

MAINE STATE LEGISLATURE

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128th MAINE LEGISLATURE

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Legislative Document

No. 1330

H.P. 924

House of Representatives, April 6, 2017

**An Act To Authorize a General Fund Bond Issue To Facilitate
Innovative Approaches to Regional School Facilities and To
Establish the Maine Innovative Regional School Facilities Finance
Program**

Submitted by the Department of Education pursuant to Joint Rule 204.
Reference to the Committee on Appropriations and Financial Affairs suggested and ordered
printed.

Robert B. Hunt

ROBERT B. HUNT
Clerk

Presented by Representative GINZLER of Bridgton.
Cosponsored by Representatives: SIROCKI of Scarborough, TURNER of Burlington, WARD
of Dedham, Senator: MASON of Androscoggin.

1 **Preamble.** Two thirds of both Houses of the Legislature deeming it necessary in
2 accordance with the Constitution of Maine, Article IX, Section 14 to authorize the
3 issuance of bonds on behalf of the State of Maine to provide funds as described in this
4 Act,

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

6 **PART A**

7 **Sec. A-1. Authorization of bonds.** The Treasurer of State is authorized, under
8 the direction of the Governor, to issue bonds in the name and on behalf of the State in an
9 amount not exceeding \$20,000,000 for the purposes described in section 5 of this Part.
10 The bonds are a pledge of the full faith and credit of the State. The bonds may not run for
11 a period longer than 10 years from the date of the original issue of the bonds.

12 **Sec. A-2. Records of bonds issued; Treasurer of State.** The Treasurer of
13 State shall ensure that an account of each bond is kept showing the number of the bond,
14 the name of the successful bidder to whom sold, the amount received for the bond, the
15 date of sale and the date when payable.

16 **Sec. A-3. Sale; how negotiated; proceeds appropriated.** The Treasurer of
17 State may negotiate the sale of the bonds by direction of the Governor, but no bond may
18 be loaned, pledged or hypothecated on behalf of the State. The proceeds of the sale of the
19 bonds, which must be held by the Treasurer of State and paid by the Treasurer of State
20 upon warrants drawn by the State Controller, are appropriated solely for the purposes set
21 forth in this Part. Any unencumbered balances remaining at the completion of the project
22 in this Part lapse to the Office of the Treasurer of State to be used for the retirement of
23 general obligation bonds.

24 **Sec. A-4. Interest and debt retirement.** The Treasurer of State shall pay
25 interest due or accruing on any bonds issued under this Part and all sums coming due for
26 payment of bonds at maturity.

27 **Sec. A-5. Disbursement of bond proceeds from General Fund bond issue.**
28 The proceeds of the sale of the bonds authorized under this Part must be expended as
29 designated in the following schedule under the direction and supervision of the agencies
30 and entities set forth in this section.

31 **EDUCATION, DEPARTMENT OF**

32 Provides funds for the development of multidistrict, consolidated and integrated
33 prekindergarten through 16 school facilities.

34 Total \$20,000,000

1 **1. Loan application.** In addition to the other forms of financial assistance available
2 under this chapter, a public school, school administrative district, municipality, regional
3 school unit, community school district or other school administrative unit may apply for a
4 loan from the Innovative Regional School Facilities Revolving Fund under section
5 6006-I, in this section called "the fund," the proceeds of which must be used to finance
6 the cost of small-scale construction projects including additions or renovations to existing
7 buildings under section 6006-I, subsection 3, as designated by the Department of
8 Education.

9 A. The bank may prescribe an application form or procedure for a school
10 administrative unit to apply for a loan under this section. The application must
11 include any information that the bank determines necessary for the purpose of
12 implementing this section and section 6006-I.

13 **2. Loan; loan agreements.** Loans from the fund are subject to this subsection.

14 A. The bank may make loans from the fund to a school administrative unit for one or
15 more of the purposes set forth in subsection 1. The loans may be made in conjunction
16 with, at the same time as or as part of a project that obtains any other form of
17 assistance or loan under this chapter. Each loan is subject to the following conditions.

18 (1) The total amount of loans outstanding at any one time from the fund may not
19 exceed the balance of the fund, provided that the proceeds of bonds or notes of
20 the bank deposited in the fund, revenues from other sources deposited in the
21 fund, repayments from outstanding loans due and payable and binding financial
22 commitments of the United States or any other 3rd party to deposit money in the
23 fund are included in determining the fund balance.

24 (2) The loan must be evidenced by a municipal bond, loan agreement or other
25 debt instrument, payable by the school administrative unit over a term not to
26 exceed 15 years with annual principal or interest payments commencing not later
27 than one year after the project being financed is completed.

28 (3) The rate of interest charged for the loans may not exceed 0%. The bank,
29 pursuant to a determination by the Department of Education under section
30 6006-I, may provide loans to a school administrative unit with forgiveness of
31 principal or an effective interest rate of less than 0%. A school administrative unit
32 must pay back by the end of the term of the loan an amount not less than 30% of
33 the original principal amount of the loan nor more than 70% of the original
34 principal amount of the loan.

35 B. Loans made to a school administrative unit by the bank under this section must be
36 evidenced by and made in accordance with the terms and conditions specified in a
37 loan agreement to be executed by the bank and the school administrative unit. The
38 loan agreement must specify the terms and conditions of disbursement of loan
39 proceeds. The loan agreement must state the term, rate of interest, any amount of
40 principal forgiveness, scheduling of loan repayments and any other terms and
41 conditions determined necessary or desirable by the bank. Loans made to a school
42 administrative unit by the bank under this section may include provisions for
43 forgiveness of principal payments or loan repayment computation that results in an
44 effective negative interest rate.

1 **3. Loan management.** Proceeds from any indebtedness to the fund incurred by a
2 school administrative unit for the purposes of small-scale construction projects including
3 additions or renovations to existing buildings must be deposited in the bank. Proceeds
4 from any other indebtedness incurred by a school administrative unit for the purposes of
5 small-scale construction projects including additions or renovations to existing buildings
6 may be deposited in the bank. Any proceeds held must be invested by the bank for the
7 benefit of the school administrative unit. The bank shall pay to a school administrative
8 unit those amounts necessary for incurred costs or for reimbursement for incurred costs
9 associated with the purpose for which the indebtedness was incurred. Funds from any
10 indebtedness to the fund remaining after payment of all eligible project and financing
11 costs must be deposited in the fund.

12 **4. Eligibility certification.** A loan to a school administrative unit may not be made
13 under this section until:

14 A. The applicant certifies to the bank that it has secured all permits, licenses and
15 approvals necessary to undertake the small-scale construction projects including
16 additions or renovations to existing buildings to be financed by the loan;

17 B. The applicant has been designated by the Department of Education as eligible to
18 receive the loan; and

19 C. The applicant demonstrates to the satisfaction of the bank that it has the ability to
20 repay the loan made to the school administrative unit by the bank.

21 The Department of Education and the bank shall adopt rules necessary to implement this
22 section. Rules adopted by the Department of Education and the bank to implement this
23 section are routine technical rules pursuant to Title 5, chapter 375, subchapter 2-A.

24 **Sec. B-2. 30-A MRSA §6006-I** is enacted to read:

25 **§6006-I. Innovative Regional School Facilities Revolving Fund**

26 **1. Fund established.** The Innovative Regional School Facilities Revolving Fund,
27 referred to in this section as "the fund," is established in the custody of the bank.

28 **2. Administration.** The bank shall administer and invest the fund. The fund must be
29 established and held separate and apart from any other funds or money of the State or the
30 bank and must be used and administered exclusively for the purposes authorized in this
31 section. The fund consists of:

32 A. Sums that may be appropriated by the Legislature or transferred to the fund by the
33 Treasurer of State;

34 B. Principal and interest received from the repayment of loans made from the fund;

35 C. Capitalization grants and awards made to the State or an instrumentality of the
36 State by the United States for any of the purposes for which the fund has been
37 established. These amounts may be paid directly into the fund without appropriation
38 by the State and the bank is designated as the recipient for the State of any such
39 funds;

40 D. Interest earned from the investment of fund balances;

1 E. The proceeds of any bonds or notes issued by the State or the bank sold for the
2 purpose of deposit in the fund; and

3 F. Other funds and gifts in kind or cash from any public or private source received
4 for use for any of the purposes for which the fund has been established and that the
5 bank and the Department of Education may solicit from any 3rd parties such as
6 foundations or corporations, including the use of tax credits as available to support
7 activities authorized for the fund.

8 **3. Purposes.** The fund may be used:

9 A. To make loans to school administrative units for small-scale construction projects
10 including additions or renovations to existing buildings in order to improve the
11 regional delivery of educational services;

12 B. To make loans to a school administrative unit to finance expenditures incurred
13 after July 1, 2017 for purposes under paragraph A;

14 C. To guarantee or insure, directly or indirectly, the payment of notes or bonds
15 issued or to be issued by a school administrative unit for the purpose of financing any
16 expenditure authorized under paragraph A;

17 D. To guarantee or insure, directly or indirectly, funds established by a school
18 administrative unit for the purpose of financing any expenditure authorized under
19 paragraph A;

20 E. To deposit with a lending institution or with a trustee bank available fund
21 balances to offset loan balances for school administrative units undertaking projects
22 authorized by paragraph A;

23 F. To invest available fund balances and credit the net interest income on those
24 balances to the fund;

25 G. To invest as a source of revenue or security for the payment of principal and
26 interest on general or special obligations of the bank if the proceeds of the sale of the
27 obligations have been deposited in the fund, or if the proceeds of the sale of the
28 obligations are used for the purposes authorized in paragraph A, or as a source of
29 revenue to subsidize the school administrative unit loan payment obligations;

30 H. To pay the costs of the bank and the Department of Education associated with the
31 administration of the fund and projects financed by the fund, except that no more than
32 2% of the aggregate of the highest fund balances in any fiscal year may be used for
33 these purposes. The Commissioner of Education is authorized to receive revenue
34 from the fund administered by the bank. Funds provided to the Department of
35 Education from the fund must be deposited in a nonlapsing dedicated account to be
36 used to carry out the purposes of this section; and

37 I. To reimburse school administrative units for costs incurred for expenditures
38 described in paragraph A and approved by the Commissioner of Education. The
39 amount of the reimbursement must be determined in accordance with the school
40 administrative unit's state share percentage as provided in subsection 6.

1 4. Priorities. Periodically, and at least annually, the Department of Education shall
2 prepare and certify to the bank a project priority list of those school administrative units
3 whose expenditures are eligible for loans under this section. The department shall submit
4 with the list the factors considered when determining the priorities.

5 5. Eligibility terms. The bank and the Department of Education shall develop by
6 rule the terms of repayment of loans. A loan made pursuant to this section may not carry
7 an interest rate higher than 0%. A loan may be made only if a project is certified by the
8 Department of Education as eligible for financing under this section and is on the priority
9 list prepared under subsection 4. The repayment period may vary depending upon the
10 financial condition of a school administrative unit as identified by the Department of
11 Education.

12 6. Forgiveness of principal payments. The fund must provide direct grants by
13 forgiving the principal payments of a loan for an eligible school administrative unit. The
14 amount of the forgiveness of principal payments must be determined by the school
15 administrative unit's state share percentage as determined in Title 20-A, section 15672,
16 subsection 31, not to exceed 70% and not less than 30%.

17 7. Establishment of accounts. The bank may establish accounts and subaccounts
18 within the fund as it determines desirable to effectuate the purposes of this section,
19 including, but not limited to, accounts to segregate a portion or portions of the fund as
20 security for bonds issued by the bank for deposit in the fund and to be invested for the
21 benefit of specified projects receiving financial assistance from the fund.

22 8. Rules. The Department of Education and the bank shall adopt rules necessary to
23 implement this section. Rules adopted by the Department of Education and the bank to
24 implement this section are routine technical rules pursuant to Title 5, chapter 375,
25 subchapter 2-A.

26 **SUMMARY**

27 The funds provided by the bond issue in Part A, in the amount of \$20,000,000, will
28 be used to provide funds for the development of multidistrict, consolidated and integrated
29 prekindergarten through 16 school facilities.

30 Part B establishes the Maine Innovative Regional School Facilities Finance Program
31 to promote efficient capital financing activities for innovative regional school facilities
32 projects. It also establishes the Innovative Regional School Facilities Revolving Fund to
33 support local efforts related to the program.