

PLEASE NOTE: Legislative Information **cannot** perform research, provide legal advice, or interpret Maine law. For legal assistance, please contact a qualified attorney.

An Act To Authorize a General Fund Bond Issue To Provide Funding for a Program of Student Debt Cancellation and Refinancing

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

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

PART A

Sec. A-1. Authorization of bonds. The Treasurer of State is authorized, under the direction of the Governor, to issue bonds in the name and on behalf of the State in an amount not exceeding \$250,000,000 for the purposes described in section 5 of this Part. The bonds are a pledge of the full faith and credit of the State. The bonds may not run for a period longer than 10 years from the date of the original issue of the bonds.

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

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

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

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

FINANCE AUTHORITY OF MAINE
Student Debt Cancellation and Refinancing
Fund

Provides funds for student debt cancellation and refinancing.

Total

\$250,000,000

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

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

Sec. A-8. Bonds authorized but not issued. Any bonds authorized but not issued within 5 years of ratification of this Part are deauthorized and may not be issued, except that the Legislature may, within 2 years after the expiration of that 5-year period, extend the period for issuing any remaining unissued bonds for an additional amount of time not to exceed 5 years.

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

"Do you favor a \$250,000,000 bond issue to fund student debt cancellation and refinancing?"

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

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

PART B

Sec. B-1. 10 MRSA §1013, sub-§16, as amended by PL 2001, c. 417, §12, is further amended to read:

16. Maine College Savings Program. The Maine College Savings Program, as established in Title 20-A, chapter 417-E; and

Sec. B-2. 10 MRSA §1013, sub-§17, as enacted by PL 2001, c. 417, §13, is amended to read:

17. Maine Dental Education Loan Program. The Maine Dental Education Loan Program as established in Title 20-A, chapter 426-; and

Sec. B-3. 10 MRSA §1013, sub-§18 is enacted to read:

18. Student Debt Cancellation and Refinancing Program. The Student Debt Cancellation and Refinancing Program as established in Title 20-A, chapter 441.

Sec. B-4. 20-A MRSA c. 441 is enacted to read:

CHAPTER 441

STUDENT DEBT CANCELLATION AND REFINANCING PROGRAM

§ 12941. Definitions

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

1. Applicant. "Applicant" means a person who is eligible and has applied for debt cancellation and debt refinancing under section 12942.

2. Authority. "Authority" means the Finance Authority of Maine.

3. Fund. "Fund" means the Student Debt Cancellation and Refinancing Fund established under section 12945.

4. Program. "Program" means the Student Debt Cancellation and Refinancing Program established under section 12942.

§ 12942. Establishment of program; eligibility

The Student Debt Cancellation and Refinancing Program is established. Debt cancellation and refinancing under the program pursuant to section 12943 may be provided only to a resident of the State who possesses an associate or bachelor's degree, qualifies for the tax credit for educational opportunity under section 12541 and Title 36, section 5217-D and has applied for debt cancellation or debt refinancing under the program according to schedules and procedures of and on forms developed by the authority.

§ 12943. Student debt cancellation and refinancing

An applicant may apply and the authority may provide for student debt cancellation of 1/2 of the applicant's total outstanding nonfederal student debt. An applicant may apply and the authority may provide for student debt refinancing of any of the applicant's nonfederal student debt. The authority shall charge the applicant an interest rate no higher than the prime rate of interest plus 0.5%, as determined

by the authority, and shall require of the applicant a monthly debt payment of not more than \$100 per month. In cases of student debt cancellation and refinancing pursuant to the program, the authority shall pay in full the original creditor on the applicant's behalf.

§ 12944. Program administration

The authority shall administer the program and may adopt rules to carry out the purposes of the program. Rules adopted pursuant to this section are routine technical rules pursuant to Title 5, chapter 375, subchapter 2-A.

§ 12945. Nonlapsing fund

The Student Debt Cancellation and Refinancing Fund is established as a nonlapsing fund administered by the authority. All money received by the fund from any source must be deposited with the authority and credited to the fund. Money credited to the fund must be used for the purposes of the program, including administrative costs. Repayment of loans and payment of interest pursuant to the program must be credited to the fund to be available for the purposes of the fund.

Sec. B-5. Contingent effective date. This Part takes effect only if the General Fund bond issue proposed in Part A, section 9 is approved by the voters of this State.

SUMMARY

The funds provided by this bond issue, in the amount of \$250,000,000, will be used to fund student debt cancellation and refinancing. The bill also establishes the Student Debt Cancellation and Refinancing Program within the Finance Authority of Maine for administration of the funds provided by the bond issue and to provide eligible applicants debt cancellation of 1/2 of their nonfederal student debt and debt refinancing of their outstanding nonfederal student debt.