

# MAINE STATE LEGISLATURE

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L.D. 887

(Filing No. S-299 )

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STATE OF MAINE  
SENATE  
115TH LEGISLATURE  
FIRST REGULAR SESSION

COMMITTEE AMENDMENT " A " to S.P. 331, L.D. 887, Bill, "An Act to Strengthen Municipal Borrowing Alternatives"

Amend the bill by inserting after section 5 the following:

'Sec. 6. 30-A MRSA §5953-A, sub-§2, ¶A, as enacted by PL 1989, c. 48, §§19 and 31, is amended to read:

A. The bank may make loans from the revolving loan fund to a municipality for one or more of the purposes set forth in subsection 1. Each of the loans shall-be-made is subject to the following conditions.

(1) The total amount of loans outstanding at any one time from the revolving loan fund may not exceed the balance of the fund, provided that the proceeds of bonds or notes of the bank deposited in the fund and binding financial commitments of the United States to deposit money in the fund are included in determining the fund balance.

(2) The loan shall must be evidenced by a municipal bond, ~~payable by the municipality over a term not to exceed 20 years with annual principal and interest payments commencing not later than one year after the project being financed is completed~~ or such other agreement or instrument as the bank determines necessary or advisable.

(3) The rate of interest charged for the loans shall must be at or below market interest rates.

(4) Subject to the limitations of subparagraph (3), the rate of interest charged for the loans made to municipalities under this section or the manner of determining the rate of interest shall must be

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2 established from time to time by direction of the bank,  
3 taking into consideration the current average rate on  
4 outstanding marketable obligations, as well as the  
5 policies of the Department of Environmental Protection.

6 Sec. 7. 30-A MRSA §5953-B is enacted to read:

8 §5953-B. Loans from safe drinking water revolving loan fund

10 1. Loan application. In addition to the other forms of  
11 financial assistance available under section 6006-B, a water  
12 utility may apply for a loan from the safe drinking water  
13 revolving loan fund, in this section called the "fund," the  
14 proceeds of which must be used to acquire, design, plan,  
15 construct, enlarge, repair, protect or improve drinking water  
16 supplies or treatment systems owned by the applicant, or for any  
17 actions required under the federal Safe Drinking Water Act of  
18 1974, 42 United States Code, Sections 300f to 300j-9, as amended.

20 The bank may prescribe an application form or procedure for a  
21 water utility to apply for a loan under this section. The  
22 application must include any information that the bank determines  
23 necessary for the purpose of implementing this section and  
24 section 6006-B.

26 For purposes of this section, the term "water utility" has the  
27 same meaning as defined in Title 35-A, section 102, subsection 22.

28 2. Loan; loan agreements. Loans from the fund are subject  
30 to this subsection.

32 A. The bank may make loans from the fund to a water utility  
33 for one or more of the purposes set forth in subsection 1.  
34 Each of the loans is subject to the following conditions.

36 (1) The total amount of loans outstanding at any one  
37 time from the fund may not exceed the balance of the  
38 fund, provided that the proceeds of bonds or notes of  
39 the bank deposited in the fund, revenues from other  
40 sources deposited in the fund and binding financial  
41 commitments of the United States to deposit money in  
42 the fund are included in determining the fund balance.

44 (2) The loan must be evidenced by a municipal bond or  
45 other debt instrument, payable by the water utility  
46 over a term not to exceed 40 years with annual  
47 principal or interest payments commencing not later  
48 than one year after the project being financed is  
49 completed.

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2           (3) The rate of interest charged for the loans must be  
3           at or below market interest rates.

4           (4) Subject to the limitations of subparagraph (3),  
5           the rate of interest charged for the loans made to  
6           water utilities under this section or the manner of  
7           determining the rate of interest must be established  
8           from time to time by direction of the bank, taking into  
9           consideration the current average rate on outstanding  
10           marketable obligations.

11           B. Loans made to a water utility by the bank under this  
12           section must be evidenced by and made in accordance with the  
13           terms and conditions specified in a loan agreement to be  
14           executed by the bank and the water utility. The loan  
15           agreement must specify the terms and conditions of  
16           disbursement of loan proceeds. The loan agreement must  
17           state the term and interest rate of the loan, the scheduling  
18           of loan repayments and any other terms and conditions  
19           determined necessary or desirable by the bank.

20           3. Eligibility certification. A loan to a water utility  
21           may not be made under this section until:

22           A. The applicant certifies to the bank that it has secured  
23           all permits, licenses and approvals necessary to construct  
24           the improvements to be financed by the loan;

25           B. The applicant demonstrates to the bank that it has  
26           established a rate, charge or assessment schedule that  
27           generates annually sufficient revenue to pay, or has  
28           otherwise provided sufficient assurances that it pays, the  
29           principal of and interest on the municipal bond or other  
30           debt instrument that evidences the loan made by the bank to  
31           the water utility pursuant to the loan agreement under this  
32           section and to pay reasonably anticipated costs of operating  
33           and maintaining the financed project and the system of which  
34           it is a part; and

35           C. The applicant certifies to the bank that it has created  
36           a dedicated source of revenue that may constitute general  
37           revenues of the applicant through a general obligation  
38           pledge of the applicant for repayment of the loan.'

39           Further amend the bill in section 12 by striking out all of  
40           that part designated "~~§6006-B.~~" and inserting in its place the  
41           following:

42           '§6006-B. Safe drinking water revolving loan fund

43           1. Establishment; administration. A safe drinking water  
44           revolving loan fund is established as provided in this section.

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A. There is established in the custody of the bank a special fund to be known as the safe drinking water revolving loan fund to provide financial assistance under subsection 2 for the acquisition, design, planning, construction, enlargement, repair, protection or improvement of drinking water supplies or treatment facilities including any of those actions required under the federal Safe Drinking Water Act of 1974, 42 United States Code, Sections 300f to 300j-9, as amended.

B. The bank shall administer the fund. The fund must be invested in the same manner as permitted for investment of funds belonging to the State or held in the State Treasury. The fund must be established and held separate from any other funds or money of the State or the bank and used and administered exclusively for the purpose of this section and section 5953-B. The fund consists of the following:

(1) Sums that are appropriated by the Legislature or transferred to the fund from time to time by the Treasurer of State;

(2) Principal and interest received from the repayment of loans made from the fund;

(3) Capitalization grants and awards made to the State or an instrumentality of the State by the Federal Government for any of the purposes for which the fund has been established. These amounts must be paid directly into the fund without need for appropriation by the State;

(4) Interest earned from the investment of fund balances;

(5) Private gifts, bequests and donations made to the State for any of the purposes for which the fund is established;

(6) The proceeds of notes or bonds issued by the Maine Public Utilities Financing Bank under Title 35-A, chapter 29 for the purpose of deposit in the fund;

(7) The proceeds of notes or bonds issued by the bank for the purpose of deposit in the fund; and

(8) Other funds from any public or private source received for use for any of the purposes for which the fund has been established.

2 C. For the purposes of this section, the term "water  
4 utility" is defined under Title 35-A, section 102,  
6 subsection 22.

8 2. Uses. The revolving loan fund may be used for one or  
10 more of the following purposes:

12 A. To make loans to water utilities under this section and  
14 section 5953-B;

16 B. To make loans to refund bonds or notes of a water  
18 utility issued after December 31, 1988 for the purpose of  
20 financing the construction of any capital improvement or  
22 management program described in section 5953-B, subsection 1;

24 C. To guarantee or insure, directly or indirectly, the  
26 payment of notes or bonds issued or to be issued by a water  
28 utility for the purpose of financing the construction of any  
30 capital improvement described in section 5953-B, subsection  
32 1;

34 D. To guarantee or insure, directly or indirectly, funds  
36 established by water utilities for the purpose of financing  
38 construction of any capital improvement described in section  
40 5953-B, subsection 1;

42 E. To invest available fund balances and to credit the net  
44 interest income on those balances to the revolving loan fund;

46 F. To invest as a source of revenue or security for the  
48 payment of principal and interest on general or special  
50 obligations of the bank if the proceeds of the sale of the  
52 obligations have been deposited in the fund or loaned to  
eligible participants in the programs financed with the  
fund, or as a source of revenue to subsidize municipal loan  
payment obligations;

G. To pay the costs of the bank associated with the  
administration of the revolving loan fund and projects  
financed by it provided that no more than the lesser of 2%  
of the aggregate of the highest fund balances in any fiscal  
year and 4% of any capitalization grants provided by the  
Federal Government for deposit in the revolving loan fund is  
used for these purposes; and

H. To pay the costs required under the federal Safe  
Drinking Water Act of 1974, 42 United States Code, Sections  
300f to 300j-9, as amended, regarding the treatment of  
drinking water or other federal law or program that provides  
money for deposit to the fund for the purposes of this  
section.

2 3. Establishment of accounts. The bank may establish  
3 accounts and subaccounts within the fund as it determines  
4 desirable to effectuate the purposes of this section, including,  
5 but not limited to, accounts to segregate a portion or portions  
6 of the fund as security for bonds issued by the bank for deposit  
7 in the fund and to be invested for the benefit of specified  
8 projects receiving financial assistance from the fund.'

9 Further amend the bill in section 13 by inserting at the end  
10 the following:

11 'Provides funds to capitalize the Maine  
12 Municipal Bond Insurance Fund.'

13 Further amend the bill by renumbering the sections to read  
14 consecutively.

15 Further amend the bill by inserting at the end before the  
16 statement of fact the following:

17 **FISCAL NOTE**

18 **1991-92**

19 **APPROPRIATIONS/ALLOCATIONS**

20 General Fund \$3,000,000

21 This bill establishes the Maine Municipal Bond Insurance  
22 Fund and provides a General Fund appropriation to the Maine  
23 Municipal Bond Bank of \$3,000,000 in fiscal year 1991-92 to  
24 capitalize the fund. The bill also authorizes the Maine  
25 Municipal Bond Bank to establish a revolving loan fund to provide  
26 loans to water utilities to enable them to provide safe drinking  
27 water. A General Fund bond issue in the amount of \$15,000,000  
28 has been proposed and would capitalize the revolving fund.'

29 **STATEMENT OF FACT**

30 This amendment makes changes in the water revolving loan  
31 fund proposed in the original bill. The term "water utility"  
32 replaces "municipality" throughout the amendment so that private  
33 water utilities are also eligible to borrow from the fund. The  
34 name of the fund is changed to the "safe drinking water revolving  
35 loan fund" and the bank is authorized to accept money from the  
36 Maine Public Utilities Financing Bank. The amendment adds a  
37 provision that permits the bank to accept agreements or  
38 instruments other than municipal bonds when determining whether  
39 to loan funds to a municipality. The amendment also adds an  
40 explanation in the appropriation section of the bill and adds a  
41 fiscal note.