

MAINE STATE LEGISLATURE

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115th MAINE LEGISLATURE

FIRST REGULAR SESSION-1991

Legislative Document

No. 1262

H.P. 876

House of Representatives, March 21, 1991

Reference to the Committee on Human Resources suggested and ordered printed.

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

EDWIN H. PERT, Clerk

Presented by Representative MITCHELL of Vassalboro.

Cosponsored by Representative MANNING of Portland, Senator BRANNIGAN of Cumberland and Speaker MARTIN of Eagle Lake.

STATE OF MAINE

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

An Act to Enhance Access to Financing for Health Care Facilities.



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

2
4 Sec. 1. 22 MRSA §2053, sub-§3-A is enacted to read:

6 3-A. Health care facility. "Health care facility" means
any nursing home or boarding home that is, or will be upon
completion, licensed under the laws of the State.

8
10 Sec. 2. 22 MRSA §2053, sub-§4-A, as enacted by PL 1973, c.
713, §2, is repealed.

12 Sec. 3. 22 MRSA §2053, sub-§5, as amended by PL 1973, c. 713,
§3, is further amended to read:

14 5. Participating health care facility. "Participating
16 hospital health care facility" means a any hospital or nursing
home which or boarding home that, pursuant to this chapter, shall
18 undertake undertakes the financing and construction or
acquisition of a project or shall--undertake undertakes the
20 refunding or refinancing of existing indebtedness as provided in
and permitted by this chapter.

22 Sec. 4. 22 MRSA §2075 is enacted to read:

24 §2075. Maine Health Facilities' Reserve Fund

26 1. Maine Health Facilities' Reserve Fund. The authority
28 shall establish and maintain a reserve fund called the "Maine
Health Facilities' Reserve Fund" in which is deposited all money
30 appropriated by the State for the purpose of that fund, all
proceeds of bonds required to be deposited in the fund by terms
32 of any contract between the authority and its bondholders or any
resolution of the authority with respect to the proceeds of bonds
34 and any other money or funds of the authority that the authority
determines to deposit in the fund and any other money made
36 available to the authority only for the purposes of the fund from
any other source or sources.

38 A. Money in the reserve fund is held and applied solely to
40 the payment of the interest on and principal of bonds
secured by the reserve fund and sinking fund payments
42 referred to in this chapter with respect to bonds secured by
the reserve fund as the interest, principal and sinking fund
44 payments become due and payable; and for the retirement of
bonds, including the payment of any redemption premium
46 required to be paid when any bonds are redeemed or retired
before maturity. Money may not be withdrawn from the fund
48 if the withdrawal reduces the amount in the reserve fund to
an amount less than the required debt service reserve,
50 except for:

52 (1) Payment of interest then due and payable on bonds;

- 2 (2) Payment of the principal of bonds then maturing
3 and payable;
- 4
- 5 (3) Sinking fund payments referred to in this chapter
6 with respect to bonds;
- 7
- 8 (4) The retirement of bonds in accordance with the
9 terms of any contract between the authority and its
10 bondholders; or
- 11
- 12 (5) The payment for which other money of the authority
13 is not then available for payment of interest,
14 principal or sinking fund payments or the retirement of
15 bonds in accordance with the terms of any such contract.

16 B. As used in this chapter, "required debt service reserve"
17 means, as of any date of computation, the amount or amounts
18 required to be on deposit in the reserve fund as provided by
19 resolution of the authority. The required debt service
20 reserve is, as of any date of computation, an aggregate
21 amount equal to at least the largest amount of money
22 required by the terms of all contracts between the authority
23 and holders of bonds secured by the reserve fund to be
24 raised in the current or any succeeding calendar year for:

- 25
- 26 (1) The payment of interest on and maturing principal
27 of that portion of outstanding bonds secured by the
28 reserve fund, the proceeds of which were applied solely
29 to the purchase of municipal securities; and
- 30
- 31 (2) Sinking fund payments required by the terms of any
32 such contracts to sinking funds established for the
33 payment or redemption of those bonds.

34

35 C. To ensure the maintenance of the required debt service
36 reserve in the reserve fund, there must be annually
37 appropriated and paid to the authority for deposit in the
38 fund the sum, if any, certified by the executive director of
39 the authority to the Governor, required to restore the
40 reserve fund to an amount equal to the required debt service
41 reserve. On or before December 1st of each year, the
42 executive director shall make and deliver to the Governor a
43 certificate stating the sum and the sum or sums so certified
44 must be appropriated and paid to the authority during the
45 current state fiscal year.

46

47 To ensure the maintenance of the required debt service
48 reserve in any capital reserve fund to which, at the
49 direction of the authority pursuant to the resolution or
50 resolutions establishing a capital reserve fund, this
51 provision applies, there is annually appropriated and paid
52

2 to the authority for deposit in the fund the sum, if any,
3 certified by the executive director of the authority to the
4 Governor, required to restore the reserve fund to an amount
5 equal to the required debt service reserve. On or before
6 December 1st of each year, the director shall make and
7 deliver to the Governor a certificate stating the sum and
8 the sum or sums so certified must be appropriated and paid
9 to the authority during the current state fiscal year.

10 2. Capital reserve fund. This subsection applies to
11 capital reserve funds.

12 A. The authority may establish and maintain one or more
13 special funds called "capital reserve funds" in which must
14 be deposited:

15 (1) All money appropriated by the State for the
16 purpose of those funds;

17 (2) All proceeds of bonds required to be deposited in
18 those funds by the terms of any contract between the
19 authority and its bondholders or any resolution of the
20 authority with respect to the proceeds of bonds;

21 (3) Any other money or funds of the authority that the
22 authority determines to deposit in those funds; and

23 (4) Any other money made available to the authority
24 only for the purposes of the fund from any other source
25 or sources.

26 B. Money in any capital reserve fund is held and applied
27 solely:

28 (1) To pay the interest on and principal of bonds
29 secured by the capital reserve fund and sinking fund
30 payments referred to in this chapter with respect to
31 bonds secured by the capital reserve fund as the
32 interest and principal becomes due and payable; and

33 (2) To retire bonds secured by the capital reserve
34 fund, including the payment of any redemption premium
35 required to be paid when any such bonds are redeemed or
36 retired before maturity.

37 C. The minimum amount of any capital reserve fund must be
38 equal to the amounts required under the resolutions pursuant
39 to which the bonds secured by the capital reserve fund are
40 issued. These amounts are referred to in this chapter as
41 the "required minimum reserve." With respect to bonds
42 secured by a capital reserve fund for which the resolution
43 authorizing the issuance of those bonds states that the
44

2 provisions of subsection 1, paragraph C apply, the required
4 minimum reserve is, as of any date of computation, an
6 aggregate amount equal to at least the largest amount of
8 money required by the terms of all contracts between the
10 authority and its bondholders of the bonds to be raised in
12 the current or any succeeding calendar year for the payment
14 of interest on and maturing principal of that portion of the
16 outstanding bonds, the proceeds of which were applied solely
18 to the purchase of municipal securities or municipal bonds
and sinking fund payments required by the terms of any such
contracts to sinking funds established for the payment or
redemption of the bonds, all calculated on the assumption
that the bonds will cease to be outstanding after the date
of the computation because of the payment of the bonds at
their respective maturities and the payments of the required
money to sinking funds and the application of the sinking
funds in accordance with the terms of all such contracts to
the retirement of the bonds.

20 D. Money in any capital reserve fund may not be withdrawn
22 if the withdrawal reduces the amount in the capital reserve
24 fund to an amount less than the required minimum reserve for
all such bonds issued and to be issued that are secured by
the capital reserve fund, except for:

26 (1) Payment of interest then due and payable on bonds
28 secured by the capital reserve fund then maturing and
payable;

30 (2) Sinking fund payments required by the terms of any
32 such contracts to sinking funds established for the
payment of redemption of the bonds;

34 (3) The retirement of bonds secured by the capital
36 reserve fund in accordance with the terms of any
contract between the authority and its bondholders; and

38 (4) The payments for which other money of the
40 authority is not then available for payment of interest
42 or principal or sinking fund payments or retirement of
bonds secured by the capital reserve fund in accordance
with the terms of any such contract.

44 STATEMENT OF FACT

46
48 Currently, in order to meet federal and state licensing
50 standards, many nursing and boarding homes are in need of
reconstruction or refurbishing. In addition, many nursing or
boarding facilities are financed at high commercial rates. The
Medicaid program is responsible for much of the cost of the

2 reconstruction or financing. Access to lower cost financing
reduces costs to the Medicaid program.

4 This bill adds proprietary nursing homes and boarding homes
6 to the list of facilities that may be assisted in financing or
refinancing by the Maine Health and Higher Educational Facilities
8 Authority and creates a reserve fund for the repayment of bonds
issued by the authority to finance or refinance health care
facilities.