

MAINE STATE LEGISLATURE

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124th MAINE LEGISLATURE

FIRST REGULAR SESSION-2009

Legislative Document

No. 1493

S.P. 572

In Senate, June 11, 2009

**An Act To Clarify the Rights of Bondholders and Noteholders in the
Event a School Administrative Unit with Outstanding Bonds or
Notes Is Dissolved or Is No Longer Authorized by Law**

(AFTER DEADLINE)

Approved for introduction by a majority of the Legislative Council pursuant to Joint Rule 205.

Reference to the Committee on Education and Cultural Affairs suggested and ordered printed.

A handwritten signature in cursive script that reads "Joy J. O'Brien".

JOY J. O'BRIEN
Secretary of the Senate

Presented by Senator ALFOND of Cumberland.

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

2 Sec. 1. 20-A MRSA §15695-A is enacted to read:

3 **§15695-A. Bondholders of school administrative units**

4 **1. Rights of bondholders of school administrative units.** If legislation, including a
5 ballot measure approved at referendum, becomes effective that dissolves a school
6 administrative unit that has issued outstanding general obligation bonds or notes or
7 repeals the laws pursuant to which such a school administrative unit is organized and
8 exists, the rights of the holders of the outstanding bonds and notes issued by that school
9 administrative unit are not impaired and the underlying indebtedness of any such
10 outstanding general obligation bonds or notes is deemed to survive, whether or not
11 replacement or successor school administrative units are organized or established, and
12 any state subsidy with respect to those outstanding obligations or the relative portion of
13 those outstanding obligations to be paid or reimbursed by the State is not affected.

14 **2. Power to tax.** Until one or more school administrative units are organized or
15 established to replace or succeed a former school administrative unit as described in
16 subsection 1 and assume the outstanding bonds or notes issued by such former school
17 administrative unit, all taxable property located in the municipalities that were members
18 of that former school administrative unit is subject to ad valorem taxation to pay the
19 underlying indebtedness of the bonds or notes issued by the former school administrative
20 unit to the same extent as that taxable property was subject to ad valorem taxation in the
21 former school administrative unit and as if such bonds or notes remained outstanding.
22 Taxes to pay the underlying indebtedness of the outstanding bonds or notes of the former
23 school administrative unit, as described in subsection 1 must be levied and collected by
24 the municipalities located in the former school administrative unit in the same manner as
25 the taxes of the municipalities. If one or more school administrative units are organized
26 or established to replace or succeed a former school administrative unit as described in
27 subsection 1, all taxable property located in the municipalities that were members of the
28 former school administrative unit and that are located within the replacement or successor
29 school administrative unit or school administrative units is subject to ad valorem taxation
30 to pay the underlying indebtedness of the bonds or notes of the former school
31 administrative unit to the same extent as that taxable property was subject to ad valorem
32 taxation in the former school administrative unit. Taxes to pay the underlying
33 indebtedness of the outstanding bonds or notes of the former school administrative unit as
34 described in subsection 1 must be levied and collected by the replacement or successor
35 school administrative unit in the same manner as the taxes of the replacement or
36 successor school administrative unit.

37 **3. Power to levy.** The holders of bonds and notes as described in subsection 1 retain
38 the right to levy on taxable property located in the former school administrative unit and
39 that taxable property is subject to Title 30-A, section 5701.

40 **4. Payment responsibility.** Until one or more school administrative units are
41 organized or established to replace or succeed a former school administrative unit as
42 described in subsection 1, the municipalities that were members of the former school

1 administrative unit shall pay the underlying indebtedness of the bonds or notes of the
2 former school administrative unit in accordance with their terms. As between the
3 municipalities that were members of the former school administrative unit, payment
4 responsibility for the underlying indebtedness of the bonds or notes of the former school
5 administrative unit must be allocated in proportion to the most recent state valuations of
6 those municipalities.

7 A school administrative unit or school administrative units organized or established to
8 replace or succeed a former school administrative unit as described in subsection 1 shall
9 pay the underlying indebtedness of the bonds and notes of the former school
10 administrative unit in accordance with their terms. As between replacement or successor
11 school administrative units of a former school administrative unit, payment responsibility
12 for the underlying indebtedness of the bonds or notes must be allocated based upon the
13 most recent state valuations of the municipalities that are located in each of the
14 replacement or successor school administrative units and that were members of the
15 former school administrative unit.

16 Nothing contained in this subsection may be construed to prohibit the organization or
17 establishment of a school administrative unit or school administrative units that replace or
18 succeed a former school administrative unit from employing a different method of
19 allocating payment responsibility for the underlying indebtedness of the bonds or notes
20 described in subsection 1.

21 SUMMARY

22 This bill provides that the rights of bondholders or noteholders may not be impaired
23 in the event that legislation is enacted that dissolves a school administrative unit with
24 outstanding indebtedness or in the event that the laws pursuant to which a school
25 administrative unit with outstanding indebtedness is organized and exists are repealed.