

State Qualified Bonds

Chapter 44A of the General Laws (“Chapter 44A”) permits cities, towns and regional school districts to issue general obligation bonds, payable in the first instance from distributable aid (as defined in Chapter 44A) appropriated by the Commonwealth in any year and payable to such city, town or regional school district.

Pursuant to Chapter 44A the city, town or regional school district treasurer certifies to the State Treasurer, at the delivery date of an issue of qualified bonds, the maturity schedule, interest rates, and dates of payment of debt service on such qualified bonds. The State Treasurer pays the debt service on qualified bonds and after such payment, withholds from the distributable aid payable to the city, town or regional school district, an amount which will be sufficient to pay the debt service on the qualified bonds or, if the amount of such distributable aid in any year is insufficient for the purpose, from any other amounts payable by the Commonwealth to the city, town or regional school district under any provision of law. From the time withheld by the State Treasurer, all such distributable aid or amounts so withheld and paid is exempt from being levied upon, taken sequestered, or applied toward paying the debts of the city, town or regional school district other than for payment of debt service on such qualified bonds.

The Commonwealth covenants in Section 8 of Chapter 44A with the purchasers, holders and owners, from time to time, of qualified bonds that it will not repeal, revoke, rescind, modify, or amend the above described provisions so as to create any lien or charge on or pledge, assignment, diversion, withholding of payment, or other use of or deduction from any distributable aid or other amounts to be paid to any holder of qualified bonds which is prior in time or superior in right to the payment required by said provisions; provided, however, that nothing therein contained shall be deemed or construed to require the Commonwealth to continue to make payments of distributable aid or other amounts or to limit or prohibit the Commonwealth from repealing or amending any law heretofore or hereafter enacted for the payment of apportionment of such aid or other amounts, or of the manner, time or amount thereof.

Chapter 44A also provides that the certification to the State Treasurer as to the amount payable in any year for debt service on qualified bonds shall be fully conclusive as to such qualified bonds from and after the time of issuance of such qualified bonds, notwithstanding any irregularity, omission, or failure as to compliance with any of the provisions of Chapter 44A with respect to such qualified bonds.

Chapter 44A further provides that nothing therein shall be construed to relieve the city, town or regional school district of the obligation imposed on it by law to appropriate and to include in its annual tax levy amounts necessary to pay, in each year, the principal and interest maturing and becoming due on any qualified bonds issued by the city, town or regional school district; provided, however, that to the extent of the amounts of distributable aid or other amounts payable to the city, town or regional school district which have been or are to be applied to the payment of such qualified bonds, the State Treasurer shall certify to the city, town or regional school district the amounts so withheld and thereafter such amounts shall be credited to the appropriations of the city, town or regional school district for the current fiscal year; and provided, further that to the extent to which distributable aid is not appropriated by the Commonwealth in any fiscal year, such appropriated amounts of the city, town or regional school district shall be used to pay the debt service maturing and becoming due in such year on such qualified bonds.

Nothing in Chapter 44A shall be construed to pledge the credit and assets of the Commonwealth to the support of any qualified bonds or to guarantee payment or stand as surety for the payment of any qualified bonds.

This summary was prepared by Bond Counsel.