

MAINE STATE LEGISLATURE

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STATE OF MAINE
SENATE
115TH LEGISLATURE
FIRST REGULAR SESSION

COMMITTEE AMENDMENT " A " to S.P. 642, L.D. 1690, Bill, "An Act Concerning Amendments to the Laws Affecting Education Programs of the Finance Authority of Maine"

Amend the bill by striking out all of the title and substituting the following:

'An Act to Establish a Higher Education Loan Program and to Make Certain Amendments to the Laws Affecting Education Programs of the Finance Authority of Maine'

Further amend the bill by inserting after the enacting clause the following:

PART A

Sec. A-1. 10 MRSA §1013, sub-§§11 and 12, as enacted by PL 1989, c. 698, §10, are amended to read:

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

12. Maine Choice Program. The Maine Choice Program, as established in Title 20-A, chapter 430-A; and

Sec. A-2. 10 MRSA §1013, sub-§13 is enacted to read:

13. Higher Education Loan Program. The Higher Education Loan Program as established in Title 20-A, chapter 417-B.

Sec. A-3. 20-A MRSA c. 417-B is enacted to read:

CHAPTER 417-B

HIGHER EDUCATION LOAN PROGRAM

§11441. Program established

There is established the Higher Education Loan Program, administered by the Finance Authority of Maine, to carry out the purposes of this chapter.

§11442. Definitions

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

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

2. Eligible program of study. "Eligible program of study" means a certificate program of at least one year, an associate degree program, a baccalaureate degree program or a graduate degree program.

3. Institution of higher education. "Institution of higher education" means an accredited institution of higher education located within the United States.

4. Unmet need. "Unmet need" means the difference between the total cost of attendance for an academic year at an institution of higher education and the total of all sources of financial assistance, including loans, grants, work-study programs and all other available sources, as determined by the authority by rules adopted in accordance with Title 5, chapter 375.

§11443. Eligibility

Loans under this chapter are available only to or for the benefit of a resident of the State who:

1. Graduated. Has graduated from an approved secondary school, matriculated at a postsecondary school prior to high school graduation or successfully completed a high school equivalency diploma or its equivalent;

2. Accepted as undergraduate. Has been accepted for enrollment as an undergraduate or graduate student or is in good standing as an undergraduate or graduate student at an institution of higher education in an eligible program of study

and has not previously received the degree for which the student is enrolled;

3. Application. Has applied for a loan under the program according to schedules and procedures and on forms specified by the authority and has provided or caused to be provided all information determined necessary by the authority in order to determine eligibility;

4. Unmet need. Has been determined by the authority to have an unmet need for financial assistance that, if not met, will prevent the student from attending the institution of higher education of that student's choice;

5. Residency. Meets the state residency requirements that may be established by the authority by rule; and

6. Loan repayment. Has been determined by the authority to have a reasonable prospect of being able to repay the loan. In appropriate cases, the authority may allow repayments to be deferred and subordinated to repayment of other student loans for such period of time as may be necessary for the borrower to be able to afford to repay the loan.

7. Academic standing. Is maintaining a grade point average of at least 2.0 on a scale of 4.0, or the equivalent as determined by the authority, provided, however, that the authority may waive the minimum grade point average in the case of a student demonstrating special circumstances and a substantial likelihood of improvement.

§11444. Higher Education Loan Program Fund

1. Establishment. The Higher Education Loan Program Fund is established to be used by the authority as a nonlapsing, revolving fund for carrying out this chapter. In its discretion, the authority may combine this fund with other funds of the authority for accounting purposes and may establish separate accounts for loans and for a reserve for loan default payments. Money in the fund currently not needed to meet the obligations of the authority as lender or insurer is deposited with the authority to the credit of the fund or may be invested as provided by law.

2. Charges and credits. All amounts received by the authority for deposit to the fund pursuant to this chapter or otherwise must be deposited in the fund. All expenses of the authority in carrying out this chapter, including interest, principal and fee payments required by loan defaults, must be charged to the fund.

§11445. Loans to minors

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

6
8 Further amend the bill in section 1 in the last line (page
 1, line 16 in L.D.) by inserting after the following: "Grant" the
10 following: 'provided, however, that the amount of any Pell Grant
 that a student is entitled to receive must be included in
12 calculating the amount of a student incentive scholarship whether
 or not the student receives the Pell Grant'

14 Further amend the bill in section 2 in subsection 2 in the
 first paragraph in the next to the last line (page 1, line 27 in
16 L.D.) by inserting before the following: "outstanding" the
 following: 'original'

18
20 Further amend the bill in section 2 in subsection 2 in
 paragraph A in the last line (page 1, line 32 in L.D.) by
22 inserting before the following: "outstanding" the following:
 'original'

24 Further amend the bill in section 2 in subsection 2 in
 paragraph B in the next to the last line (page 1, line 38 in
26 L.D.) by inserting before the following: "outstanding" the
 following: 'original'

28
30 Further amend the bill in section 8 in subsection 4 in the
 last line (page 4, line 32 in L.D.) by inserting before the
32 following: "outstanding" the following: 'original'

34 Further amend the bill in section 8 in subsection 4 in
 paragraph A in the last line (page 4, line 36 in L.D.) by
36 inserting before the following: "outstanding" the following:
 'original'

38 Further amend the bill in section 8 in subsection 4 in
 paragraph B in the 3rd line (page 4, line 40 in L.D.) by
40 inserting before the following: "outstanding" the following:
 'original'

42
44 Further amend the bill in section 11 in the first line (page
 5, line 19 in L.D.) by striking out the following: "§12502" and
46 inserting in its place the following: '§12501'

48 Further amend the bill in section 15 in the first line (page
 6, line 13 in L.D.) by striking out the following: "§12568" and
50 inserting in its place the following: '§12658'

52 Further amend the bill by renumbering the sections to read
 consecutively.

2 Further amend the bill by inserting before the statement of
fact the following:

4
6 **PART B**

8 **Sec. B-1. Authorization of bonds to provide for higher education
funding.** The Treasurer of State is authorized, under the
direction of the Governor, to issue bonds in the name and behalf
10 of the State in an amount not exceeding \$10,000,000 to raise
funds to meet the needs of the Higher Education Loan Program as
12 authorized by section 6 of this Part. The bonds are a pledge of
the full faith and credit of the State. The bonds may not run
14 for a period longer than 20 years from the date of the original
issue of the bonds. At the discretion of the Treasurer of State,
16 with the approval of the Governor, any issuance of bonds may
contain a call feature.

18
20 **Sec. B-2. Records of bonds issued to be kept by the State Auditor and
Treasurer of State.** The State Auditor shall keep an account of the
bonds, showing the number and amount of each, the date when
22 payable and the date of delivery of the bonds to the Treasurer of
State. The Treasurer of State shall keep an account of each bond
24 showing the number of the bond, the name of the successful bidder
to whom sold, the amount received for the bond, the date of sale
26 and the date when payable.

28 **Sec. B-3. Sale; how negotiated; proceeds appropriated.** The
Treasurer of State may negotiate the sale of the bonds by
30 direction of the Governor, but no bond may be loaned, pledged or
hypothecated on behalf of the State. The proceeds of the sale of
32 the bonds, which must be held by the Treasurer of State and paid
by the Treasurer of State upon warrants drawn by the State
34 Controller, are appropriated solely for the purposes set forth in
this Act. Any unencumbered balances remaining at the completion
36 of the project in section 6 of this Part lapse to the debt
service account established for the retirement of these bonds.

38
40 **Sec. B-4. Interest and debt retirement.** The Treasurer of State
shall pay interest due or accruing on any bonds issued under this
Act and all sums coming due for payment of bonds at maturity.

42
44 **Sec. B-5. Disbursement of bond proceeds.** The proceeds of the
bonds must be expended as set out in section 6 of this Part under
the direction and supervision of the Finance Authority of Maine.

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48 **Sec. B-6. Allocation from General Fund bond issue; higher education
funding.** The proceeds of the sale of the bonds must be expended
as designated in the following schedule.

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FINANCE AUTHORITY OF MAINE

Higher Education Loan Program Fund

All Other \$10,000,000

Provides funds for the Higher Education Loan Program Fund, a revolving fund created and established for financing assistance under the Higher Education Loan Program. The fund and the program are administered by the Finance Authority of Maine.

FINANCE AUTHORITY OF MAINE

TOTAL \$10,000,000

Sec. B-7. Taxable bond option. The Treasurer of State, at the direction of the Governor, may covenant and consent that the interest on the bonds be includable, under the United States Internal Revenue Code, in the gross income of the holders of the bonds to the same extent and in the same manner that the interest on bills, bonds, notes or other obligations of the United States is includable in the gross income of the holders under the United States Internal Revenue Code or any subsequent law. The powers conferred by this section are not subject to any limitations or restriction of any law that may limit the power to so covenant and consent.

Sec. B-8. Contingent upon ratification of bond issue. Sections 1 to 7 of this Part do not become effective unless the people of the State have ratified the issuance of bonds as set forth in this Act.

Sec. B-9. Appropriation balances at year end. At the end of each fiscal year, all unencumbered appropriation balances representing state money carry forward. Bond proceeds that have not been expended within 10 years after the date of the sale of the bonds lapse to General Fund debt service.

Sec. B-10. Bonds authorized but not issued. Any bonds authorized but not issued, or for which bond anticipation notes are not issued within 5 years of ratification of this Act, are deauthorized and may not be issued; except that the Legislature may, within 2 years after the expiration of that 5-year period, extend the period for issuing any remaining unissued bonds or bond anticipation notes for an additional amount of time not to exceed 5 years.

R. 05.

COMMITTEE AMENDMENT "A " to S.P. 642, L.D. 1690

2 This bill also reduces the residency requirements in the
Blaine House Scholars and Financial Assistance Program, which
4 will allow an increased number of eligible applicants for that
program. General Fund appropriations to the Finance Authority of
6 Maine will be required in order to serve both those currently
served as well as those newly eligible for scholarships.

8 The costs associated with administering the new loan program
and for expanded responsibilities within the Blaine House
10 Scholars and Financial Assistance Program will be absorbed within
existing resources of the Finance Authority of Maine.'

12
14 **STATEMENT OF FACT**

16 This amendment authorizes the Finance Authority of Maine to
implement a new Higher Education Loan Program. The Higher
18 Education Loan Program is designed to provide a source of
financial assistance for students who have exhausted all other
20 sources of financial aid and still face an unmet need in meeting
the costs of higher education. The program will allow many Maine
22 students to attend the institution of their choice and will allow
the Finance Authority of Maine to establish a repayment schedule
24 that the borrower can meet.

26 The amendment establishes the Higher Education Loan Program
to provide a source of loan funds to students to help pay for the
28 costs of education. The Higher Education Loan Program Fund is
established from which loans are made and loan defaults are paid.

30 The amendment provides for a bond issue of \$10,000,000 to
32 provide funds for the Higher Education Loan Program. The bonds
may be issued over a period of years as necessary in order to
34 provide sufficient funds for the program.

36 The amendment also clarifies that the amount of any Pell
Grant that a student is entitled to receive must be included in
38 calculating eligibility for a student incentive scholarship.
This amendment also adds a fiscal note to the bill.
40

Reported by Senator McCormick for the Committee on Education.
Reproduced and Distributed Pursuant to Senate Rule 12.
(6/5/91) (Filing No. S-308)