

# MAINE STATE LEGISLATURE

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# 128th MAINE LEGISLATURE

## FIRST REGULAR SESSION-2017

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Legislative Document

No. 1562

S.P. 546

In Senate, May 2, 2017

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**An Act To Authorize a General Fund Bond Issue To Capitalize a  
Career and Technical Revolving Equipment and Renovation Fund**

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

A handwritten signature in cursive script that reads "Heather J.R. Priest".

HEATHER J.R. PRIEST  
Secretary of the Senate

Presented by Senator LANGLEY of Hancock.





1 **§5953-G. Maine Career and Technical Education Finance Program**

2 There is established the Maine Career and Technical Education Finance Program to  
3 promote efficient capital financing activities for the equipment for and renovation and  
4 repair of career and technical education facilities.

5 **1. Loan application.** In addition to the other forms of financial assistance available  
6 under this chapter, a public school, school administrative district, municipality, regional  
7 school unit, community school district, career and technical education region or other  
8 school administrative unit may apply for a loan from the Career and Technical Education  
9 Revolving Fund under section 6006-I, in this section called "the fund," the proceeds of  
10 which must be used to finance the cost of career and technical education equipment and  
11 cost of renovation and repair of career and technical education facilities under section  
12 6006-I, subsection 3, as designated by the Department of Education.

13 The bank may prescribe an application form or procedure for a school administrative unit  
14 or career and technical education region to apply for a loan under this section. The  
15 application must include any information that the bank determines necessary for the  
16 purpose of implementing this section and section 6006-I.

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

18 A. The bank may make loans from the fund to a school administrative unit or career  
19 and technical education region for one or more of the purposes set forth in subsection  
20 1. The loans may be made in conjunction with, at the same time as or as part of a  
21 project that obtains any other form of assistance or loan under this chapter. Each loan  
22 is subject to the following conditions.

23 (1) The total amount of loans outstanding at any one time from the fund may not  
24 exceed the balance of the fund, as long as the proceeds of bonds or notes of the  
25 bank deposited in the fund, revenues from other sources deposited in the fund,  
26 repayments from outstanding loans due and payable and binding financial  
27 commitments of the United States or any other 3rd party to deposit money in the  
28 fund are included in determining the fund balance.

29 (2) The loan must be evidenced by a municipal bond, loan agreement or other  
30 debt instrument, payable by the school administrative unit or career and technical  
31 education region over a term not to exceed 15 years with annual principal or  
32 interest payments commencing not later than one year after the project being  
33 financed is completed.

34 (3) The rate of interest charged for the loans may not exceed 0%. The bank,  
35 pursuant to a determination by the Department of Education under section  
36 6006-I, may provide loans to a school administrative unit or career and technical  
37 education region with forgiveness of principal or an effective interest rate of less  
38 than 0%. A school administrative unit or career and technical education region  
39 must pay back by the end of the term of the loan an amount no less than 30% of  
40 the original principal amount of the loan nor more than 70% of the original  
41 principal amount of the loan.

1           B. Loans made to a school administrative unit or career and technical education  
2           region by the bank under this section must be evidenced by and made in accordance  
3           with the terms and conditions specified in a loan agreement to be executed by the  
4           bank and the school administrative unit or career and technical education region. The  
5           loan agreement must specify the terms and conditions of disbursement of loan  
6           proceeds. The loan agreement must state the term, rate of interest, any amount of  
7           principal forgiveness, scheduling of loan repayments and any other terms and  
8           conditions determined necessary or desirable by the bank. Loans made to a school  
9           administrative unit or career and technical education region by the bank under this  
10           section may include provisions for forgiveness of principal payments or loan  
11           repayment computation that results in an effective negative interest rate.

12           **3. Loan management.** Proceeds from any indebtedness from the fund incurred by a  
13           school administrative unit or career and technical education region for the purposes of  
14           purchase of career and technical education equipment or for renovation and repair of  
15           career and technical education facilities must be deposited in the bank. Proceeds from any  
16           other indebtedness incurred by a school administrative unit or career and technical  
17           education region for the purposes of purchase of career and technical education  
18           equipment or for renovation and repair of career and technical education facilities may be  
19           deposited in the bank. Any proceeds held must be invested by the bank for the benefit of  
20           the school administrative unit or career and technical education region. The bank shall  
21           pay to a school administrative unit or career and technical education region those  
22           amounts necessary for incurred costs or for reimbursement for incurred costs associated  
23           with the purpose for which the indebtedness was incurred. Funds from any indebtedness  
24           from the fund remaining after payment of all eligible project and financing costs must be  
25           deposited in the fund.

26           **4. Eligibility certification.** A loan to a school administrative unit or career and  
27           technical education region may not be made under this section until:

28           A. The applicant certifies to the bank that it has secured all permits, licenses and  
29           approvals necessary to undertake the renovations and repairs or to purchase  
30           equipment to be financed by the loan;

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

33           C. The applicant demonstrates to the satisfaction of the bank that it has the ability to  
34           repay the loan made to the school administrative unit or career and technical  
35           education region by the bank.

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

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

40           **§6006-I. Career and Technical Education Revolving Fund**

41           **1. Fund established.** The Career and Technical Education Revolving Fund, referred  
42           to in this section as "the fund," is established in the custody of the bank.

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

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

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

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

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

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

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

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

22           A. To make loans to school administrative units that include a career and technical  
23 education center or to career and technical education regions for equipment and  
24 career and technical school repair and renovation for approved programs.

25           (1) Priority 1 status must be given to projects that support the purchase of  
26 instructional equipment for enhancements to career and technical education  
27 programs that align those programs with national industry standards.

28           (2) Priority 2 status must be given to projects that support repairs and  
29 renovations not eligible under section 6006-F and may be related to upgrades to  
30 learning spaces and buildings in career and technical education centers and  
31 regions.

32           (3) Priority 3 status must be given to projects that support other expenditures for  
33 career and technical education as approved by the Commissioner of Education;

34           B. To make loans to a school administrative unit or career and technical education  
35 region to finance expenditures incurred after July 1, 2017 for purposes under  
36 paragraph A;

37           C. To guarantee or insure, directly or indirectly, the payment of notes or bonds  
38 issued or to be issued by a school administrative unit or career and technical  
39 education region for the purpose of financing any expenditure authorized under  
40 paragraph A;

1 D. To guarantee or insure, directly or indirectly, funds established by a school  
2 administrative unit or career and technical education region for the purpose of  
3 financing any expenditure authorized under paragraph A;

4 E. To deposit with a lending institution or with a trustee bank available fund  
5 balances to offset loan balances for school administrative districts or career and  
6 technical education regions undertaking projects authorized by paragraph A;

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

9 G. To invest as a source of revenue or security for the payment of principal and  
10 interest on general or special obligations of the bank if the proceeds of the sale of the  
11 obligations have been deposited in the fund, or if the proceeds of the sale of the  
12 obligations are used for the purposes authorized in paragraph A, or as a source of  
13 revenue to subsidize the school administrative unit or career and technical education  
14 region loan payment obligations;

15 H. To pay the costs of the bank and the Department of Education associated with the  
16 administration of the fund and projects financed by the fund, except that no more than  
17 2% of the aggregate of the highest fund balances in any fiscal year may be used for  
18 these purposes. The Commissioner of Education is authorized to receive revenue  
19 from the fund administered by the bank. Funds provided to the Department of  
20 Education from the fund must be deposited in a nonlapsing dedicated account to be  
21 used to carry out the purposes of this section; and

22 I. To reimburse school administrative units or career and technical education regions  
23 for costs incurred for expenditures described in paragraph A, subparagraph (1) and  
24 approved by the Commissioner of Education. The amount of the reimbursement must  
25 be determined in accordance with the school administrative unit's or career and  
26 technical education region's member school administrative unit's state share  
27 percentage as provided in subsection 6.

28 **4. Priorities.** Periodically, and at least annually, the Department of Education shall  
29 prepare and certify to the bank a project priority list of those school administrative units  
30 or career and technical education regions whose expenditures are eligible for loans under  
31 this section. The department shall submit with the list the factors considered when  
32 determining the priorities.

33 **5. Eligibility terms.** The bank and the Department of Education shall develop by  
34 rule the terms of repayment of loans. A loan made pursuant to this section may not carry  
35 an interest rate higher than 0%. A loan may be made only if a project is certified by the  
36 Department of Education as eligible for financing under this section and is on the priority  
37 list prepared under subsection 4. The repayment period may vary depending upon the  
38 financial condition of a school administrative unit or career and technical education  
39 region as identified by the Department of Education.

40 **6. Forgiveness of principal payments.** The fund must provide direct grants by  
41 forgiving the principal payments of a loan for an eligible school administrative unit. The  
42 amount of the forgiveness of principal payments must be determined by the school  
43 administrative unit's state share percentage as determined in Title 20-A, section 15672.



1 subsection 31, not to exceed 70% and not less than 30%. For a career and technical  
2 education region, the total amount of forgiveness of principal payments for the project is  
3 the sum of each school administrative unit's portion of the approved project multiplied by  
4 that school administrative unit's state share percentage as determined in Title 20-A,  
5 section 15672, subsection 31, not to exceed 70% and not less than 30%. The portion of  
6 the approved project cost is determined by each member school administrative unit's most  
7 recent cost-sharing percentage for the region.

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

13 **8. Rules.** The Department of Education and the bank shall adopt rules necessary to  
14 implement this section. Rules adopted by the Department of Education and the bank to  
15 implement this section are routine technical rules pursuant to Title 5, chapter 375,  
16 subchapter 2-A.

## 17 SUMMARY

18 The funds provided by the bond issue in Part A, in the amount of \$10,000,000, will  
19 be used to capitalize a career and technical revolving equipment and renovation fund to  
20 purchase equipment for and make capital improvements to state career and technical  
21 education centers and regions.

22 Part B establishes the Maine Career and Technical Education Finance Program to  
23 promote efficient capital financing activities for the equipment for and renovation and  
24 repair of career and technical education facilities. It also establishes the Career and  
25 Technical Education Revolving Fund to support local efforts related to the program.