

MAINE STATE LEGISLATURE

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118th MAINE LEGISLATURE

FIRST REGULAR SESSION-1997

Legislative Document

No. 1652

H.P. 1175

House of Representatives, March 25, 1997

**An Act to Establish the Dirigo Higher Education Bond Program to
Provide Financial Aid to Maine Students.**

Reference to the Committee on Business and Economic Development suggested and
ordered printed.

A handwritten signature in cursive script that reads "Joseph W. Mayo".

JOSEPH W. MAYO, Clerk

Presented by Representative DAVIDSON of Brunswick.

Cosponsored by Representatives: BUMPS of China, MITCHELL of Portland, ROWE of
Portland, SAXL of Portland, STEVENS of Orono, WATSON of Farmingdale.

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

4 **Sec. 1. 10 MRSA §1013, sub-§10**, as amended by PL 1995, c. 462,
Pt. A, §17, is further amended to read:

6 **10. Student financial assistance counseling and outreach**
7 **program.** The student financial assistance counseling and
8 outreach program, as established in Title 20-A, chapter 430-B; and

10 **Sec. 2. 10 MRSA §1013, sub-§13**, as amended by PL 1991, c. 824,
Pt. C, §1, is further amended to read:

12 **13. Higher Education Loan Program.** The Higher Education
14 Loan Program as established in Title 20-A, chapter 417-C.; and

16 **Sec. 3. 10 MRSA §1013, sub-§14** is enacted to read:

18 **14. Dirigo Higher Education Bond Program.** The Dirigo
19 Higher Education Bond Program as established in Title 20-A,
20 chapter 438.

22 **Sec. 4. 20-A MRSA c. 438** is enacted to read:

24 **CHAPTER 438**

26 **DIRIGO HIGHER EDUCATION BOND PROGRAM**

28 **§12931. Definitions**

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

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

36 **2. Beneficiary.** "Beneficiary" means a Maine resident under
38 18 years of age in whose name a Dirigo bond is purchased.

40 **3. Bond.** "Bond" means bonds, notes, refunding bonds,
42 commercial paper, pass-through instruments and any other
evidences of obligations of the authority issued pursuant to this
44 chapter.

46 **4. Costs of attendance.** "Costs of attendance" means the
costs associated with tuition and other educational expenses at
48 institutions of higher education. Costs of attendance does not
include costs of room, board or other living expenses.

2 5. Dirigo bond. "Dirigo bond" means any bond issued by the
authority pursuant to this chapter for the purpose of providing
for the costs of attendance at institutions of higher education.

4
6 6. Dirigo program. "Dirigo program" means the Dirigo
Higher Education Bond Program established in section 12932.

8 7. Institution of higher education. "Institution of higher
education" means an institution of higher education located
10 within this State, within another state or within a foreign
country.

12
14 8. Purchaser. "Purchaser" means a parent, legal guardian
or other relative who purchases a Dirigo bond in the name of a
beneficiary.

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18 **12932. Dirigo Higher Education Bond Program**

20 The Dirigo Higher Education Bond Program is established to
provide financial aid to Maine students. The Dirigo program is
administered by the authority and, to the extent feasible,
22 includes the following elements.

24 1. Dirigo bonds. In cooperation with the Treasurer of
State, the authority shall make available Dirigo bonds, in
26 denominations of \$300 or more, for purchase on behalf of named
beneficiaries who anticipate using the payments on the bonds to
28 provide for costs of attendance at institutions of higher
education. The bonds must bear interest at an annual variable
30 rate equal to the rate of inflation plus 2 percentage points.
Payments of interest or principal on the bonds may not be made
32 except upon maturity or earlier redemption in accordance with
this section. The bonds must be made available with varied and
34 flexible redemption and maturity dates to accommodate the savings
requirements for beneficiaries who intend to use the principal
36 and interest on the bonds to provide for costs of higher
education.

38
40 2. Payment arrangements. The authority shall make the
arrangements necessary to enable a purchaser of a Dirigo bond to
42 make a purchase by convenient means, including, but not limited
to, the use of payroll savings plans or other recurrent payments
of relatively small amounts.

44
46 3. Administrative costs; fees. The authority may require a
purchaser of a Dirigo bond to pay fees or to buy the bonds at a
48 premium to cover all or part of the costs of issuance, the
administration of the Dirigo program and the cost to the

2 State of associated financial arrangements to limit or control
3 the State's interest costs for a Dirigo bond.

4 4. Tuition agreements. The authority shall enter into
5 tuition agreements with public and private institutions of higher
6 education to ensure that a Dirigo bond is worth a guaranteed
7 percentage of tuition at the institution based on the cost of
8 tuition in the year the bond was purchased. Under the
9 agreements, the institutions must agree, as a condition of being
10 accepted as participating institutions in the Dirigo program,
11 that the percentage of tuition paid by a student with the
12 proceeds from a principal and interest payments from Dirigo bonds
13 will not increase over the tuition percentage at the time of
14 original issuance and sale of the bonds at a rate greater than
15 the interest rate on the bonds and agree to such other terms as
16 the authority may require. If the tuition agreement with an
17 institution of higher education does not guarantee that proceeds
18 from principal and interest payments from Dirigo bonds will cover
19 100% of tuition when redeemed, the remaining percentage of
20 tuition must be paid by the student at the tuition price at the
21 time of enrollment. If the tuition agreement with an institution
22 of higher education guarantees that proceeds from principal and
23 interest payments from a Dirigo bond will cover more than 100% of
24 tuition at the institution when redeemed, the student must
25 receive a refund or credit for the proceeds of a Dirigo bond that
26 exceeds the costs of attendance. This subsection does not
27 prohibit a Dirigo bond from being redeemed to provide for the
28 costs of attendance at a nonparticipating institution.

29 5. Redemption. The authority, in consultation with the
30 Treasurer of State, shall establish rules for the redemption of a
31 Dirigo bond. The rules must provide that the bonds are redeemed
32 for full value when redeemed for use in meeting costs of the
33 named beneficiary's higher education at a participating
34 institution or for purchase of additional Dirigo bonds. The
35 rules must provide for redemption of the bonds by named
36 beneficiaries for purposes other than higher education if the
37 beneficiary does not enroll in higher education at the time of
38 maturity. The rules may provide for one or more penalties that
39 reduce redemption value when a Dirigo bond is redeemed for use in
40 meeting costs of the named beneficiary's higher education at an
41 institution other than a participating institution or when a
42 Dirigo bond is redeemed for any other purposes.

43 6. Transfer. The authority shall establish rules that allow
44 for the substitution, in appropriate circumstances, of a sibling
45 or other close relative in place of the named beneficiary for the
46 purpose of higher education and allow for early redemption of a
47 Dirigo bond in cases of extreme hardship.

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2 7. Reciprocal agreements. The authority shall investigate
3 the possibility of and, if feasible, negotiate reciprocal
4 agreements with other governmental entities offering similar
5 college savings plans or bond programs. The agreements must be
6 designed to allow a named beneficiary of a Dirigo bond to use the
7 bonds for educational costs and to receive the benefits of
8 tuition agreements at the widest possible range of institutions
9 of higher education and to allow institutions of higher education
10 in the State to receive the benefits of participation in college
11 savings programs established by other governmental entities.

12 8. Rules. Rules adopted pursuant to this chapter are
13 routine technical rules as defined in Title 5, chapter 375,
14 subchapter II-A.

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SUMMARY

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19 This bill establishes the Dirigo Higher Education Bond
20 Program to provide financial aid to Maine students under the
21 administration of the Finance Authority of Maine. The program is
22 designed to offer bonds, for purchase by Maine residents, that
23 are redeemable to pay the costs of attendance at institutions of
24 higher education.