

LD 434 An Act To Clarify the Bonding Authority of Counties for Capital Maintenance Projects

To: Members, Joint Standing Committee on State and Local Government

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Electronic file available at <http://legislature.maine.gov/ctl/SLG/03-03-2021?panel=2&time=0&sortdir=0&sortby=2>**SUMMARY**

This bill authorizes a county to issue bonds for capital maintenance projects in a single year without the need for a bond issue referendum, as long as the total amount of the bonds does not exceed 1/10 of one mill of the county's property valuation. This bill permits a county to provide for a higher amount through a charter provision.

TESTIMONYⁱ**Sponsor:** Rep Danny Martin

- Submitted on behalf of the Maine County Commissioners Association
- Limited authority to incur debt without referendum;
- New limit (1/10 of one mill) is intended to provide flexibility to fund minor, routine capital projects

Proponents: MCCA by Steve Gorden, President

1. Better enable counties to plan for routine capital maintenance projects
2. Limit deferred maintenance
3. Referendum process is costly

Opponents: MMA by Rebecca Graham

1. Circumvents important democratic process
2. Removes taxpayer/voter oversight;
3. County bonding process should not be less responsive than municipal bonding process
4. Continue direct voter approval of expenditures and debt

NFNA: none**INFORMATION OF NOTE**

1. Statutory limit on borrowing (30- A MRSA §934)

“The county commissioners may obtain loans of money for the use of their county and cause notes, obligations or bonds, with coupons for lawful interest, to be issued for payment of the loans. **These loans may not exceed \$10,000**, except in Franklin County [up to \$50,000] and Aroostook County [up to \$95,000] as provided in sections 935 and 935-A and except to the extent authorized pursuant to Title 10, chapter 110, [MMBB] without first obtaining the consent of the county, substantially as provided in section 122 [referendum for building location] or by countywide referendum pursuant to section 938”

2. Temporary Loans 30-A MRSA §933)

“Without obtaining the consent of their county, the county commissioners of each county may raise funds through temporary loans not exceeding **1/5 of 1%** of the assessed valuation of their respective counties. These loans must be **paid, within one year** from the time when the loan is contracted, out of money raised during the current year by taxes.”

3. County Charters similarly limited (30-A MRSA §1351, sub-§2)

“no county may, by the adoption, amendment or revision of a charter, exercise any power or function which the Legislature has not conferred on that county either expressly or by clear implication by general or specific law. **A county may not alter the statutory method of raising money for county expenditures.**”

4. Current Charter Language – see Attachment A

INFORMATION REQUESTS

Provide dollar amount examples of 1/10 of 1 mill

FISCAL IMPACT - Preliminary (OFPR)

None provided as of this date.

BORROWING PROVISIONS IN COUNTY CHARTERS

COUNTY	LANGUAGE
Androscoggin	"Authorization: The Board shall have the authority to issue bonds, notes, or other general obligation securities of the County in accordance with state law . The Board may issue any form of tax, grant, or bond anticipation certificate or note as authorized by the Constitution or general laws of the State."
Aroostook	"The Board shall have the authority to issue bonds, notes, or other general obligation securities of the County in accordance with state law ."
Cumberland	<p>borrow funds in accordance with state statute"</p> <p>"5.8.2 Tax Securities: The Board of County Commissioners may issue any form of tax, grant or bond anticipation certificate or note as authorized by 30 M.R.S.A. §401-A, or by the Constitution or general laws of the State. Annually, the Board of County Commissioners shall have the authority to issue tax supported bonds, notes or other securities and financial instruments of the County up to 1/10 of one mil based upon the County's property valuation, or greater upon approval of the electorate in a County-wide referendum.</p>
Knox	"Borrow funds in accordance with state statutes ."
Somerset	<p>i. Borrow funds in accordance with this Charter as necessary.</p> <p>"ARTICLE VIII –BONDS AND LOANS Section 1. ... If the county budget has not yet been approved, the Board of Commissioners may borrow an amount not exceeding 80% of the previous year's budget, except as otherwise provided. b. Sale of notes or securities. ... The period of this anticipatory borrowing may not exceed one year and the time within which the securities are to become due may not be extended by such anticipatory borrowing beyond the time fixed in the vote authorizing their issue or, if no term is specified there, beyond the term permitted by law. Section 2. Temporary Loans Without obtaining the consent of the county, the Board of Commissioners may raise funds through temporary loans not exceeding 1/5 of 1% of the assessed valuation of the county. These loans must be paid, within one year from the time when the loan is contracted, out of money raised during the current year by taxes. Section 3. Loans The Board of Commissioners may obtain loans of money for the use of the county and cause notes, obligations or bonds, with coupons for lawful interest, to be issued for payment of the loans. These loans may not exceed \$10,000 without first obtaining the consent of the county, substantially as provided in 30-A M.R.S.A. § 122 or by countywide referendum pursuant to 30-A M.R.S.A. § 938."</p>

¹ The section is not intended to reflect all comments and may include unintentionally errors.