

MAINE STATE LEGISLATURE

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128th MAINE LEGISLATURE

SECOND REGULAR SESSION-2018

Legislative Document

No. 1834

H.P. 1276

House of Representatives, February 12, 2018

**An Act To Authorize a General Fund Bond Issue To Provide for
Student Loan Debt Relief**

Reference to the Committee on Appropriations and Financial Affairs suggested and ordered printed.

A handwritten signature in black ink that reads "Robert B. Hunt".

ROBERT B. HUNT
Clerk

Presented by Representative GROHMAN of Biddeford. (GOVERNOR'S BILL)

1 Total \$50,000,000

2 **Sec. A-6. Contingent upon ratification of bond issue.** Sections 1 to 5 do not
3 become effective unless the people of the State ratify the issuance of the bonds as set
4 forth in this Part.

5 **Sec. A-7. Appropriation balances at year-end.** At the end of each fiscal year,
6 all unencumbered appropriation balances representing state money carry forward. Bond
7 proceeds that have not been expended within 10 years after the date of the sale of the
8 bonds lapse to the Office of the Treasurer of State to be used for the retirement of general
9 obligation bonds.

10 **Sec. A-8. Bonds authorized but not issued.** Any bonds authorized but not
11 issued within 5 years of ratification of this Part are deauthorized and may not be issued,
12 except that the Legislature may, within one year after the expiration of that 5-year period,
13 extend the period for issuing any remaining unissued bonds for an additional amount of
14 time not to exceed 5 years.

15 **Sec. A-9. Referendum for ratification; submission at election; form of**
16 **question; effective date.** This Part must be submitted to the legal voters of the State at
17 a statewide election held in the month of November following passage of this Act. The
18 municipal officers of this State shall notify the inhabitants of their respective cities, towns
19 and plantations to meet, in the manner prescribed by law for holding a statewide election,
20 to vote on the acceptance or rejection of this Part by voting on the following question:

21 "Do you favor a \$50,000,000 bond issue to provide funds for low-interest
22 student loans and interest rate reductions for student loan consolidation
23 or refinancing for certain Maine residents who agree to live and work in
24 Maine for at least 5 years?"

25 The legal voters of each city, town and plantation shall vote by ballot on this question
26 and designate their choice by a cross or check mark placed within a corresponding square
27 below the word "Yes" or "No." The ballots must be received, sorted, counted and
28 declared in open ward, town and plantation meetings and returns made to the Secretary of
29 State in the same manner as votes for members of the Legislature. The Governor shall
30 review the returns. If a majority of the legal votes are cast in favor of this Part, the
31 Governor shall proclaim the result without delay and this Part becomes effective 30 days
32 after the date of the proclamation.

33 The Secretary of State shall prepare and furnish to each city, town and plantation all
34 ballots, returns and copies of this Part necessary to carry out the purposes of this
35 referendum.

36 **PART B**

37 **Sec. B-1. 20-A MRSA c. 441** is enacted to read:

1 **CHAPTER 441**

2 **MAINE STUDENT LOAN DEBT RELIEF PROGRAM**

3 **§12941. Definitions**

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

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

7 **2. Fund.** "Fund" means the Maine Student Loan Debt Relief Fund established in
8 section 12943.

9 **3. Program.** "Program" means the Maine Student Loan Debt Relief Program
10 established in section 12942.

11 **4. Qualified institution of higher education.** "Qualified institution of higher
12 education" means an accredited institution of higher education eligible to receive federal
13 assistance under a federal student assistance program authorized under the federal Higher
14 Education Act of 1965, 20 United States Code, Chapter 28, Title IV.

15 **5. Student.** For purposes of participation in the loan component of the program,
16 "student" means an undergraduate or graduate student who is a resident of the State, is
17 enrolled at an in-state qualified institution of higher education and has been selected by
18 the authority to receive a loan. "Student" includes a high school senior who is committed
19 to study at an in-state qualified institution of higher education and has been selected by
20 the authority to receive a loan. For purposes of participation in the loan consolidation or
21 refinancing interest rate reduction component of the program, "student" means a resident
22 of the State who has incurred student debt as a result of study at any in-state or out-of-
23 state qualified institution of higher education and has been selected by the authority to
24 participate in the loan consolidation or refinancing interest rate reduction component of
25 the program.

26 **§12942. Maine Student Loan Debt Relief Program**

27 **1. Program established; loans.** The Maine Student Loan Debt Relief Program is
28 established to increase the number of individuals in the State pursuing undergraduate and
29 graduate degrees and to encourage them to subsequently reside and work in the State. The
30 authority shall provide loans in amounts up to \$10,000 per year for a maximum of 5 years
31 to selected students.

32 A. A student may receive a loan bearing an annual interest rate of 0% if the student
33 studies at an in-state qualified institution of higher education and upon graduation
34 with an undergraduate or graduate degree agrees to:

35 (1) Remain in the State as a resident; and

36 (2) Be employed in the State for a period of at least 5 years following
37 graduation.

1 A student may continue to receive a loan bearing an annual interest rate of 0%
2 beyond the expiration of the 5-year period for as long as the student continues to
3 reside and work in the State.

4 B. A student may receive a loan bearing an annual interest rate of the prime rate of
5 interest, as determined by the authority, plus 2% if the student does not remain in the
6 State, either as a student or as an employee, to reside and work for a minimum of 5
7 years or does not thereafter continue to reside and work in the State.

8 **2. Consolidated or refinanced loan rate reduction.** The authority may use
9 program funds to reduce interest rates on consolidated or refinanced loans to students
10 made by participating lenders through the Higher Education Loan and Loan Insurance
11 Program set forth in chapter 417-C and administered by the authority. Interest rate
12 reduction payments may be made to or on behalf of students who reside and work in the
13 State for a minimum of 5 years following the entering into of the applicable agreement
14 with the authority and as long thereafter as the student continues to reside and work in the
15 State.

16 **3. Participation.** An individual may participate in the loan component of the
17 program for in-school students or the loan consolidation or refinancing interest rate
18 reduction component of the program for an individual no longer in school or both.

19 **4. Program administration; rules.** The authority shall administer the program and
20 may adopt rules to carry out the purposes of the program. Rules adopted pursuant to this
21 subsection are routine technical rules pursuant to Title 5, chapter 375, subchapter 2-A.

22 **§12943. Maine Student Loan Debt Relief Fund**

23 **1. Fund established.** The Maine Student Loan Debt Relief Fund is created as a
24 nonlapsing, interest-earning, revolving fund to carry out the purposes of this chapter.

25 **2. Funds.** The authority may receive, invest and expend on behalf of the fund
26 money from gifts, grants, bequests and donations in addition to money appropriated or
27 allocated by the Legislature to the fund and any federal funds received by the State for the
28 benefit of students in the State who have outstanding education loans. Money received by
29 the authority on behalf of the fund must be used for the purposes of this chapter. The fund
30 and any earnings of the fund may be used for the designated purpose or to pay
31 administrative costs incurred by the authority in administering the program, as
32 determined appropriate by the authority. Any unexpended balance in the fund carries
33 forward for continued use under this chapter.

34 **§12944. Agreement; repayment**

35 A student applying for a loan or for an interest rate reduction under section 12942
36 shall enter into an agreement with the authority that includes the following provisions.

37 **1. Loans.** For a loan recipient under the loan component of the program, upon
38 completion of postsecondary education, the recipient shall repay the entire principal of
39 the loan plus simple interest, if any, as described in section 12942, subsection 1. Interest
40 does not begin to accrue until 6 months following completion of the loan recipient's

1 education, withdrawal from school or discontinuance in school. Loans must be repaid
2 over a term no longer than 10 years, except that the authority may extend a loan
3 recipient's term as necessary to ensure repayment of the loan.

4 **2. Rate reductions.** Loan terms and conditions on consolidated or refinanced loans
5 under the program must be as determined by participating lenders and the students. A
6 recipient of an interest rate reduction under the loan consolidation or refinancing interest
7 rate reduction component of the program shall enter into an interest rate reduction
8 agreement with the authority. The agreement must provide that the authority will make
9 interest rate reduction payments to the lender or the student, at the discretion of the
10 authority, for the term of the loan, as long as the student resides and works in the State for
11 a minimum of 5 years and the loan is not in default. The agreement also must provide
12 that these payments may not be made for a term exceeding 15 years.

13 **§12945. Default**

14 **1. Loans.** If a loan recipient under the loan component of the program does not
15 remain residing and working in the State for a minimum of 5 years, the interest rate on
16 the loan held by that recipient is subject to change retroactive to the date of loan
17 origination in accordance with the interest rate set forth in section 12942 and that
18 recipient shall pay the authority the interest rate differential within 90 days. If a recipient
19 no longer resides and works in the State after the initial 5-year period, that recipient's
20 interest rate converts, effective on the date the recipient no longer resides and works in
21 the State, to the higher rate set forth in section 12942, subsection 1.

22 **2. Rate reductions.** If a recipient of an interest rate reduction under the loan
23 consolidation or refinancing interest rate reduction component of the program does not
24 remain residing and working in the State for a minimum of 5 years, all rate reduction
25 payments made by the authority must be repaid by that recipient within 90 days. If a
26 recipient no longer resides and works in the State after the initial 5-year period, that
27 recipient's interest rate reduction payments cease, effective on the date the recipient no
28 longer resides and works in the State.

29 A recipient of a loan or an interest rate reduction who fails to repay the interest rate
30 differential or interest rate reduction payments as required is liable to the authority for
31 such amounts, plus interest on those amounts at the highest interest rate set forth in
32 section 12942, subsection 1, plus costs of collection and the authority's attorney's fees.
33 Exceptions may be made by the authority at its own discretion.

34 **Sec. B-2. Contingent effective date.** This Part takes effect only if the General
35 Fund bond issue proposed in Part A is approved by the voters of this State.

36 **PART C**

37 **Sec. C-1. 36 MRSA §5122, sub-§2, ¶NN,** as amended by PL 2015, c. 388, Pt.
38 A, §7, is further amended to read:

39 NN. For taxable years beginning on or after January 1, 2015, an amount equal to the
40 net increase in the depreciation deduction allowable under the Code, Sections 167

1 and 168 that would have been applicable to that property had the depreciation
2 deduction under the Code, Section 168(k) not been claimed with respect to such
3 property placed in service during the taxable year beginning in 2014 for which an
4 addition was required under subsection 1, paragraph II, subparagraph (2) for the
5 taxable year beginning in 2014.

6 Upon the taxable disposition of property to which this paragraph applies, the amount
7 of any gain or loss includable in federal adjusted gross income must be adjusted for
8 Maine income tax purposes by an amount equal to the difference between the
9 addition modification for such property under subsection 1, paragraph II,
10 subparagraph (2) and the subtraction modifications allowed pursuant to this
11 paragraph.

12 The total amount of subtraction claimed under this paragraph for all tax years may
13 not exceed the addition modification under subsection 1, paragraph II, subparagraph
14 (2) for the same property; ~~and~~

15 **Sec. C-2. 36 MRSA §5122, sub-§2, ¶OO**, as enacted by PL 2015, c. 388, Pt. A,
16 §8, is amended to read:

17 OO. For taxable years beginning on or after January 1, 2016, an amount equal to the
18 net increase in the depreciation deduction allowable under the Code, Sections 167
19 and 168 that would have been applicable to that property had the depreciation
20 deduction under the Code, Section 168(k) not been claimed with respect to such
21 property placed in service during the taxable year for which an addition was required
22 under subsection 1, paragraph KK, subparagraph (2) for the taxable year.

23 Upon the taxable disposition of property to which this paragraph applies, the amount
24 of any gain or loss includable in federal adjusted gross income must be adjusted for
25 Maine income tax purposes by an amount equal to the difference between the
26 addition modification for such property under subsection 1, paragraph KK,
27 subparagraph (2) and the subtraction modifications allowed pursuant to this
28 paragraph.

29 The total amount of subtraction claimed under this paragraph for all tax years may
30 not exceed the addition modification under subsection 1, paragraph KK,
31 subparagraph (2) for the same property; ~~and~~

32 **Sec. C-3. 36 MRSA §5122, sub-§2, ¶PP** is enacted to read:

33 PP. To the extent included in federal adjusted gross income, student loan or interest
34 rate reduction payments made by the Finance Authority of Maine in accordance with
35 the Maine Student Loan Debt Relief Program under Title 20-A, chapter 441.

36 **Sec. C-4. 36 MRSA §5217-D, sub-§2-A**, as enacted by PL 2015, c. 267, Pt.
37 QQQ, §5 and affected by §6, is repealed and the following enacted in its place:

38 **2-A. Limitations.** The following limitations apply.

39 A. A credit claimed by a qualified individual based on eligibility under subsection 1,
40 paragraph G, subparagraph (1), division (b) or (c) may be claimed only on returns
41 filed for tax years beginning on or after January 1, 2016. A credit based on loan

1 payments made prior to January 1, 2016 is not available to any individual based on
2 eligibility under subsection 1, paragraph G, subparagraph (1), division (b) or (c).

3 B. An individual who received student loan debt relief during the taxable year
4 through student loans or interest rate reduction payments made under the Maine
5 Student Loan Debt Relief Program pursuant to Title 20-A, chapter 441 does not
6 qualify for the credit under this section.

7 **Sec. C-5. Contingent effective date.** This Part takes effect only if the General
8 Fund bond issue proposed in Part A is approved by the voters of this State.

9 **SUMMARY**

10 The funds provided by this bond issue, in the amount of \$50,000,000, will be used to
11 provide funds to the Finance Authority of Maine for zero-interest student loans and loan
12 consolidation or refinancing interest rate reductions for certain Maine residents who agree
13 to live and work in Maine for at least 5 years. The bill creates the Maine Student Loan
14 Debt Relief Program. Under the program, zero-interest loans up to \$10,000 per year for a
15 maximum of 5 years are available to certain Maine residents who study at qualified in-
16 state institutions of higher education and agree to live and work in Maine for at least 5
17 years following graduation. Loans bearing an annual interest rate of the prime rate of
18 interest plus 2% are available to those who do not live and work in the State upon
19 graduation. The Finance Authority of Maine may provide interest rate reduction
20 payments to residents who use the authority's existing loan consolidation and refinancing
21 program. This option is available to individuals who studied in Maine or outside of Maine
22 and agree to live and work in Maine for at least 5 years. The bill exempts from Maine
23 income tax any benefits received under the program to the extent included in federal
24 adjusted gross income and prohibits individuals who have received benefits under the
25 program from receiving the Maine educational opportunity tax credit.