

MAINE STATE LEGISLATURE

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115th MAINE LEGISLATURE

FIRST REGULAR SESSION-1991

Legislative Document

No. 991

H.P. 692

House of Representatives, March 8, 1991

Received by the Clerk of the House on March 6, 1991. Referred to the Committee on State and Local Government and 1400 ordered printed pursuant to Joint Rule 14.

A handwritten signature in cursive script that reads "Ed Pert".

EDWIN H. PERT, Clerk

Presented by Representative NORTON of Winthrop.

Cosponsored by Senator McCORMICK of Kennebec, Representative TARDY of Palmyra and Representative AULT of Wayne.

STATE OF MAINE

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

An Act to Assist Water Utilities in the Provision of Safe Drinking Water.



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

4 Sec. 1. 30-A MRSA §5953-B is enacted to read:

6 §5953-B. Loans from safe drinking water revolving loan fund

8 1. Loan application. In addition to the other forms of
10 financial assistance available under section 6006-B, a water
12 utility may apply for a loan from the safe drinking water
14 revolving loan fund, the proceeds of which must be used to
16 acquire, design, plan, construct, enlarge, repair, protect or
18 improve drinking water supplies or treatment systems owned by the
20 applicant, including any of those actions required under the
22 federal Safe Drinking Water Act of 1986, 42 United States Code,
24 Sections 300f to 300j(26), as amended.

26 The bank may prescribe any application form or procedure for a
28 water utility to apply for a loan under this section. The
30 application must include any information that the bank determines
32 necessary for the purpose of implementing this section and
34 section 6006-B.

36 For purposes of this section, the term "water utility" is defined
38 under Title 35-A, section 102, subsection 22.

40 2. Loan; loan agreements. Loans are subject to this
42 subsection.

44 A. The bank may make loans from the fund to a water utility
46 for one or more of the purposes set forth in subsection 1.
48 Each of the loans are made subject to the following
50 conditions.

(1) The total amount of loans outstanding at any one
time from the fund may not exceed the balance of the
fund, provided that the proceeds of bonds or notes of
the bank deposited in the fund, revenues from other
sources 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 must be evidenced by a municipal bond or
other debt instrument, payable by the water utility
over a term not to exceed 40 years with annual
principal or interest payments commencing not later
than one year after the project being financed is
completed.

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

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

9
10 B. Loans made to a water utility by the bank under this
11 section must be evidenced by and made in accordance with the
12 terms and conditions specified in a loan agreement to be
13 executed by the bank and the water utility. The loan
14 agreement must specify the terms and conditions of
15 disbursement of loan proceeds. The loan agreement must
16 state the term and interest rate of the loan, the scheduling
17 of loan repayments and any other terms and conditions
18 determined necessary or desirable by the bank.

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

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

24
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

40 Sec. 2. 30-A MRSA §6006-B is enacted to read:

41 §6006-B. Safe drinking water revolving loan fund

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

44
45 A. There is established in the custody of the bank a
46 special fund to be known as the safe drinking water
47 revolving loan fund and to provide financial assistance
48 under subsection 2 for the acquisition, design, planning,
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2 construction, enlargement, repair, protection or improvement
3 of drinking water supplies or treatment facilities including
4 any of those actions required under the federal Safe
5 Drinking Water Act of 1986, 42 United States Code, Sections
6 300f to 300j(26), as amended.

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

15 (1) Such sums as may be appropriated by the
16 Legislature or transferred to the fund from time to
17 time by the Treasurer of State;

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

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

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

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

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

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

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

38 C. For the purposes of this section, the term "water
39 utility" is defined under Title 35-A, section 102,
40 subsection 22.

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

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

4 B. To make loans to refund bonds or notes of a water
6 utility issued after March 7, 1985 for the purpose of
 financing the construction of any capital improvement
 described in section 5953-B, subsection 1;

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

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

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

22 F. To invest as a source of revenue or security for the
24 payment of principal and interest on general or special
26 obligations of the bank if the proceeds of the sale of the
 obligations have been deposited in the fund or as a source
 of revenue to subsidize municipal loan payment obligations;

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

36 H. To pay the costs required under the federal Safe
38 Drinking Water Act of 1986, 42 United States Code, Sections
40 300f to 300j(26), as amended, regarding the treatment of
 drinking water.

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

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STATEMENT OF FACT

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The bill establishes within the Maine Municipal Bond Bank a revolving loan fund to provide assistance to water utilities that must make investments in drinking water treatment facilities as a result of the federal Safe Drinking Water Act of 1986, 42 United States Code, Sections 300f to 300j(26), as amended.