17, is further amended to read:**

50 **40. State employee.** "State employee" means any regular
classified or unclassified officer or employee in a department
and, any employee of the Maine Technical College System, and any
52 employee transferred from the Division of Higher Education

2 Services to the Finance Authority of Maine who elects to be
3 treated as a state employee, but does not include:

4 A. A judge, as defined in Title 4, section 1201 or 1301,
5 who is now or later may be entitled to retirement benefits
6 under Title 4, chapter 27 or 29;

7 B. A member of the State Police who is now entitled to
8 retirement benefits under Title 25, chapter 195; or

9 C. A Legislator who is now or later may be entitled to
10 retirement benefits under Title 3, chapter 29.

11 **Sec. 3. 10 MRSA §363, sub-§8,** as amended by PL 1989, c. 502,
12 Pt. A, §27, is further amended to read:

13 **8. Allocations for educational bonds.** That portion of the
14 state ceiling allocated to the categories of bonds providing
15 funds for the purposes of a corporation created pursuant to Title
16 20, section 2237, and Title 20-A, section 11407, or of the Maine
17 Educational-Lean-Authority Finance Authority of Maine for student
18 financial assistance programs as provided in chapter 110,
19 subchapter I-D shall be allocated to that corporation or to the
20 Maine-Educational-Lean-Authority Finance Authority of Maine, or
21 both, and each may further allocate the portion of the state
22 ceiling allocated to it to bonds requiring an allocation to
23 qualify as tax-exempt bonds.

24 **Sec. 4. 10 MRSA §964, sub-§2, ¶E,** as enacted by PL 1989, c.
25 598, §3, is repealed and the following enacted in its place:

26 E. The Maine Education Assistance Division;

27 **Sec. 5. 10 MRSA §965, sub-§1, ¶C,** as enacted by PL 1989, c.
28 559, §7 and as amended by PL 1989, c. 598, §5, is further amended
29 to read:

30 C. Two members who shall be selected by the Governor from
31 the appointed members of the Higher Maine Education Students
32 Financial Assistance Board.

33 **Sec. 6. 10 MRSA §969-A, sub-§10,** as amended by PL 1989, c.
34 502, Pt. C, §3, is further amended to read:

35 **10. Employees.** Employ persons, including private legal
36 counsel and financial experts, on either a temporary or permanent
37 basis, in order to carry out any of its powers and duties. The
38 authority shall obtain fidelity insurance coverage on behalf of
39 its full-time employees. Employees of the authority shall are not
40 be subject to Title 5, chapters 71 and 372, but are deemed to be
41 state employees for purposes of participation in the deferred
42 compensation plan available to state employees. The members of
43

2 the authority may by rulemaking pursuant to Title 5, chapter 375,
3 subchapter II, delegate powers and duties of the authority to
4 employees of the authority and each employee is fully authorized
5 to act in the name and on behalf of the authority pursuant to any
6 delegation;

7 **Sec. 7. 10 MRSA §969-A, sub-§§14-A and 14-B** are enacted to
8 read:

9 **14-A. Receive funds.** Receive and accept from any source,
10 allocations, appropriations, loans, grants and contributions of
11 money or other things of value to be held, used or applied to
12 carry out this chapter, subject to the conditions upon which the
13 loans, grants and contributions may be made, including, but not
14 limited to, appropriations, allocations, loans, grants or gifts
15 from any federal agency or governmental subdivision or the State
16 and its agencies;

17 **14-B. Invest funds.** Invest funds received from any source
18 for carrying out this chapter, and expend interest earnings on
19 those funds as appropriate to implement this chapter, including
20 use for program and administrative costs;

21 **Sec. 8. 10 MRSA §972, sub-§1,** as amended by PL 1989, c. 552,
22 §7 and c. 598, §6, is further amended to read:

23 **1. Employ directors.** In accordance with procedures of the
24 authority, employ the directors of the divisions established by
25 the authority. During the selection process, the authority or
26 its designee, the chief executive officer, shall consult with the
27 Natural Resource Financing and Marketing Board concerning the
28 appointment of a director of the Division of Natural Resources
29 Financing and Marketing and with the ~~Higher~~ Maine Education
30 ~~Students-Financial~~ Assistance Board concerning the appointment of
31 a director of the Maine Education Assistance ~~Division of Higher~~
32 ~~Education--Students--Financial--Assistance~~. The directors shall
33 serve at the pleasure of the chief executive officer;

34 **Sec. 9. 10 MRSA §973,** as amended by PL 1989, c. 598, §7, is
35 further amended to read:

36 **§973. Conflicts of interest**

37 Notwithstanding Title 5, section 18, subsection 1, paragraph
38 B, each member of the authority, each member of the Natural
39 Resource Financing and Marketing Board, each member of the Maine
40 Veterans' Small Business Loan Board, each member of the ~~Higher~~
41 Maine Education ~~Students--Financial~~ Assistance Board and each
42 employee, contractor, agent or other representative of the
43 authority is deemed an "executive employee" solely for purposes
44 of Title 5, section 18, and for no other purpose, provided that
45 the chief executive officer shall in addition be deemed an
46 executive employee for purposes of Title 5, section 19. In

2 addition, Title 17, section 3104, shall be applicable, in
accordance with its provisions, to all such representatives of
the authority.

4
6 **Sec. 10. 10 MRSA §974**, as amended by PL 1989, c. 552, §9, is
further amended to read:

8 **§974. Annual report; audit**

10 **1. Report.** The authority shall submit to the Governor, the
12 Speaker of the House of Representatives, the President of the
Senate and the joint standing ~~committee~~ committees of the
14 Legislature having jurisdiction over housing and economic
development and education, not later than 120 days after the
16 close of its fiscal year, a complete report on the activities of
the authority. The report may also be provided to any other
member of the Legislature and to any other person. The report
18 shall must include all of the following:

20 A. A description of its operations, including a description
of projects assisted under this chapter;

22 B. An accounting of its receipts and expenditures, assets
24 and liabilities at the end of its fiscal year;

26 C. A schedule of the bonds and notes outstanding at the end
of its fiscal year and a statement of the amounts redeemed
28 and issued during its fiscal year, including a report on its
reserve funds;

30 D. A statement of its proposed and projected activities for
32 the ensuing year and the relationship of these activities to
the State's economic development policies;

34 E. Recommendations as to further actions which may be
36 suitable for achieving the purposes of this chapter;

38 F. A statement of the defaults, if any, of persons, firms,
corporations and other organizations receiving assistance
40 under this chapter in those cases where substantial
liquidation of collateral has taken place, a statement of
42 the total amount of mortgage insurance payments made during
the fiscal year and a statement of the percentage derived by
44 dividing the amount of the mortgage insurance payments
during the fiscal year into the outstanding principal
46 balance as of the fiscal year end of the authority's unpaid
obligations pursuant to mortgage insurance contracts;

48 G. A summary of the actual and potential employment
50 opportunities reported on employment plans pursuant to
section 979;

52

2 H. A separate section pertaining to the activities of the
authority carried out pursuant to subchapter I-A, which
shall provide the following:

4
6 (1) A description of the operations of the authority
pursuant to subchapter I-A, including a description of
the progress toward the accomplishment of the purposes
8 of section 982;

10 (2) An analysis of the needs of the natural
resource-based sector in the State and a statement of
12 the authority's proposed and projected activities for
the ensuing year to meet these needs; and

14
16 (3) Recommendations as to further actions which may be
suitable for achieving the purposes of subchapter I-A;

18 I. A description of any financial assistance provided for
energy conservation purposes, the success of various energy
20 saving techniques assisted and the overall energy benefits
achieved by the financial assistance; and

22
24 K. A description of the operations of the authority
pursuant to section 980-A for the most recent calendar year
and of its plans, if any, for revising any allocation system
26 established pursuant to section 980-A; and

28 L. A complete report on the student financial assistance
activities of the authority.

30
32 2. **Treasurer of State; annual financial report.** The
authority shall provide the Treasurer of State, within 120 days
after the close of its fiscal year, its annual financial report
34 certified by an independent certified public accountant, who may
be the accountant or a member of the firm of accountants who
36 regularly audits the books and accounts of the authority,
selected by the authority. The authority shall is also be subject
38 to the provisions of Title 5, chapter 11. The authority may
combine for accounting purposes any or all funds established for
40 its programs and activities.

42 Sec. 11. 10 MRSA c. 110, sub-c. I-D, as enacted by PL 1989, c.
44 559, §8 and c. 598, §8, is repealed and the following enacted in
its place:

46 **SUBCHAPTER I-D**

48 **STUDENT FINANCIAL ASSISTANCE PROGRAM**

50 **§1013. Program established**

2 The authority shall administer a program of comprehensive,
4 consolidated student financial assistance for Maine students and
6 their families. The authority is authorized to carry out various
8 programs making financial and other assistance available to
10 borrowers, institutions, or both, to finance costs of attendance
 at institutions of higher education. The authority is further
 authorized to issue its bonds, lend the proceeds of the bonds and
 exercise any other power set forth in this subchapter for these
 purposes. In carrying out its responsibilities, the authority
 shall be responsible for administering:

12 1. Student incentive scholarship program. The student
14 incentive scholarship program, pursuant to Title 20-A, chapter
 419-A;

16 2. Blaine House Scholars and Financial Assistance Program.
18 The Blaine House Scholars and Financial Assistance Program, as
 established in Title 20-A, chapter 428;

20 3. State Osteopathic Loan Fund. The State Osteopathic Loan
22 Fund, as established in Title 20-A, chapter 423;

24 4. Postgraduate medical education program. The
 postgraduate medical education program, as established in Title
26 20-A, chapter 421;

28 5. Robert T. Stafford Loan Program. The Robert T. Stafford
 Loan Program, pursuant to Title 20-A, chapter 417, subchapter I;

30 6. Robert C. Byrd Honors Scholarship Program. The Robert
32 C. Byrd Honors Scholarship Program, pursuant to Title 20-A,
 chapter 417, subchapter II;

34 7. Paul Douglas Teacher Scholarship Program. The Paul
36 Douglas Teacher Scholarship Program, pursuant to Title 20-A,
 chapter 417, subchapter II;

38 8. Supplemental loan program. The supplemental loan
40 program;

42 9. Student financial assistance counseling and outreach
44 program. The student financial assistance counseling and
 outreach program, as established in Title 20-A, chapter 430-B;

46 10. Student Educational Enhancement Deposit Plan. The
 Student Educational Enhancement Deposit Plan, as established in
48 Title 20-A, chapter 430; and

50 11. Maine Choice Program. The Maine Choice Program, as
 established in Title 20-A, chapter 430-A.

52 §1014. Loan insurance program

2 The authority may establish and administer a student loan
insurance program as provided in Title 20-A, chapter 417.

4 1. Agency of jurisdiction for guaranteed loan program. For
the purpose of the Constitution of Maine, Article VIII, Part
6 First, Section 2, the authority, in accordance with Title 20-A,
chapter 417, is the agency authorized under the federal
8 guaranteed loan program to direct the issuance of bonds, to loan
funds and to secure funds for loans to Maine students attending
10 institutions of higher education.

12 **§1015. Maine Education Assistance Board**

14 1. Membership of board. The Maine Education Assistance
Board, as established in Title 5, section 12004-I, subsection
16 18-A, consists of 7 voting members. One member is the
Commissioner of Educational and Cultural Services or the
18 commissioner's designee who must be a person in a major
policy-influencing position. The Governor shall appoint 6
20 members, subject to review by the joint standing committee of the
Legislature having jurisdiction over educational matters and
22 subject to confirmation by the Legislature. The gubernatorial
appointees consist of the following.

24 A. One member must be a trustee, director, officer or
26 employee of an institution of higher education in the State.

28 B. One member must be a member of a statewide organization
representing the chief executive officers of public and
30 private post-secondary institutions in the State.

32 C. One member must be a student financial aid administrator
at a post-secondary institution in the State.

34 D. One member must be a guidance counselor at a high school
36 in the State.

38 E. One member must be a representative of a state financial
institution that is active in student lending.

40 F. One member must represent the interests of students,
42 parents and other members of the public who use the programs.

44 With respect to the appointees specified in paragraphs A and B,
one shall be from an institution not owned or operated by the
46 State or any of its political subdivisions and one shall be from
a public institution of post-secondary education.

48 2. Conflict of interest. A board member is not considered
50 to have a conflict of interest or the appearance of a conflict of
interest pursuant to Title 5, section 18, solely because of that
52 member's use of the programs of or association with a

2 post-secondary educational institution, high school or financial
3 institution, provided that no member participates in an official
4 capacity with respect to any matter which has an effect, on that
5 member or on the institution with which that member is
6 associated, that is unique and distinct from the effect on the
7 general public or persons engaged in similar professions, trades,
8 businesses or employment or associated with similar institutions.

9 3. Term of office. Except for the initially appointed
10 members, members serve 4-year staggered terms and serve until a
11 successor is appointed and qualified.

12 A. Of the 6 members of the board first appointed, 2 shall
13 serve for terms expiring June 30, 1991, 2 shall serve for
14 terms expiring June 30, 1992, and 2 shall serve for terms
15 expiring June 30, 1993.

16 B. A member of the board is eligible to serve not more than
17 2 full consecutive terms, provided that terms expiring on or
18 before June 30, 1993, are not considered full terms. All
19 full terms expire on June 30th of the 4th year of the term.

20 C. Any member of the board may be removed by the Governor
21 for cause.

22 4. Organization. Each year the board shall elect from
23 among its members a chair, vice-chair and any other officers it
24 requires. The board shall meet at the call of the chair or at
25 the request of 3 of its members. Five members constitute a
26 quorum and no official action of the board may be taken unless
27 supported by at least 4 members of the board.

28 5. Compensation. Each member of the board is entitled to
29 compensation by the authority in accordance with Title 5, chapter
30 379, following approval of expenses by the chief executive
31 officer.

32 6. Policies. The Maine Education Assistance Board shall,
33 from time to time, recommend to the members of the authority the
34 adoption, amendment or repeal of rules, policies or
35 administrative procedures for carrying out this subchapter.

36 Sec. 12. 20-A MRSA §405, sub-§3, ¶O, as enacted by PL 1981, c.
37 693, §§5 and 8, is amended to read:

38 O. Recommend funds to the Bureau of the Budget for
39 equalization of educational opportunity; and

40 Sec. 13. 20-A MRSA §405, sub-§3, ¶P, as amended by PL 1985, c.
41 797, §10, is repealed.

2 Sec. 14. 20-A MRSA c. 417, as amended, is repealed and the
following enacted in its place:

4
6 CHAPTER 417

8 FEDERAL FINANCIAL ASSISTANCE PROGRAMS

10 SUBCHAPTER I

12 LOAN INSURANCE PROGRAMS

14 §11401. General provisions

16 1. Purpose. The purpose of this subchapter is to allow the
18 authority to continue a student loan insurance program, meeting
20 certain federal requirements, in order to secure loans to
22 students attending institutions of higher education, including
24 vocational training institutions, and to parents of these
26 students, in accordance with the Constitution of Maine, Article
28 VIII, Part First, Section 2.

30 2. Definitions. As used in this subchapter, unless the
32 context otherwise indicates, the following terms have the
34 following meanings.

36 A. "Authority" means the Finance Authority of Maine.

38 B. "Chief executive officer" means the Chief Executive
40 Officer of the Finance Authority of Maine.

42 §11402. Loan programs administered

44 In accordance with the federal Higher Education Act of 1965,
46 20 United States Code, Chapter 28, Subchapter IV, Part B, as
48 amended, the Finance Authority of Maine shall administer the
50 Robert T. Stafford Loan Program, the Parent Loans to
Undergraduate Students Program and the Supplemental Loans for
Students Program. To this end, the faith and credit of the State
is pledged consistent with the terms and limitations of the
Constitution of Maine, Article VIII, Part First, Section 2.

52 §11403. Student Loan Insurance Fund

54 1. Establishment. There is established the Student Loan
56 Insurance Fund, to be used by the authority as a nonlapsing,
58 revolving fund for carrying out this subchapter.

60 2. Fund; charges and credits. Charges and credits are as
follows.

2 A. All expenses of the authority for its operations under
4 this subchapter, including interest and principal payments
6 required by loan defaults, may be charged to the fund.

8 B. All amounts received by the authority under this
10 subchapter must be credited to the fund.

12 3. Excess money. Money in the fund not needed currently to
14 meet the obligations of the authority as an insurer is deposited
16 with the authority to the credit of the fund, or may be invested
18 as provided by law.

20 §11404. Additions to Student Loan Insurance Fund

22 1. Request of authority. The authority may, in writing,
24 request the Governor to provide additional funds to add to the
26 Student Loan Insurance Fund to meet its obligations.

28 2. Transfer of funds. The Governor shall transfer to the
30 fund sufficient money for the requested purpose from the State
32 Contingent Account or from the proceeds of bonds issued as
34 provided in this section.

36 3. Bonds. Bonds must be issued as follows.

38 A. The Governor shall order the Treasurer of State to issue
40 bonds in the amount requested, but not exceeding in the
42 aggregate outstanding at any one time the amount set forth
44 in the Constitution of Maine, Article VIII, Part First,
46 Section 2.

48 B. Bonds mature serially or run for such periods as the
50 Governor may determine, but not for a term of more than 20
52 years.

C. The Governor shall determine the rates of interest and
the terms and conditions of the bonds.

D. The bonds are deemed to be a pledge of the full faith
and credit of the State.

42 §11405. Powers and duties

44 Under this subchapter, the chief executive officer may:

46 1. Agent. Choose a suitable agent or agents to administer
48 in whole or in part the affairs and activities required by this
50 subchapter or by applicable federal provisions; and

52 2. Agreements. Enter into agreements with the United
States Secretary of Education relating to federal, state and
private programs of low-interest insured loans to students in

2 institutions of higher education, within the federal Higher
3 Education Act of 1965, 20 United States Code, Chapter 28, Title
4 IV, Part B, as amended.

6 **§11406. Loans to minors**

8 Notwithstanding any other law, if the borrower on a loan
9 insured under this program is a minor, an otherwise valid note or
10 other written agreement executed by the borrower for the purpose
11 of the loan creates a binding obligation.

12 **§11407. Authorization for Governor to request organizations**
13 **of corporations to acquire loan notes**

14 To the extent and for the purposes contemplated by the
15 federal Internal Revenue Code of 1954, Section 103(e), as
16 amended, and successor provisions thereto, including without
17 limitation the federal Internal Revenue Code of 1986, Section
18 150(d), as amended, the Governor may on behalf of the State
19 request the organization of one or more nonprofit corporations to
20 operate exclusively for the purpose of acquiring student loan
21 notes incurred under the federal Higher Education Act of 1965, 20
22 United States Code, Chapter 28, Title IV, Part B, as amended.

24 **SUBCHAPTER II**

26 **OTHER FEDERAL EDUCATIONAL**
27 **FINANCIAL ASSISTANCE PROGRAMS**

28 **§11410. Authorization**

30 In accordance with the federal Higher Education Act of 1965,
31 20 United States Code, Chapter 28, Subchapter IV, Part A, Subpart
32 6; and Subchapter V, Part D, Subpart 1, as amended, the Finance
33 Authority of Maine shall administer the Robert C. Byrd Honors
34 Scholarship Program and the Paul Douglas Teacher Scholarship
35 Program.

36 **Sec. 15. 20-A MRSA §11801, sub-§2, as amended by PL 1985, c.**
37 **455, §§1 and 11, is further amended to read:**

38 **2. Responsibility for program.** It is the intent of the
39 Legislature, consistent with the purposes of this chapter, that
40 the ~~commissioner~~ Chief Executive Officer of the Finance Authority
41 of Maine shall administer the program and develop a plan which
42 assures that ensures, to the extent practicable, that Maine
43 contract students, or a similar number of out-of-state medical
44 school graduates, return to practice their profession within the
45 State, in underserved areas.

46 **Sec. 16. 20-A MRSA §11801, sub-§3, as amended by PL 1989, c.**
47 **503, Pt. B, §77, is further amended to read:**

2 **3. Advisory committee.** The Advisory Committee on Medical
4 Education, established by Title 5, section 12004-I, subsection 7,
6 shall assist the ~~commissioner~~ chief executive officer in planning
8 and administration of the professional health program and
particularly in the development of clinical education sites and
continuing education, which are funded primarily by sources other
than patient charges.

10 **Sec. 17. 20-A MRSA §11802, sub-§§1-A and 1-B** are enacted to
12 read:

14 **1-A. Authority.** "Authority" means the Finance Authority of
Maine.

16 **1-B. Chief executive officer.** "Chief executive officer"
18 means the Chief Executive Officer of the Finance Authority of
Maine.

20 **Sec. 18. 20-A MRSA §11803,** as amended by PL 1985, c. 286, §1,
22 is further amended to read:

24 **§11803. Agreement of state contract student**

26 **1. Agreement.** State contract students commencing their
28 professional education between September 1, 1977, and June 30,
1981, shall, as a condition precedent to the commencement of that
education, enter into an agreement with the State under which the
student shall agree:

30 A. To pay tuition to the institution;

32 B. That, on the conclusion of ~~his--or--her~~ the student's
34 professional education, including internship, residency and
obligated public health service and Armed Forces' service,
36 ~~he--or--she~~ the student shall pay the State or authority an
amount of money equal to the state capitation payment for
38 the student position ~~which--he--or--she~~ that the student
occupied. The ~~commissioner~~ authority may adopt or amend
40 rules to define the conclusion of professional education; and

42 C. The payments ~~shall--be~~ are payable at 6% simple annual
44 interest in not more than 10 equal annual installments.

46 **2. Forgiveness of indebtedness.** The agreement shall ~~must~~
provide that 1/4 of the indebtedness ~~shall--be~~ is forgiven for
48 each year in which the state contract student practices ~~his--or~~
her the student's profession within the State in primary care or
other specialized areas as determined by the ~~commissioner~~ chief
50 executive officer, with the advice of the Advisory Committee on
Medical Education. For other state contract students returning
52 to practice their profession in Maine, 1/4 of their indebtedness
shall ~~be~~ is forgiven for each of the first 2 years of practice.

2 **3. Deferment.** Contract students under this section who,
4 during the repayment period, either return to a Maine practice
and then leave the State or who initially remain out-of-state
6 outside the State and then return to a Maine practice may seek a
deferment of the annual principal and interest payments while
8 outside the State for a period of time not to exceed 3 years.
Interest shall must be assessed during this time and the
10 student's total debt to the State, including principal and
interest, shall must be repaid either through return service or
12 cash payments within 10 years from the date which that marks the
beginning of the repayment period. Requests for deferments shall
14 must be made to the ~~commissioner~~ chief executive officer who
shall make a determination on a case-by-case basis. The decision
of the ~~commissioner~~ shall be chief executive officer is final.

16 **Sec. 19. 20-A MRSA §11804-A, sub-§1,** as amended by PL 1985, c.
18 455, §§4 and 11, is further amended to read:

20 **1. Agreement.** Any state contract student commencing
22 professional education on or after July 1, 1981, shall, as a
condition precedent to the commencement of the education, enter
24 into an agreement with the State under which the student shall
agree:

26 A. To pay tuition to the institution; and

28 B. Upon the conclusion of professional education, including
internship, residency, fellowship, obligated public health
30 service and obligated national service, to pay the State an
amount of money equal to the difference between the
32 nonresident tuition at the institution being attended by the
state contract student and the tuition charged the state
34 contract student.

36 (1) This amount ~~shall be~~ is payable at 9% simple
annual interest in not more than 10 annual installments.

38 (2) These installment payments shall commence upon
40 conclusion of the state contract student's professional
education under rules promulgated by the ~~commissioner~~
42 authority.

44 After the effective date of this paragraph, the agreement
46 provided for in this subsection must be entered into by the
student and the authority.

48 **Sec. 20. 20-A MRSA §11804-A, sub-§4,** as enacted by PL 1987, c.
50 402, Pt. A, §123, is amended to read:

52 **4. Deferment.** Contract students under this section who,
during the repayment period, either return to a Maine practice

2 and then leave the State or who initially remain out-of-state
3 outside the State and then return to a Maine practice may seek a
4 deferment of the annual principal and interest payments while
5 outside the State for a period of time not to exceed 3 years.
6 Interest shall must be assessed during this time and the
7 student's total debt to the State authority, including principal
8 and interest, shall must be repaid either through return service
9 or cash payments within 10 years from the date which that marks
10 the beginning of the repayment period. Requests for deferments
11 shall must be made to the ~~commissioner~~ chief executive officer
12 who shall make a determination on a case-by-case basis. The
13 decision of the ~~commissioner~~ shall be chief executive officer is
14 final.

15 **Sec. 21. 20-A MRSA §11805**, as enacted by PL 1981, c. 693, §§5
16 and 8, is amended to read:

17 **§11805. Positions**

18 **1. Negotiations.** The ~~commissioner~~ chief executive officer
19 shall, directly or through the New England Board of Higher
20 Education, negotiate with educational institutions to secure
21 positions for state contract students in the fields of allopathic
22 medicine, dentistry, optometry and veterinary medicine.
23

24 ~~2. Purchase of positions at medical schools; September 1,
25 1977, and June 30, 1981. Money to purchase positions at medical
26 schools may be expended between September 1, 1977 and June 30,
27 1981 as follows:~~

28 ~~A. The commissioner chief executive officer may expend
29 appropriated money between September 1, 1977, and June 30,
30 1981, for the purchase of positions at accredited medical
31 schools, for not more than:~~

32 ~~(1) A total of 40 positions each year, divided among
33 the University of Vermont College of Medicine, Tufts
34 University School of Medicine, Dartmouth Medical School
35 or other accredited medical schools, to a total of 160;~~

36 ~~(2) A total of 10 positions each year divided among
37 Tufts School of Dental Medicine or other accredited
38 dental schools, to a total of 25;~~

39 ~~(3) A total of 4 positions each year, divided among
40 the University of Pennsylvania School of Veterinary
41 Medicine, the New York State College of Veterinary
42 Medicine at Cornell University, Tufts University School
43 of Veterinary Medicine or other accredited schools of
44 veterinary medicine, to a total of 16;~~

2 (4)---A--total--of--2--positions--each--year--at--the--New
England--College--of--Optometry,--to--a--total--of--8,--and

4 (5)---A--total--of--10--positions--each--year--at--the--New
6 England--College--of--Osteopathic--Medicine,--to--a--total--of
40.

8 B.---The--department--shall--not--exceed--the--total--number--of
10 spaces,--but--may--allocate--the--number--of--spaces--at--the--various
12 institutions--based--on--the--spaces--available--for--the--academic
14 school--years,--the--cost--of--securing--the--student--space,--the
number--of--applications--and--the--primary--care--residency
program--needs.

16 3. Purchase of positions at medical schools. Money to
18 purchase positions at medical schools may be expended after July
1, 1981 as follows: .

20 A. The Department--of--Educational--and--Cultural--Services
22 Finance Authority of Maine may expend the money appropriated
by the Legislature, for the purchase of positions at
accredited medical schools to purchase:

24 (1) Up to 18 positions each year, to a total of 72
26 positions, at accredited schools of allopathic medicine;

28 (2) Up to 2 positions each year, to a total of 8
positions, at accredited schools of dentistry;

30 (3) Up to 2 positions each year, to a total of 8
32 positions, at accredited schools of veterinary
medicine; and

34 (4) Up to one position each year, to a total of 4
36 positions, at accredited schools of optometry.

38 B. The department authority shall not exceed the total
40 number of spaces identified in this subsection for students
commencing their professional education on or after July 1,
1981, but may allocate the number of spaces at the various
institutions based on:

42 (1) The spaces available for the academic school years;

44 (2) The cost of securing the student's space;

46 (3) The number of applications; and

48 (4) The primary care residency program needs.

50 Sec. 22. 20-A MRSA §11806, sub-§1, as amended by PL 1985, c.
52 455, §§7 and 11, is further amended to read:

2 1. **Return to practice in Maine.** The ~~commissioner~~ chief
4 executive officer shall develop a plan which--assures that
6 ensures, to the extent practicable, that contract students, or a
8 similar number of out-of-state medical school graduates, return
to practice their profession within the State, particularly in
underserved areas of the State. This plan shall must be
completed and presented to the Legislature and the Governor
before February 1st each year.

10 **Sec. 23. 20-A MRSA §11806, sub-§3,** as enacted by PL 1981, c.
12 693, §§5 and 8, is amended to read:

14 3. **Coordination.** To avoid duplication in the undertaking
16 of this plan, the ~~commissioner~~ chief executive officer shall
coordinate all activities with other professional health agencies
and organizations.

18 **Sec. 24. 20-A MRSA §11807, sub-§§1 and 2,** as enacted by PL
20 1981, c. 693, §§5 and 8, are amended to read:

22 1. **Committee.** The Advisory Committee on Medical Education
24 shall assist the ~~commissioner~~ chief executive officer in
developing the plan.

26 2. **Members.** The advisory committee shall consist of 15
28 members, ~~who--shall--be~~ appointed by the ~~commissioner~~ chief
executive officer and subject to approval by the joint standing
30 committee of the Legislature having jurisdiction over education.
Membership of the advisory committee shall must include
32 representatives from those health care agencies and associations,
public and private, whose activities are relevant to the
34 objectives of the plan, as determined by the ~~commissioner~~ chief
executive officer. Members ~~shall--be~~ are appointed for a 2-year
36 term terms.

38 **Sec. 25. 20-A MRSA §11808,** as amended by PL 1985, c. 455, §§9
and 11, is repealed and the following enacted in its place:

40 **§11808. Nonlapsing fund**

42 There is created under the jurisdiction of the authority a
44 nonlapsing, interest-earning, revolving fund to carry out the
purposes of this chapter. Any unexpended balance in the fund
46 carries over for continued use under this chapter. The authority
may receive, invest and expend, on behalf of the fund, money from
48 gifts, grants, bequests and donations, in addition to money
appropriated or allocated by the State. Loan repayments under
50 this section or other repayments to the authority must be
invested by the authority, as provided by law, with the earned
52 income to be added to the fund. Money received by the authority
on behalf of the fund, except interest income, must be used for

2 the designated purpose; interest income may be used for the
3 designated purpose or to pay student financial assistance
4 administrative costs incurred by the authority as determined
5 appropriate by the authority.

6 Sec. 26. 20-A MRSA §11810, as enacted by PL 1985, c. 455,
7 §§10 and 11, is amended to read:

8 **§11810. Rules**

9
10 The Commissioner--of--Educational--and--Cultural--Services
11 authority shall establish all rules necessary to carry out the
12 purposes of this chapter, except that the Commissioner of Human
13 Services shall develop rules for determining underserved areas
14 for the practice of allopathic medicine, dentistry and optometry
15 and the Commissioner of Agriculture, Food and Rural Resources
16 shall develop rules for the determination of underserved areas
17 for the practice of veterinary medicine. The rules authorized by
18 this section shall must be adopted in accordance with the Maine
19 Administrative Procedure Act, Title 5, chapter 375, subchapter II.

20
21 Sec. 27. 20-A MRSA §12001-A is enacted to read:

22 **§12001-A. Definitions**

23
24 As used in this chapter, unless the context otherwise
25 indicates, the following terms have the following meanings.

26
27 1. Authority. "Authority" means the Finance Authority of
28 Maine.

29
30 2. Chief executive officer. "Chief executive officer"
31 means the Chief Executive Officer of the Finance Authority of
32 Maine.

33
34 Sec. 28. 20-A MRSA §12002, as amended by PL 1983, c. 806,
35 §88, is repealed.

36
37 Sec. 29. 20-A MRSA §12002-A is enacted to read:

38 **§12002-A. State Osteopathic Loan Fund**

39
40 The State Osteopathic Loan Fund is created under the
41 jurisdiction of the authority as a nonlapsing, interest-earning,
42 revolving fund to carry out the purposes of this chapter. Any
43 unexpended balance in the fund carries over for continued use
44 under this chapter. The authority may receive, invest and
45 expend, on behalf of the fund, money from gifts, grants, bequests
46 and donations, in addition to money appropriated or allocated by
47 the State. Loan repayments under this section or other
48 repayments to the authority must be invested by the authority, as
49 provided by law, with the earned income to be added to the fund.
50
51
52

2 Money received by the authority on behalf of the fund, except
4 interest income, must be used for the designated purpose;
6 interest income may be used for the designated purpose or to pay
8 student financial assistance administrative costs incurred by the
10 authority as determined appropriate by the authority.

12 The chief executive officer shall include in the authority's
14 biennial budget an appropriate request adequate to fund the loan
16 program.

18 **Sec. 30. 20-A MRSA §12003, first ¶, as enacted by PL 1981, c.**
20 **693, §§5 and 8, is amended to read:**

22 An applicant shall be eligible for a loan under this chapter
24 when the ~~commissioner~~ chief executive officer, after consultation
26 with the executive committee of the Maine Osteopathic
28 Association, finds that the applicant:

30 **Sec. 31. 20-A MRSA §12005, as amended by PL 1985, c. 756, §§1**
32 **to 3, is further amended to read:**

34 **§12005. Agreement for osteopathic loan students after**
36 **July 1, 1981**

38 **1. Agreement.** Any osteopathic loan student commencing
40 professional education on or after July 1, 1981, shall, as a
42 condition precedent to receiving the loan, enter into an
44 agreement with the Commissioner of Educational and Cultural
46 Services stating that, following completion of professional
48 education, including internship, residency, fellowship, obligated
50 public health service or obligated national service, the student
shall pay the State an amount of money equal to the loan received.

After the effective date of this paragraph, the agreement
provided for in this subsection must be entered into by the
student and the authority.

2. Repayment. This amount shall ~~be~~ is payable at 9% simple
annual interest in not more than 10 annual installments. These
installment payments shall commence at such time as the state
contract student concludes professional education under rules
promulgated by the ~~commissioner~~ authority.

3. Deferment. Any student who has received a loan under
this section who, during the repayment period, either returns to
a Maine practice and then leaves the State or who initially
remains out of state and then returns to a Maine practice may
seek a deferment of the annual principal and interest payments
while outside the State for a period of time not to exceed 3
years. Interest shall must be assessed during this time and the
student's total debt to the State authority, including principal

2 and interest, shall must be repaid either through return service
3 or cash payments within 10 years from the date which that marks
4 the beginning of the repayment period. Requests for deferments
5 shall must be made to the ~~commissioner~~ chief executive officer
6 who shall make a determination on a case-by-case basis. The
7 decision of the ~~commissioner~~ shall be chief executive officer is
8 final.

9
10 **4. Forgiveness.** Any student who, upon the conclusion of
11 his the student's professional education, including, if
12 applicable, internship, residency, fellowship, obligated public
13 health service, obligated national service, as defined in section
14 11802, subsection 7, elects to serve as a practitioner of
15 osteopathic medicine in a designated, underserved area, as
16 determined by the Commissioner of Human Services and as defined
17 in section 11802, subsection 6, in the State shall must be
18 forgiven 25% of the outstanding indebtedness for each year of
19 that practice.

20 **Sec. 32. 20-A MRSA §12006**, as enacted by PL 1985, c. 756, §4,
21 is amended to read:

22 **§12006. Rules**

23
24 ~~The Commissioner of Educational and Cultural Services~~
25 authority shall establish rules necessary to carry out the
26 purposes of this chapter, except that the Commissioner of Human
27 Services shall develop rules for determining underserved areas
28 for the practice of osteopathic medicine.

29
30 **Sec. 33. 20-A MRSA §12501, sub-§§1-B and 1-C** are enacted to
31 read:

32
33 **1-B. Authority.** "Authority" means the Finance Authority of
34 Maine.

35
36 **1-C. Chief executive officer.** "Chief executive officer"
37 means the Chief Executive Officer of the Finance Authority of
38 Maine.

39
40 **Sec. 34. 20-A MRSA §12502**, as amended by PL 1987, c. 611, §2,
41 is further amended to read:

42
43 **§12502. Blaine House Scholars and Financial Assistance Program**

44
45 There is established the Blaine House Scholars and Financial
46 Assistance Program to recognize Maine high school graduates who
47 attain high academic achievement, and to provide financial
48 assistance for post-secondary education of graduating high school
49 seniors and college students and advanced degree or continued
50 study by teachers. The program shall recognize outstanding
51 graduating high school seniors and college students as described
52

2 in section 12503 and disburse ~~interest-free~~ interest-free loans
as described in section 12504. ~~The program shall be administered~~
4 ~~by the commissioner~~ chief executive officer shall administer the
program.

6 **Sec. 35. 20-A MRSA §12503**, as amended by PL 1987, c. 611, §3,
is further amended to read:

8 **§12503. Blaine House scholars**

10 Each year graduating high school seniors and college
12 students who show evidence of academic achievement shall be
considered for recognition as Blaine House scholars. Nominations
14 and applications shall must be submitted to the ~~commissioner~~
chief executive officer at a time and in a format to be
16 determined by rule of the ~~commissioner~~ chief executive officer.

18 The Governor, after consultation with the ~~commissioner~~ chief
executive officer, shall announce the names of those individuals
20 ~~who are recognized as~~ selected by the chief executive officer to
be Blaine House scholars.

22 **Sec. 36. 20-A MRSA §12505**, as amended by PL 1989, c. 414,
24 §23, is further amended to read:

26 **§12505. Eligibility requirements**

28 **1. Eligibility for post-secondary education loans.**
29 ~~Post-secondary~~ A post-secondary education loans ~~shall~~ loan must
30 be given only to a high school graduate who is a resident of the
State, who has been recognized as a Blaine House scholar and who
32 has met other eligibility criteria established by rule of the
~~commissioner~~ authority. Preference shall must be given to
34 students enrolled in a program which has been determined to be an
underserved subject area.

36 **2. Eligibility for graduate study or continuing education**
37 **loans.** Graduate A graduate study or continuing education loans
38 shall loan must be given only to a teacher in a Maine school who
has met other eligibility criteria established by rule of the
40 ~~commissioner~~ chief executive officer. Preference shall must be
42 given to teachers of subjects ~~which have been~~ determined to be
underserved.

44 **Sec. 37. 20-A MRSA §12506, last ¶**, as enacted by PL 1983, c.
46 859, Pt. F, §§1 and 2, is amended to read:

48 If a recipient of a loan withdraws from an institution and
if the student is entitled to a refund of tuition, fees or other
50 charges, the institution shall pay directly to the State
authority from that refund a sum which represents the portion of

2 the loan paid to the student for the portion of the academic year
that the student did not complete.

4 Sec. 38. 20-A MRSA §12507, first ¶, as enacted by PL 1983, c.
859, Pt. F, §§1 and 2, is amended to read:

6
8 Each recipient of a loan may cancel the total amount of the
loan by completing 4 years of return services in the public
10 schools or private schools approved for tuition purposes in the
State. The repayment period shall be 2 years if return service
12 is performed in underserved subject areas or in geographically
isolated areas as determined by the commissioner. Return service
14 may also cancel the loan on a proportional basis, reducing the
total amount of the debt by 25% for each year of return service.
16 Return service for this purpose shall be performed within 5 years
of graduation from the institution of higher education. Failure
18 to fulfill the return service option will necessitate repayment
to the State authority as follows.

20 Sec. 39. 20-A MRSA §12507, sub-§2, as enacted by PL 1983, c.
859, Pt. F, §§1 and 2, is amended to read:

22
24 2. **Time for repayment.** The total debt shall ~~must~~ be repaid
to the State authority within 5 years of graduation from the
26 institution of higher education according to a schedule
established by the ~~commissioner~~ chief executive officer. Due
28 dates for repayments shall ~~be~~ are set by the ~~commissioner~~ chief
executive officer.

30 Sec. 40. 20-A MRSA §12507, sub-§3, as enacted by PL 1985, c.
819, Pt. C, §2, is amended to read:

32
34 3. **Deferment.** A recipient of a loan may seek a deferment
of the annual principal payments for a period not to exceed 2
36 years. A request for deferment must be made to the ~~commissioner~~
chief executive officer who shall make a determination on a
38 case-by-case basis. The decision of the ~~commissioner--shall-be~~
chief executive officer is final.

40 Sec. 41. 20-A MRSA §12508, first ¶, as enacted by PL 1983, c.
859, Pt. F, §§1 and 2, is amended to read:

42
44 Each recipient of a loan designated for teachers pursuing an
advanced degree or continued study may cancel the total amount of
46 the loan by completing 2 years of return service in the public
schools or private schools approved for tuition purposes in the
48 State. The repayment period shall be one year if return service
is performed in underserved subject areas or in geographically
50 isolated areas as determined by the commissioner. Return service
may also cancel the loan on a proportional basis, reducing the
52 total amount of the debt by 50% for each year of return service.
Return service for this purpose shall be performed within 3 years

of graduation from the institution of higher education or completion of the course or courses for which the funds were given. Failure to fulfill the return service option will necessitate repayment to the State authority as follows.

Sec. 42. 20-A MRSA §12508, sub-§2, as enacted by PL 1983, c. 859, Pt. F, §§1 and 2, is amended to read:

2. **Time for repayment.** The total debt shall ~~must~~ be repaid to the State authority within 3 years of graduation from the institution of higher education or courses for which the funds were given according to a schedule established by the ~~commissioner~~ chief executive officer. Due dates for repayments shall ~~be~~ are set by the ~~commissioner~~ chief executive officer.

Sec. 43. 20-A MRSA §12509, as enacted by PL 1983, c. 859, Pt. F, §§1 and 2, is repealed and the following enacted in its place:

§12509. Nonlapsing revolving fund

The Blaine House Scholars Fund is created under the jurisdiction of the authority as a nonlapsing, interest-earning, revolving fund to carry out the purposes of this chapter. Any unexpended balance in the fund carries over for continued use under this chapter. The authority may receive, invest and expend, on behalf of the fund, money from gifts, grants, bequests and donations, in addition to money appropriated or allocated by the State. Loan repayments under this section or other repayments to the authority must be invested by the authority, as provided by law, with the earned income to be added to the fund. Money received by the authority on behalf of the fund, except interest income, must be used for the designated purpose; interest income may be used for the designated purpose or to pay student financial assistance administrative costs incurred by the authority as determined appropriate by the authority.

Sec. 44. 20-A MRSA §12510, as enacted by PL 1983, c. 859, Pt. F, §§1 and 2, is repealed.

Sec. 45. 20-A MRSA §12552, sub-§1-A is enacted to read:

1-A. Authority. "Authority" means the Finance Authority of Maine.

Sec. 46. 20-A MRSA §12554, as enacted by PL 1985, c. 472, is amended to read:

§12554. Administration

1. **Application.** A person desiring tuition waiver under this chapter may apply to the ~~Department of Educational and~~

2 Cultural--Services authority for determination of eligibility.
Application shall must be on forms and in a manner prescribed by
rule of the department authority.

4
6 2. **Decision.** The department authority shall determine
whether an applicant is eligible and notify the applicant. The
department authority shall also notify the state post-secondary
8 educational institution at which the person is accepted of the
eligibility of that child for tuition waiver. Unless notified by
10 the department authority of a change in the student's
eligibility, the institution shall may not bill an eligible
12 student for tuition during that school year.

14 ~~3. -- Rules. -- The department shall adopt rules in accordance~~
~~with the Maine Administrative Procedure Act, Title 5, Chapter~~
16 ~~375, which are necessary for the implementation of this chapter.~~

18 **Sec. 47.** 20-A MRSA §12602, sub-§3, as enacted by PL 1987, c.
527, §2, is repealed.

20 **Sec. 48.** 20-A MRSA §12602, sub-§§3-A and 3-B are enacted to
22 read:

24 **3-A. Authority.** "Authority" means the Finance Authority of
Maine.

26
28 **3-B. Chief executive officer.** "Chief executive officer"
means the Chief Executive Officer of the Finance Authority of
Maine.

30 **Sec. 49.** 20-A MRSA §12603, as enacted by PL 1987, c. 527, §2,
32 is amended to read:

34 **§12603. Student Educational Enhancement Deposit Plan**

36 **1. Student Educational Enhancement Deposit Plan.** ~~There is~~
~~created a public body corporate and politic to be known as the~~
38 ~~Student Educational Enhancement Deposit Plan. The plan shall be~~
~~within the State Treasury, but shall exercise its prescribed~~
40 ~~statutory powers, duties and functions independently of the~~
~~Treasurer of State. The Student Educational Enhancement Deposit~~
42 ~~Plan is established to be administered by the authority.~~

44 **2. Powers and duties.** ~~The powers and duties of the Student~~
~~Educational Enhancement Deposit Plan are vested in and shall be~~
46 ~~exercised by a board of directors. All necessary powers and~~
~~duties for the administration and implementation of the plan are~~
48 ~~vested in the authority.~~

50 **3. Successor.** The authority is the successor to the Board
of Directors of the Student Educational Enhancement Deposit Plan
52 and assumes all authority assets, obligations and

2 responsibilities of the board of directors with respect to the
3 plan.

4 **Sec. 50. 20-A MRSA §12604, sub-§2,** as enacted by PL 1987, c.
5 527, §2, is amended to read:

6
7 **2. Form approved.** The form of any advance tuition payment
8 contract to be entered into by the plan shall must first be
9 approved by the board authority.

10
11 **Sec. 51. 20-A MRSA §12609, first ¶,** as enacted by PL 1987, c.
12 527, §2, is amended to read:

13
14 There is created under the jurisdiction and control of the
15 board authority an Advance Tuition Payment Fund. Payments
16 received by the plan from purchasers on behalf of qualified
17 beneficiaries or from any other source, public or private, shall
18 must be placed in the fund. The fund may be divided into separate
19 accounts.

20
21 **Sec. 52. 20-A MRSA §12609, sub-§2,** as enacted by PL 1987, c.
22 527, §2, is amended to read:

23
24 **2. Expending of assets.** Unless otherwise provided by
25 resolution of the board authority, assets of the plan shall must
26 be expended for 3 fundamental purposes:

27 A. To make payments to state institutions of higher
28 education on behalf of qualified beneficiaries;

29 B. To make refunds upon termination of an advance tuition
30 payment contract; and

31 C. To pay the costs of administration and organization of
32 the fund.

33
34 **Sec. 53. 20-A MRSA §12610,** as enacted by PL 1987, c. 527, §2,
35 is repealed.

36
37 **Sec. 54. 20-A MRSA §12611, first ¶,** as enacted by PL 1987, c.
38 527, §2, is amended to read:

39
40 In addition to the general powers of the authority and those
41 granted by this Act, the board authority shall have the powers
42 necessary or convenient to carry out and effectuate the purposes,
43 objectives and provisions of this Act, the purposes and
44 objectives of the plan and the powers delegated by other laws or
45 executive orders, including, but not limited to, the power to:
46
47
48

49
50 **Sec. 55. 20-A MRSA §12611, sub-§1,** as enacted by PL 1987, c.
51 527, §2, is amended to read:
52

2 **1. Invest money.** Invest any money of the plan, at the
3 beard's authority's discretion, in any instruments, obligations,
4 securities or property determined proper by the beard authority
5 and name and use depositories for its money;

6 **Sec. 56. 20-A MRSA §12611, sub-§12,** as enacted by PL 1987, c.
7 527, §2, is amended to read:

8 **12. Indemnify member of the authority.** Indemnify or procure
9 insurance indemnifying any member of the beard authority from
10 personal loss or accountability from liability resulting from a
11 member's action or inaction as a member of the beard authority,
12 including, but not limited to, liability asserted by a person on
13 any bonds or notes of the beard authority;

14 **Sec. 57. 20-A MRSA §12611-A,** as enacted by PL 1987, c. 881,
15 is amended to read:

16 **§12611-A. Amendments; alternative plans**

17 **1. Amendments to chapter.** If the beard authority
18 determines that amendments to the chapter are necessary in order
19 to enhance the options available to Maine families for affordable
20 and predictable financing of post-secondary education, it may
21 propose the necessary legislation.

22 **2. Alternate plans.** The beard authority may develop
23 alternative post-secondary financing plans under the Maine
24 Student Educational Enhancement Deposit Program Plan which are
25 different from the prepaid tuition plan provided in this
26 chapter. Any such alternative plans shall must be promulgated in
27 accordance with the Maine Administrative Procedure Act, Title 5,
28 chapter 375 and shall--be submitted to the joint standing
29 committee of the Legislature having jurisdiction over education
30 for review.

31 **Sec. 58. 20-A MRSA §12612,** as enacted by PL 1987, c. 527, §2,
32 is amended to read:

33 **§12612. Annual accounting**

34 The beard authority shall annually prepare or cause to be
35 prepared an accounting of the plan and shall transmit a copy of
36 the accounting to the Governor, the President of the Senate, the
37 Speaker of the House of Representatives and the respective
38 majority and minority leaders of the Senate and House of
39 Representatives. The beard authority shall also make available
40 the accounting of the plan to the purchasers of the plan. The
41 accounts of the beard--shall--be authority are subject to annual
42 audits by the State Auditor or a certified public accountant
43 appointed by the State Auditor.

44

2 **Sec. 59. 20-A MRS §12613, sub-§§1 to 3**, as enacted by PL 1987,
c. 527, §2, are amended to read:

4 **1. Annual evaluation.** In the accounting of the plan made
6 pursuant to section 12612, the board authority shall annually
8 evaluate or cause to be evaluated the actuarial soundness of the
10 plan and determine the additional assets needed, if any, to
12 defray the obligations of the plan. If there are not funds
sufficient to ensure the actuarial soundness of the plan, it
shall adjust payments of subsequent purchases to ensure its
actuarial soundness.

14 **2. Tax status.** Before entering into advance tuition payment
16 contracts with purchasers, the board authority shall solicit
18 answers to appropriate ruling requests from the United States
20 Internal Revenue Service regarding the tax status of the value
received under the contract to the purchaser or qualified
beneficiary. ~~No--contracts~~ A contract may not be entered into
without the board authority making known the status of the
request.

22 **3. United States Securities and Exchange Commission status.**
24 Before entering into advance tuition payment contracts with
26 purchasers, the board authority shall solicit answers to
28 appropriate ruling requests from the United States Securities and
Exchange Commission regarding the application of federal security
laws to the fund. ~~No--contracts~~ A contract may not be entered into
without the board authority making known the status of the
request.

30 **Sec. 60. 20-A MRS §12616**, as enacted by PL 1987, c. 527, §2,
32 is amended to read:

34 **§12616. Contract for services**

36 The board authority, in its discretion, may contract with
38 others, public or private, for the provision of all or a portion
of the services necessary for the management and operation of the
40 plan. The board authority shall also endeavor to work with
private sector investment managers and independent
42 degree-granting colleges and universities in this State to study
the feasibility of instituting programs between these parties
44 that which ensure full tuition payment upon purchase of a
prepayment plan with the private college or university.

46 **Sec. 61. 20-A MRS §§12617 and 12618**, as enacted by PL 1987,
48 c. 527, §2, are amended to read:

50 **§12617. Assets used; investing in bonds**

52 The assets of the fund shall must be preserved, invested and
expended solely pursuant to and for the purposes set forth in

2 this Act and shall ~~may~~ not be loaned or otherwise transferred or
3 used by the State authority for any purpose other than the
4 purposes of this Act. This section shall ~~may~~ not be construed to
5 prohibit the plan from investing in, by purchase or otherwise,
6 bonds, notes or other obligations of the State, an agency of the
7 State or an instrumentality of the State.

8 **§12618. No guarantee of admittance**

10 Nothing in this Act or in an advance tuition payment
11 contract entered into pursuant to this Act may be construed as a
12 promise or guarantee by the plan, the authority or the State that
13 a person will be admitted to a state institution of higher
14 education, allowed to continue to attend a state institution of
15 higher education after having been admitted or will be graduated
16 from a state institution of higher education.

18 **Sec. 62. 20-A MRSA §12619**, as enacted by PL 1987, c. 527, §2,
19 is amended to read:

20 **§12619. Exempt from the Revised Maine Securities Act**

22 An advance tuition payment contract shall ~~be~~ is exempt from
23 the Revised Maine Securities Act, Title 32, chapter 105. An
24 advance tuition payment contract may not be sold or otherwise
25 transferred by the purchaser or qualified beneficiary without the
26 prior approval of the ~~board~~ authority.

28 **Sec. 63. 20-A MRSA §12651, sub-§1**, as enacted by PL 1989, c.
29 579, §2, is amended to read:

32 **1. Establishment.** There is established the Maine Choice
33 Program to recognize secondary school graduates who show strong
34 academic ability and to provide financial assistance for
35 post-secondary education of secondary school students. The
36 program shall ~~recognize~~ recognizes secondary school students and
37 post-secondary students enrolled in programs in health care
38 subject areas who demonstrate academic ability to complete the
39 program, and shall ~~disburse~~ disburses interest-free loans as
40 described in section 12653. The ~~commissioner~~ chief executive
41 officer shall administer the program.

42 **Sec. 64. 20-A MRSA §12651-A** is enacted to read:

44 **§12651-A. Definitions**

46 As used in this chapter, unless the context otherwise
47 indicates, the following terms have the following meanings.

50 **1. Authority.** "Authority" means the Finance Authority of
51 Maine.

2 **2. Chief executive officer.** "Chief executive officer"
means the Chief Executive Officer of the Finance Authority of
4 Maine.

6 **Sec. 65. 20-A MRSA §12652, first ¶,** as enacted by PL 1989, c.
579, §2, is amended to read:

8 Each year graduating secondary school students and
10 individuals enrolled in post-secondary education programs who
show evidence of academic achievement may be nominated or may
12 apply for recognition as Maine Choice Scholars. Nominations and
applications shall must be submitted to the ~~commissioner~~ chief
14 executive officer at a time and in a format ~~to be~~ determined by
rule of the ~~commissioner~~ chief executive officer. The Maine
Choice Advisory Board shall determine the finalists.

16 **Sec. 66. 20-A MRSA §12653,** as enacted by PL 1989, c. 579, §2,
18 is amended to read:

20 **§12653. Allocation of funds**

22 **1. Loans.** Pursuant to rules adopted ~~under section 12659~~ by
24 the authority, the ~~commissioner~~ chief executive officer may grant
to students recognized under section 12652 interest-free loans
26 for post-secondary education of up to \$2,500 per academic year.
The loans shall must be made from the fund established in section
28 12657. The loans may not exceed a total of \$12,500 per student
for post-secondary education. Loans shall must be for one
30 academic year and ~~shall be~~ automatically renewed if the recipient
maintains a grade point average of 2.5 based on a 4.0 grade point
32 system or a passing grade in courses based on a pass-fail grading
system. Students whose instruction does not fall within a strict
34 semester structure shall ~~be~~ are eligible for a maximum of \$12,500
in loans for their post-secondary education based on loan
disbursement guidelines promulgated by the ~~commissioner~~ authority.

36 **Sec. 67. 20-A MRSA §12654, sub-§1,** as enacted by PL 1989, c.
38 579, §2, is amended to read:

40 **1. Eligibility for post-secondary education loans.**
42 Post-secondary education loans shall must be given only to
secondary school graduates who are residents of Maine, who have
44 been recognized as Maine Choice Scholars and who have met other
eligibility criteria established by rule of the ~~commissioner~~
46 authority. Preference shall must be given to students enrolled
in a health care program ~~which has been~~ determined to be in an
48 underserved health care region or subject area. For the purpose
of this chapter, "underserved health care region or subject area"
50 means a geographic area underserved by health care professionals,
an underserved health care specialty subject area, a population
52 group underserved by health care professionals or any combination
of these in the State.

2 Underserved health care subject areas shall include any
4 undergraduate work that may be required to complete an advanced
degree in an underserved health care specialty subject area.

6 Sec. 68. 20-A MRSA §12655, as enacted by PL 1989, c. 579, §2,
is amended to read:

8

§12655. Payment provisions

10

12 Payment of loans granted under section 12653 shall must be
made each semester to the institution in which the loan recipient
14 must be made within 60 days following receipt of evidence by the
~~commissioner~~ chief executive officer that the loan recipient has
16 become enrolled at the post-secondary educational institution.

18

20 If a loan recipient withdraws from an institution and is
entitled to a refund of tuition, fees or other charges, the
22 institution shall pay to the State authority from that refund a
sum equal to the portion of the loan paid to the student for the
24 portion of the academic year that the student did not complete.
That refund shall must be credited to the fund established in
section 12657.

26

Sec. 69. 20-A MRSA §12656, as enacted by PL 1989, c. 579, §2,
is amended to read:

28

§12656. Repayment provisions

30

32 1. **Forgiveness of loan.** Each recipient of a loan granted
under section 12653 shall be relieved of the obligation to repay
34 1/4 of the loan for each completed year of employment in the
State in the health care profession in which the recipient is
36 educated. This employment must be completed within 5 years of
the recipient's graduation from the post-secondary educational
38 institution. Failure to fulfill the requirements of this
subsection shall obligate the recipient to repay the unforgiven
40 portion of the loan to the State authority under the terms of
this section.

42

44 2. **Time for repayment.** The recipient of a loan granted
under section 12653 shall repay the loan to the State authority
upon the recipient's graduation or withdrawal from a
46 post-secondary educational institution according to a schedule
established by the ~~commissioner~~ chief executive officer. The
total annual repayment shall ~~be~~ is determined by dividing the
48 loan amount by the number of years the recipient attended the
post-secondary educational institution and requiring the
50 recipient to repay 1/4 of that amount each year until the loan is
repaid. Due dates for repayments shall ~~be~~ are set by the
52 ~~commissioner~~ chief executive officer.

2 **3. Deferment.** A recipient of a loan granted under section
4 12653 may seek a deferment of the annual principal payments for a
6 period not to exceed 2 years. A request for deferment shall must
8 be made to the ~~commissioner~~ chief executive officer who shall
determine if the deferment request is reasonable and shall grant
the request upon making that determination. The decision of the
~~commissioner~~ shall be chief executive officer is final.

10 **4. Change of program.** If a recipient who was enrolled in a
12 program in an underserved health care region or subject area
14 changes that course of study to a program not in an underserved
health care region or subject area, the recipient shall repay the
State authority for the total amount of loans received by that
recipient in the manner provided in subsections 2 and 3.

16 **Sec. 70. 20-A MRSA §12657**, as enacted by PL 1989, c. 579, §2,
18 is repealed and the following enacted in its place:

20 **§12657. Nonlapsing revolving fund**

22 The Maine Choice Fund is created under the jurisdiction of
24 the authority as a nonlapsing, interest-earning, revolving fund
26 to carry out the purposes of this chapter. Any unexpended
28 balance in the fund carries over for continued use under this
30 chapter. The authority may receive, invest and expend, on behalf
32 of the fund, money from gifts, grants, bequests and donations, in
34 addition to money appropriated or allocated by the State. Loan
36 repayments under this section or other repayments to the
authority must be invested by the authority, as provided by law,
with the earned income to be added to the fund. Money received
by the authority on behalf of the fund, except interest income,
must be used for the designated purpose; interest income may be
used for the designated purpose or to pay student financial
assistance administrative costs incurred by the authority as
determined appropriate by the authority.

38 **Sec. 71. 20-A MRSA §12658, sub-§2**, as enacted by PL 1989, c.
40 579, §2, is amended to read:

42 **2. Membership.** The advisory board ~~shall consist~~ consists
44 of 10 members, including: the Commissioner of Educational and
Cultural Services ~~Chief Executive Officer of the Finance~~
46 Authority of Maine or the commissioner's chief executive
48 officer's designee, the Director of Health Planning and
50 Development or the director's designee, the Commissioner of Labor
or the commissioner's designee, the Director of the State
Planning Office or the director's designee, a member of the Maine
Health Policy Advisory Council appointed by its chair, 2
representatives of the nursing profession appointed by the
Governor, 2 representatives of other allied health professions

2 appointed by the Governor and one consumer appointed by the
Governor.

4 Sec. 72. 20-A MRSA §12659, as enacted by PL 1989, c. 579, §2,
is amended to read:

6 **§12659. Future appropriation**

8
10 The advisory board shall advise the ~~commissioner~~ chief
12 executive officer before January 15, 1991, and every year
14 thereafter, of the amount of necessary General Fund
appropriations which must be requested in order to provide the
Maine Choice Fund with adequate funds to be used for loan
purposes and to maintain an adequate balance in the fund.

16 Sec. 73. 20-A MRSA §12660, as enacted by PL 1989, c. 579, §2,
is repealed.

18 Sec. 74. 20-A MRSA c. 430-B is enacted to read:

20 **CHAPTER 430-B**

22 **FINANCIAL AID AND CAREER COUNSELING**

24 **§12671. Program established**

26
28 The Finance Authority of Maine shall administer an outreach
program of post-secondary education information services as
provided in this chapter.

30 **1. Duties.** The authority shall implement a program that:

32
34 A. Provides middle school and high school students, the
parents of these students and adults seeking to acquire a
post-secondary education with career and financial aid
counseling;

36
38 B. Provides, to the extent of available resources,
counseling services throughout the State in accessible
locations to assist eligible participants; and

40
42 C. Provides to eligible participants information concerning
career options, educational programs and post-secondary
schools.

44
46 **2. Nonlapsing fund.** There is created under the
jurisdiction of the authority a nonlapsing, interest-earning,
48 revolving fund to carry out the purposes of this chapter. Any
unexpended balance in the fund carries over for continued use
50 under this chapter. The authority may receive, invest and
expended, on behalf of the fund, money from gifts, grants, bequests
52 and donations, in addition to money appropriated or allocated by

2 the State. Loan repayments under this section or other
3 repayments to the authority must be invested by the authority, as
4 provided by law, with the earned income to be added to the fund.
5 Money received by the authority on behalf of the fund, except
6 interest income, must be used for the designated purpose;
7 interest income may be used for the designated purpose or to pay
8 student financial assistance administrative costs incurred by the
9 authority as determined appropriate by the authority.

10 Sec. 75. PL 1989, c. 559, §12 is amended by adding at the end a
11 new subsection 7:

12 **7. Additional issues; continuation of advisory committee.**
13 Following submission of the report to the Joint Standing
14 Committee on Education, the Governor and the Finance Authority of
15 Maine described in subsection 4, the transition advisory
16 committee established in this section shall continue in
17 existence. The committee shall continue to act in an advisory
18 capacity and shall report to the Joint Standing Committee on
19 Education on the following matters: the Maine Educational Loan
20 Authority supplemental loan program, the loan of last resort
21 program, the student financial assistance counseling and outreach
22 program, and other financial assistance programs which may be
23 implemented or expanded in the future such as the Student
24 Educational Enhancement Deposit Plan, the Maine Choice Program,
25 the Advanced Study for Educators Program and the Trio Program.
26 The transition advisory committee may request staff assistance
27 from the Legislative Council and shall report to the Joint
28 Standing Committee on Education by December 1, 1990. Funds
29 remaining in the committee's account must be carried over to
30 fiscal year 1990-91 to accomplish that task.

31 **Sec. 76. PL 1989, c. 559, §14, under the caption "LEGISLATURE,"**
32 **last sentence, is repealed and the following enacted in its place:**

33 Funds not used for these purposes do not
34 lapse but carry forward for use by the
35 transition advisory committee in fiscal year
36 1990-91 to perform the additional tasks
37 identified in section 12 of this Act.

38 **Sec. 77. Transition provisions.** The following provisions apply
39 to the assumption of the responsibility of administering a
40 consolidated, coordinated program of student financial assistance
41 by the Finance Authority of Maine as provided in this Act.

42 **1. Funds transferred.** Notwithstanding the Maine Revised
43 Statutes, Title 5, sections 1585 and 1586, all accrued
44 expenditures, assets, liabilities, balances or allocations,
45 transfers, revenues or other available funds in excess of
46 allocations in any account or subdivision of an account of the

2 Division of Higher Education Services of the Bureau of School
3 Management within the Department of Educational and Cultural
4 Services and authorized for use by or for the Finance Authority
5 of Maine must be paid to the Finance Authority of Maine. The
6 Commissioner of Educational and Cultural Services and the Chief
7 Executive Officer of the Finance Authority of Maine shall jointly
8 determine the funds, revenues, liabilities and assets to remain
9 with the Division of Higher Education Services within the
10 department.

11 **2. Property and equipment transferred.** The Commissioner of
12 Educational and Cultural Services and the Chief Executive Officer
13 of the Finance Authority of Maine shall enter into an agreement
14 with respect to any property and equipment that may be
15 transferred between the department and the authority pursuant to
16 this Act.

17 **3. Personnel transferred.** A division director, an
18 Education Specialist I and a Stenographer III shall remain as
19 employees of the Division of Higher Education Services. Other
20 employees of the division on the effective date of this Act must
21 be transferred to the Finance Authority of Maine. The
22 Commissioner of Educational and Cultural Services and the Chief
23 Executive Officer of the Finance Authority of Maine shall jointly
24 determine the employees to be transferred to the authority and
25 those to remain with the division in the department. Employees
26 who are transferred to the authority are subject to the
27 provisions of this subsection.
28

29 A. Transferred employees may, at their option, continue to
30 be treated as state employees as long as they remain
31 continuously in their current positions or in another
32 position which was transferred from the Bureau of School
33 Management, Division of Higher Education Services, to the
34 Finance Authority of Maine on the effective date of this
35 Act. Employees who do not elect to be treated as state
36 employees become employees of the authority with the rights
37 and obligations of other authority employees.
38

39 B. Transferred employees who elect to be treated as state
40 employees retain their accrued fringe benefits associated
41 with state employment, including vacation and sick leave and
42 health and life insurance, as long as they continue as state
43 employees.
44

45 C. Transferred employees who elect to be treated as state
46 employees and who are members of collective bargaining units
47 on the effective date of this Act remain members in their
48 respective bargaining units and retain all the rights,
49 privileges and benefits provided by the collective
50 bargaining agreements of the respective bargaining units

2 with respect to employment in state service as long as they
continue as state employees.

4 D. Transferred employees who elect to be treated as state
employees remain members of the Maine State Retirement
6 System as long as they continue as state employees.

8 E. The Finance Authority of Maine shall reimburse the State
for all costs related to the transferred employees who elect
10 to be treated as state employees. The reimbursement
includes the employer's share of contributions to the Maine
12 State Retirement System for those employees.

14 F. The Department of Administration, Bureau of Human
Resources shall assist the Finance Authority of Maine with
16 the orderly implementation of these provisions.

18 **4. Positions.** Positions of transferred employees who elect
to be treated as state employees are terminated when vacated by
20 those employees, unless filled by other transferred employees who
elected to be treated as state employees. Positions similar to
22 those terminated may be established within the Finance Authority
of Maine.

24 **5. Rules and procedures.** All rules and procedures of the
Department of Educational and Cultural Services and the State
26 Board of Education pertaining to student financial aid programs
and in effect on the effective date of this Act remain in effect
28 until rescinded or amended by the Finance Authority of Maine.
Prior to July 1, 1990, the authority may promulgate rules in
30 accordance with the Maine Administrative Procedure Act for
implementation of the Maine Student Incentive Scholarship Program
32 grant system enacted by Public Law 1989, chapter 559.

34 **6. Assumption of obligations.** The Finance Authority of
Maine succeeds to all rights, responsibilities and obligations of
36 the State Board of Education and the Department of Educational
and Cultural Services with respect to the Robert T. Stafford Loan
38 Program, formerly the Guaranteed Student Loan Program, incurred
before the effective date of this Act. In the event that
40 appropriate agreements have not been worked out between the
authority and the Federal Government prior to the effective date
42 of this Act to permit the transfer of the responsibility for the
Robert T. Stafford Loan Program to the authority, the state board
44 or the department, as applicable, shall continue in its current
role with respect to that program until those agreements are
46 finalized.

48 **7. Savings clause.** Nothing in this Act may be construed as
50 terminating the existence of any program or any contract,
agreement or bond relating to a program in the Department of
52 Educational and Cultural Services, Bureau of School Management,

2 Division of Higher Education Services, that has not been
transferred to the Finance Authority of Maine.

4 **Sec. 78. Use of funds.** Notwithstanding the Maine Revised
Statutes, Title 20-A, section 12509, governing the use of money
6 in the Blaine House Scholars Fund, operating costs for the
Finance Authority of Maine required to implement this Act during
8 fiscal year 1989-90 and fiscal year 1990-91 are authorized, at
the discretion of the Finance Authority of Maine, to be paid from
10 that fund.

12 **Sec. 79. Application.** The transfer of funds, property and
equipment, and personnel authorized in section 77, subsections 1,
14 2 and 3 of this Act must take place in a timely fashion following
the effective date of this Act and must be completed within 30
16 days of the effective date.

18 **Emergency clause.** In view of the emergency cited in the
preamble, this Act takes effect when approved.
20

22 STATEMENT OF FACT

24 This bill is submitted by the Joint Standing Committee on
Education pursuant to Public Law 1989, chapter 559, section 13
26 following the study and recommendations of the Student Financial
Aid Transition Advisory Committee. The purpose of the bill is to
28 complete the transfer of student financial assistance programs
and responsibilities to the Finance Authority of Maine (FAME)
30 provided in Public Law 1989, chapter 559. This bill provides for
the provision of a comprehensive, consolidated program of student
32 and family financial assistance by FAME.

34 Public Law 1989, chapter 559 directed FAME to administer the
student incentive scholarship program, the Blaine House Scholars
36 and Financial Assistance Program, the State Osteopathic Loan
Fund, the postgraduate medical education program, the Robert T.
38 Stafford Loan Program, the Robert C. Byrd Honors Scholarship
Program, the Paul Douglas Teacher Scholarship Program, a
40 supplemental loan program and a student financial assistance
counseling and outreach program. An advisory board was created
42 to assist FAME in its responsibilities. This bill adds to FAME's
responsibility for 2 additional existing aid programs, the
44 Student Educational Enhancement Deposit Plan and the Maine Choice
Program; changes the name of the advisory board to the Maine
46 Education Assistance Board; and makes the technical changes in
existing law necessary for FAME to administer the listed programs.
48

50 The bill also contains necessary transition provisions to
provide for the transfer of funds, equipment and property,
personnel, administrative responsibilities, and financial and

2 legal obligations from the Department of Educational and Cultural
Services and the State Board of Education to FAME.

4 Finally, this bill provides for continuation of the work of
the Student Financial Aid Transition Advisory Committee. During
6 1990, the transition advisory committee will study and work with
the Legislature, the Governor's office, FAME and other interested
8 groups to ensure full implementation of this Act. Specific
subjects identified for attention by the committee include the
10 supplemental loan program, including the loan of last resort and
the counseling and outreach program.