

MAINE STATE LEGISLATURE

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116th MAINE LEGISLATURE

FIRST REGULAR SESSION-1992

Legislative Document

No. 1

S.P. 8

In Senate, December 2, 1992

Reference to the Committee on Appropriations and Financial Affairs suggested and ordered printed.

JOY J. O'BRIEN
Secretary of the Senate

Presented by Senator AMERO of Cumberland (GOVERNOR'S BILL).

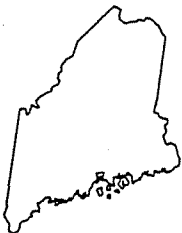
Cosponsored by Representative MICHAUD of East Millinocket and Senator O'DEA of Penobscot.

STATE OF MAINE

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

**An Act to Clarify the Tax-exempt Borrowing Authority of the University
of Maine System.**

(EMERGENCY)



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

4
Whereas, the State continues to experience economic
6 difficulty and, as a result, control of all state expenditures
remains an important priority; and

8
Whereas, immediate passage of this legislation will result
10 in cost savings for the State; and

12
Whereas, utilities need to obtain financing immediately in
order to construct facilities to meet the requirements of the
14 federal Safe Drinking Water Act in a timely manner; and

16
Whereas, legislation enacted by the 115th Legislature to
make such funds available has not resulted in such financing
18 being made available; and

20
Whereas, in the judgment of the Legislature, these facts
create an emergency within the meaning of the Constitution of
22 Maine and require the following legislation as immediately
necessary for the preservation of the public peace, health and
24 safety; now, therefore,

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

28 **Sec. 1. 20-A MRSA §10952, sub-§7, as amended by PL 1991, c. 9,**
Pt. E, §13, is further amended to read:

30
32 **7. Borrow money.** To borrow money pursuant to this chapter
and issue evidences of indebtedness to finance the acquisition,
34 construction, reconstruction, improvement or equipping of any one
project, or more than one, or any combination of projects, or to
36 refund evidences of indebtedness hereafter issued or to refund
general obligation debt of the State ~~previously-issued-to-finance~~
~~any--project--or--projects,~~ or to refund any such refunding
38 evidences of indebtedness or for any one, or more than one, or
all of those purposes, or any combination of those purposes, and
40 to provide for the security and payment of those evidences of
indebtedness and for the rights of the holders of them, except
42 that any borrowing pursuant to this chapter, exclusive of
borrowing to refund evidences of indebtedness, to refund general
44 obligation debt of the State, or to fund issuance costs or
necessary reserves, may not exceed in the aggregate principal
46 amount outstanding at any time \$27,000,000, and except that no
borrowing may be effected pursuant to this chapter unless the
48 amount of the borrowing and the project or projects are submitted
to the Legislative legislative Office of Fiscal and Program
50 Review for review by the ~~Joint--Standing--Committee--on~~

2 ~~Appropriations and Financial Affairs joint standing committee of~~
3 ~~the Legislature having jurisdiction over appropriations and~~
4 ~~financial affairs~~ at least 60 days before closing on such
borrowing for the project or projects is to be initiated;

6 Sec. 2. 20-A MRSA §10953, sub-§3, as amended by PL 1989, c.
7 578, §2, is further amended to read:

8
9 3. Refund evidences of indebtedness. To refund evidences
10 of indebtedness issued pursuant to this chapter or to refund
11 general obligation debt of the State ~~issued-previously-to-finance~~
12 ~~any-project-or-projects~~; or

14 Sec. 3. 20-A MRSA §10954, sub-§2, as amended by PL 1989, c.
15 578, §3, is further amended to read:

16
17 2. Refund evidences of indebtedness. To refund evidences
18 of indebtedness issued and to finance the cost of any project or
19 projects as provided in this chapter or to refund general
20 obligation debt of the State ~~issued-previously-to-finance-any~~
21 ~~project-or-projects~~; or

22
23 Sec. 4. 20-A MRSA §10959, as amended by PL 1989, c. 578, §4,
24 is further amended to read:

26 **§10959. Refunding indebtedness**

28 Pursuant to sections 10953 to 10955, the university may
29 enter into financing transactions and issue evidences of
30 indebtedness for the purpose of refinancing obligations or
31 evidences of indebtedness issued under this chapter or to refund
32 general obligation debt of the State ~~issued-previously-to-finance~~
33 ~~any-project-or-projects~~, including the payment of any redemption
34 premium on the evidences of indebtedness or general obligation
35 debt of the State and any interest accrued or to accrue to the
36 date of redemption of those obligations, and if deemed advisable
37 by the university for the additional purpose of construction or
38 enabling the construction of improvements, extensions,
39 enlargements or additions of the project or projects in
40 connection with which the obligations to be refunded shall have
41 been issued. The university's refunding authority ~~shall-include~~
42 includes authority to borrow and issue evidences of indebtedness
43 for the combined purpose of refunding any evidences of
44 indebtedness issued under this chapter then outstanding or
45 refunding general obligation debt of the State ~~issued-previously~~
46 ~~to-finance-any-project-or-projects~~, including the payment of any
47 redemption premium on the evidences of indebtedness or general
48 obligation debt of the State and any interest accrued or to
49 accrue to the date of redemption of those obligations, and paying
50 all or any part of the cost of acquiring or constructing or

enabling the acquisition or construction of any additional project or projects or part of a project, or any improvements, extensions, enlargements or additions of any project or projects. The incurring of indebtedness for refunding purposes and the issuance of evidences of indebtedness in connection with the indebtedness, the maturities and other details, the rights and remedies of the holders and the rights, powers, privileges, duties and obligations of the university with respect to the indebtedness shall be ~~are~~ governed by this chapter insofar as the chapter may be applicable. In the event the university refunds general obligation debt of the State not previously issued to finance any project or projects, the Treasurer of State is authorized to discharge the university from an amount of its obligations to reimburse the State for debt service on general obligation debt of the State issued to finance any project or projects that is equivalent to the general obligation debt of the State actually being refunded by the issuance of bonds under this chapter. Equivalent amounts must be determined on the basis of the discounted present value of all such obligations.

Sec. 5. 30-A MRSA §5903, sub-§7-A, as enacted by PL 1989, c. 48, §§15 and 31, is repealed and the following enacted in its place:

7-A. Municipality. "Municipality" means:

A. Any city, town, special district, county, plantation or municipal village corporation within the State; or

B. For the purpose of section 5953, subsection 1, paragraph D only, any water utility as defined in subsection 13.

Sec. 6. 30-A MRSA §5953, sub-§1, ¶D, as amended by PL 1991, c. 775, §2, is further amended to read:

D. Borrow money and make the borrowing proceeds available to the municipality ~~or water utility~~ at terms agreed upon by the bank and the municipality.

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

FISCAL NOTE

If the University of Maine System chooses to prepay its self-liquidating debt service obligation to the State and the State uses this prepayment to retire general obligation debt, then the State's current debt load will be reduced.

2 If the University of Maine System prepays its current
obligation to the State and the State uses the prepayment to
4 reduce the amount of bonds scheduled to be refunded in fiscal
year 1992-93, there will be a future cost to the General Fund as
6 a result of increased costs for debt service. The exact amount
of the additional appropriations can not be estimated at this time.

8
10 **STATEMENT OF FACT**

12 The State currently has outstanding certain general
obligation bonds issued to finance the cost of dormitories at the
14 University of Maine System and at the former state teachers'
colleges. The university is obligated to reimburse the State for
the debt service on these bonds out of the room and board
16 revenues received by the university for use of the facilities.

18 The university's existing tax-exempt borrowing authority
authorizes the refunding of these general obligation bonds
20 through the issuance of the university's revenue bonds. Under
the current law, the university may only prepay its obligation to
22 reimburse the State if the State simultaneously refunds the
outstanding general obligation bonds to which the university's
24 reimbursement obligation relates. This bill would enable the
university to prepay its reimbursement obligation to the State
26 without the State being required to refund the specific general
obligation bond issue to which the university's obligation
28 relates. Instead, the State is granted the discretion to utilize
the university's prepayment to refund whatever outstanding
30 general obligation debt the State determines appropriate. Thus,
the effect of the bill is to increase the State's flexibility in
32 applying prepayments made by the university to general obligation
debt of the State.

34
36 This bill also permits the Maine Municipal Bond Bank to make
bond proceeds available to water companies as the 115th
Legislature intended. The funds are necessary to permit the
38 water companies to comply with the requirements and deadlines of
the federal Safe Drinking Water Act and for other purposes.