

MAINE STATE LEGISLATURE

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118th MAINE LEGISLATURE

SECOND REGULAR SESSION-1998

Legislative Document

No. 2087

H.P. 1488

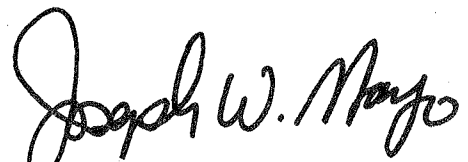
House of Representatives, January 20, 1998

**An Act to Clarify the Tax-exempt Status of the Maine School of Science
and Mathematics.**

(EMERGENCY)

Approved for introduction by a majority of the Legislative Council pursuant to Joint Rule
203.

Reference to the Committee on Taxation suggested and ordered printed.


JOSEPH W. MAYO, Clerk

Presented by Representative O'NEAL of Limestone.

Cosponsored by Representatives: BELANGER of Caribou, KNEELAND of Easton, LEMKE
of Westbrook, SIROIS of Caribou, WHEELER of Bridgewater.

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

4
6 Whereas, adjournment of the Second Regular Session of the
118th Legislature is not expected until April 1998; and

8 Whereas, the legislation that created the Maine School of
Science and Mathematics must be amended in order for the school
10 to expressly satisfy certain Internal Revenue Service criteria
for interest on its borrowings to be exempt from federal taxation
12 and to enter into leases and lease-purchase agreements; and

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

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

22 **Sec. 1. 20-A MRSA §8205, sub-§7,** as enacted by PL 1993, c.
706, Pt. A, §4, is amended to read:

24 **7. Property management.** To lease and to acquire by
26 purchase any property, lands, buildings, structures, facilities
or equipment and make improvements to facilities necessary to
28 fulfill the purposes of this chapter. Any lease or
lease-purchase agreement must have a term not to exceed 10 years
30 and must be subject to annual appropriation of funds. The
community of Limestone retains ownership of the Limestone
32 Elementary School and the Limestone Junior Senior High School and
shares those facilities with the school;

34 **Sec. 2. 20-A MRSA §8207,** as amended by PL 1997, c. 562, Pt.
36 E, §1, is further amended to read:

38 **§8207. Financing authority**

40 The board of trustees may borrow funds, issue bonds and
negotiate notes and other evidences of indebtedness or
42 obligations of the school for renovation and construction
purposes to pay for costs as defined in Title 22, section 2053,
44 subsection 3 and may issue temporary notes and renewal notes to
pay for those costs. Bonds, notes or other evidences of
46 indebtedness or obligations of the school are legal obligations
of the school on behalf of the State and are payable solely from

2 its the school's revenues and other sources of funds, including
3 funds obtained pursuant to Title 22, section 2053, subsection
4 4-B, paragraph B, and these borrowings by the school do not
5 constitute ~~a debt~~ debts or ~~liability~~ liabilities of, and these
6 ~~bonds and notes~~ are not includable in any debt limitation of the
7 State or any municipality or political subdivision of the State.
8 The board of trustees has the discretion to fix the date,
9 maturities, denomination, interest rate, place of payment, form
10 and other details of the bonds or notes of the school. Unless
11 otherwise provided in the vote authorizing their issuance, bonds
12 or notes of the school are signed by the treasurer and
13 countersigned by the chair of the board of trustees. The
14 aggregate principal amount of outstanding bonds, notes or other
15 evidences of indebtedness of the school may not exceed \$3,000,000
16 at any one time, excluding temporary notes and renewal notes.
17 The board of trustees may pledge or assign its revenues,
18 including any funds that have been or may be appropriated to the
19 school by the Town of Limestone, and the proceeds of those
20 revenues and its other property as security toward its bonds,
21 notes, other evidences of indebtedness or other obligations of
22 the school. The proceeds of bonds, notes or other evidences of
23 indebtedness may be invested in accordance with Title 30-A,
24 sections 5706 and 5712. Bonds, notes and other evidences of
25 indebtedness issued under this section are not debts of the
26 State, nor a pledge of the credit of the State, but are payable
27 solely from the funds of the school. The board of trustees may
28 also borrow funds in anticipation of revenues for current
29 operating expenses for a term not exceeding 13 months.
30 Indebtedness incurred and evidences of indebtedness issued under
31 this chapter are deemed to constitute a proper public purpose and
32 all income derived is exempt from taxation in the State. The net
33 earnings of the school may not inure to the benefit of any
34 private person. If the school is dissolved, the distribution of
35 all property owned by the school must be determined by the
36 Legislature in accordance with this chapter and may not inure to
37 the benefit of any private person.

38 **Emergency clause.** In view of the emergency cited in the
39 preamble, this Act takes effect when approved.
40

42 SUMMARY

44 This bill clarifies the tax-exempt status of the Maine
45 School of Science and Mathematics by expressly satisfying certain
46 Internal Revenue Service criteria for the interest on the
47 school's borrowings to be exempt from federal taxation and gives
48 the board of trustees express authority to enter into leases and
lease-purchase agreements with terms not to exceed 10 years.