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House of Representatives, May 23, 2019

An Act To Clarify Bonding Authority for School Management and Leadership Centers

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

A handwritten signature in cursive script that reads "R B. Hunt".

ROBERT B. HUNT
Clerk

Presented by Representative DODGE of Belfast.

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

2 **Sec. 1. 20-A MRSA §3802, sub-§12**, as enacted by PL 2017, c. 284, Pt.
3 VVVVV, §6, is amended to read:

4 **12. Bonding authority; debt limitation; allocation and payment of approved**
5 **debt.** A school management and leadership center may issue bonds and notes for school
6 construction purposes. For purposes of this section, "school construction purposes"
7 includes minor capital costs relating to maintenance of a school's physical plant. The
8 school management and leadership center board shall decide whether the issuance of
9 bonds or notes by the school management and leadership center for school construction
10 purposes is necessary. The board shall determine whether the issuance of bonds or notes
11 is authorized, and, if so, the board shall issue the bonds or notes and administer the
12 proceeds of, and the payment of principal of and interest on, those bonds or notes after
13 issuance. A school management and leadership center may issue bonds and notes for
14 school construction purposes only under the provisions of the interlocal agreement under
15 section 3801, subsection 3. Upon receiving authorization to issue bonds or notes under
16 the election procedures of the interlocal agreement, the board shall follow the
17 requirements of section 1490 for issuing bonds or notes of the school management and
18 leadership center.

19 A. Indebtedness of a school management and leadership center for school
20 construction purposes may not exceed 4% of the total state valuation of the
21 participating municipalities. For purposes of this section, "participating
22 municipalities" of a school management and leadership center includes all municipal
23 school units that are members of the school management and leadership center and
24 the municipalities constituting the other members of the school management and
25 leadership center. The debt limitation is determined as of the date the state board
26 issues a project concept approval or in the case of a nonstate funded project the date
27 the commissioner approves the project under section 15905-A. Debt of a school
28 management and leadership center is outside the debt limitations of its members and
29 of municipalities constituting its members.

30 B. For purposes of determining a debt limitation under this subsection, debt
31 approved for state subsidy is excluded. However, in cases in which one or more
32 participating municipalities receive an adjustment for the minimum state allocation
33 pursuant to section 15689, subsection 1, each outstanding state-subsidized debt
34 allocable to a participating municipality that does not receive an adjustment for the
35 minimum state allocation pursuant to section 15689, subsection 1 is excluded from
36 the debt limitation, but only the state reimbursable portion of each outstanding
37 state-subsidized debt allocable to a participating municipality that receives an
38 adjustment for the minimum state allocation pursuant to section 15689, subsection 1
39 is excluded.

40 C. For purposes of determining the debt limitation exclusion under paragraph B,
41 when at least one participating municipality receives an adjustment for the minimum
42 state allocation pursuant to section 15689, subsection 1, each issue of debt approved
43 for purposes of state subsidy is allocated in proportion to the fiscal capacities of the
44 school management and leadership center members. In the case of each school

1 management and leadership center member that is a regional school unit, school
2 administrative district or community school district, the amount of each fiscal
3 capacity allocation under this subsection is allocated to the municipalities constituting
4 the member in proportion to the municipalities' pupil counts in accordance with
5 section 15688, subsection 2. For each participating municipality that receives an
6 adjustment for the minimum state allocation pursuant to section 15689, subsection 1,
7 the state reimbursable portion of an outstanding state-subsidized debt allocable to that
8 participating municipality is the product of the amount of that school management
9 and leadership center's debt allocated to the participating municipality under this
10 section and the member's state share percentage, as defined in section 15672,
11 subsection 31.

12 D. For purposes of determining a debt limitation under this subsection, a certificate
13 from the commissioner that a project qualifies for state school construction aid, as to
14 the amount of debt that qualifies for that aid, as to the allocation of the debt to the
15 members of the school management and leadership center, as to the allocation of debt
16 to any participating municipality and as to the state share percentage for any
17 participating municipality that receives an adjustment for the minimum state
18 allocation pursuant to section 15689, subsection 1 is conclusive evidence of the facts
19 stated in the certificate.

20 E. The commissioner shall determine the state allocation for debt service costs by
21 allocating the principal and interest payments for each debt approved for purposes of
22 state subsidy among the members of the school management and leadership center in
23 proportion to the members' fiscal capacities. The adjustment for debt service under
24 section 15689, subsection 2 applies to the debt service allocated to participating
25 municipalities under this subsection. Each member's state allocation for debt service
26 costs must be paid by the commissioner as provided by section 15907. The principal
27 and interest payments on debt approved for purposes of state subsidy must be shared
28 by the members of the school management and leadership center in accordance with
29 the commissioner's allocation under this paragraph notwithstanding the cost-sharing
30 formula of the school management and leadership center.

31 **Sec. 2. 20-A MRS §3802, sub-§12-A** is enacted to read:

32 **12-A. General obligation debt; assessment and collection; withdrawal.** In the
33 case of a school management and leadership center authorized to issue bonds or notes
34 under the terms of an interlocal agreement, the following provisions apply.

35 A. Bonds and notes issued by a school management and leadership center are general
36 obligations of the school management and leadership center. The provisions of
37 sections 15695 and 15695-A apply, including provisions for the assessment and
38 collection of taxes, the levy of ad valorem taxes without limit as to rate or amount
39 upon all taxable property within the school management and leadership center and
40 the rights and protection of bondholders.

41 B. A school management and leadership center board shall include in each budget an
42 amount sufficient to pay debt service on approved bonds or notes. The cost-sharing,
43 assessment and payment process under section 3801, subsection 3, paragraph A,
44 subparagraph (4) must include determining debt service amounts, except that the

1 principal and interest payments on debt approved for purposes of state subsidy are
2 shared by the members of the school management and leadership center in
3 accordance with the commissioner's allocation under subsection 12. The school
4 budget of each member must include an amount that is its share of the school
5 management and leadership center costs, including debt service costs. Each member
6 shall raise and assess a sufficient amount for its share of annual debt service not paid
7 from other sources and may collect those amounts in the manner provided by law for
8 school taxes. If the treasurer of a member fails to timely pay any installment by the
9 date required, the school management and leadership center has the same rights and
10 remedies of enforcement, including interest, court costs and attorney's fees, and the
11 court has the same powers, as is provided for enforcement of regional school unit
12 installments under section 1489, subsection 6.

13 C. Whenever a member withdraws from a school management and leadership center
14 having outstanding indebtedness, including bonds, notes and lease-purchase
15 agreements, the school management and leadership center remains intact for purposes
16 of securing and retiring the indebtedness. A withdrawal agreement may provide for
17 alternate means for retiring outstanding indebtedness.

18 **SUMMARY**

19 This bill amends the law governing bonding authority of school management and
20 leadership centers. The bill provides the provisions necessary to implement existing
21 statutory authority of school management and leadership centers to issue bonds for school
22 construction. These provisions are comparable to existing law for school construction
23 bonds issued by school administrative units or by career and technical education regions.
24 The bonding provisions include a debt limit of 4% of state-adjusted valuation; a debt limit
25 exclusion for state-subsidized debt; a 25-year maximum bond term; a method for debt
26 allocation, assessment and collection; and the rights of bondholders to enforce the
27 payment of bonds to facilitate their sale.