

Bill No. 83 of 1950.

A BILL TO PROVIDE ASSISTANCE IN CONNECTION
WITH SCHOOL BORROWING FOR CAPITAL
PURPOSES.

NOTE.

This Bill enacts a new Act to be known as "*The School Borrowing Assistance Act*".

The Bill provides assistance in connection with school borrowing for capital purposes in two different ways. Firstly, a School Borrowing Revolving Fund is set up which may pay twenty-five per cent of the authorized borrowing to the school division. Only half of that amount is repayable to the Fund and no interest is payable on it. Secondly, the Bill authorizes the Province to guarantee interest payments in respect of moneys borrowed by schools from sources other than the Province.

Part I of this Bill, consisting of sections 3 to 12 inclusive, contains the provisions relating to the School Borrowing Revolving Fund.

A School Borrowing Revolving Fund is set up. This Fund is to be administered by a School Borrowing Board consisting of three members appointed by the Lieutenant Governor in Council. The Board consists of a member from the Department of Education, a member from the Department of the Provincial Treasurer and a member of the Board of Public Utility Commissioners.

When a school division wishes to borrow by debenture and to take advantage of the provisions of this Act it is required to make application to the Board for assistance. The school division must give the Board such information as the Board may require including evidence of the necessity of the proposed construction and particulars of its financing. If the Board is satisfied it may approve borrowing by the school division. The approval of the Board empowers the division to divide the borrowing and to obtain one portion pursuant to the provisions of Part I and to obtain all or part of the balance pursuant to the provisions of Part II.

The Provincial Treasurer, on the recommendation of the Board, may pay to the school division from the Fund an amount not exceeding twenty-five per cent of the authorized borrowing. The school division is required to repay to the Fund only half the amount received from the Fund and no interest is payable on this sum. Repayment is to be made in ten equal annual instalments commencing on a date to be fixed by the Board.

All payments of principal made by any school division are credited to the Fund so that the moneys will be available for payment out again to other divisions.

When a school division wishes to borrow by short term borrowing from a bank or treasury branch and also wishes to take advantage of this Act, it may apply to the Board for assistance. The provisions of Part I apply to such borrowing. The only difference is that the portion of such borrowing not obtained from the Fund may be borrowed from the bank or treasury branch rather than by debenture.

If a school fails to pay any money due to the Fund the amount in default may be deducted from the school grant payable to that school.

The aggregate amount of all moneys repayable to the Fund at any one time cannot exceed six million dollars. The aggregate amount repayable by any school division to the Fund at any one time cannot exceed the sum of one million dollars.

Part II of the Bill, being sections 13 to 15 inclusive, deals with provincial guarantees of interest. This Part authorizes the Provincial Treasurer, on the recommendation of the Board, to guarantee on behalf of the Province the payment of interest on all borrowings by debenture obtained from any source other than the Fund. If the Province incurs any liability by reason of its guarantee of the payments of interest on school borrowings the amount for which the Province has become liable may be deducted from the school grant payable to the school in question.

Part III, consisting of sections 16 to 18 inclusive, deals with outstanding borrowings by debenture which have been completed before this Act comes into force. A school division which has outstanding unpaid debentures may make application to the Board for assistance. The division is required to give to the Board such information as the Board may require.

The Board, in its discretion, may approve the borrowing. Thereafter, if the school division submits proof to the Provincial Treasurer in each year that it has paid all outstanding debentures of the school division falling due in that year the Provincial Treasurer, on the recommendation of the Board, may pay a grant to the school division from the Fund not exceeding twelve and one-half per cent of the amount paid by the division to retire debentures due in that year.

This has the effect of placing school divisions which have already borrowed by debenture for capital purposes in somewhat the same position as school divisions which are about to borrow. In either case, over a period of years, they will receive an amount equivalent to twelve and one-half per cent of their borrowings by way of a grant from the provincial government.

KENNETH A. MCKENZIE,
Acting Legislative Counsel.

(This note does not form any part of the Bill but is offered in explanation of its provisions.)

BILL

No. 83 of 1950.

An Act to provide Assistance in connection with School Borrowing for Capital Purposes.

(Assented to _____, 1950.)

HIS MAJESTY, by and with the advice and consent of the Legislative Assembly of the Province of Alberta, enacts as follows:

Short Title.

1. This Act may be cited as "*The School Borrowing Assistance Act*".

Interpretation.

2. In this Act, unless the context otherwise requires,—
- (a) "Board" means the School Borrowing Board appointed pursuant to this Act;
 - (b) "Fund" means the School Borrowing Revolving Fund created by this Act;
 - (c) "school division" includes a school district.

PART I.

School Borrowing Revolving Fund.

3.—(1) There is hereby created the School Borrowing Revolving Fund which Fund shall stand in the name of the Provincial Treasurer and shall be constituted and dealt with in the manner set out in this Act.

(2) The Fund shall consist of,—

- (a) three million dollars to be paid out of the General Revenue Fund in the year 1950;
- (b) such further sums as may be appropriated by the Legislative Assembly from time to time;
- (c) the repayments of principal to the Fund by borrowers in accordance with the provisions of this Act.

4.—(1) The Lieutenant Governor in Council may appoint a Board to be known as the School Borrowing Board which shall administer the Fund.

- (2) The Board shall consist of three members,—
- (a) one of whom shall be a member of the Department of the Provincial Treasurer;
 - (b) one of whom shall be a member of the Department of Education;
 - (c) one of whom shall be a member of the Board of Public Utility Commissioners.

5.—(1) When any school division has obtained the authorization of the Board of Public Utility Commissioners pursuant to the provisions of *The School Act* to borrow money by debenture for capital purposes and wishes to take advantage of the provisions of this Act it shall make application to the Board for assistance.

(2) The school division shall give to the Board such information as the Board may require.

(3) Without restricting the generality of subsection (2), the school division shall give to the Board evidence of the necessity of the proposed construction and particulars of its financing.

6.—(1) If the Board is satisfied of the necessity of the proposed construction and with the particulars of its financing the Board may approve borrowing by the school division of such amount as may be fixed by the Board.

(2) The approval by the Board under subsection (1) of any borrowing which has been authorized under the provisions of *The School Act* shall empower the division,—

- (a) to divide such borrowing; and
- (b) to obtain one portion thereof pursuant to the provisions of Part I; and
- (c) to obtain all or part of the balance thereof pursuant to the provisions of Part II.

7.—(1) When any school division has been authorized to borrow money for capital purposes in accordance with the provisions of *The School Act* and such borrowing has been approved by the Board in accordance with the provisions of this Act, the Provincial Treasurer, on the recommendation of the Board, may pay to the division from the Fund any amount not exceeding twenty-five per cent of the total authorized borrowing.

(2) The school division shall repay to the Fund only one-half of the amount received from the Fund.

(3) No interest shall be paid on any moneys repayable by a school division to the Fund.

8.—(1) The amount repayable to the Fund by any school division shall be repaid in ten equal annual instalments.

(2) The first annual instalment shall be paid on a date to be fixed by the Board which date shall not be later than two years after the receipt by the school division of the payment from the Fund.

(3) Subsequent instalments shall be paid on or before the same date in each and every year thereafter.

9. All payments of principal made by any school division shall be credited to the Fund by the Provincial Treasurer.

10.—(1) In the event of the failure of any school division to pay any annual instalment to the Fund on or before the date when such instalment is due and payable as provided in section 8, the Department of Education, if so requested by the Provincial Treasurer, shall retain from the grants payable to any such school division under *The School Grants Act*, *The Border Areas Act* or *The Lloydminster Municipal Amalgamation Act* an amount equal to the amount of the annual instalment which the school division is then in default.

(2) The Department of Education shall pay the moneys so retained to the Provincial Treasurer for deposit in the Fund and thereupon,—

- (a) all moneys retained and paid over shall be deemed to have been paid to and received by the school division on account of the legislative grant to the school division for that term;
- (b) the indebtedness of the school division to the Fund shall be reduced by the amount of the moneys so retained.

(3) The procedure set out in this section shall be in addition to all other rights and remedies which the Provincial Treasurer may have for collection of moneys due to the Fund.

11.—(1) When any school division has obtained the written consent of the Minister of Education pursuant to the provisions of *The School Act* to borrow money for capital purposes from any person, bank, treasury branch or corporation for a period not exceeding five years, the division may make application to the Board for assistance.

(2) Except as otherwise provided in this section, the provisions of Part I apply to such borrowing.

(3) Notwithstanding the provisions of section 6, subsection (2), clause (c) the division may borrow that portion of its authorized borrowing not obtained from the Fund from such person, bank, treasury branch or corporation as may have been approved by the Minister of Education.

12.—(1) The aggregate amount of all moneys repayable to the Fund at any one time shall not exceed the sum of six million dollars.

(2) The aggregate amount of all moneys repayable to the Fund by any school division at any one time shall not exceed the sum of one million dollars.

PART II

Provincial Guarantees of Interest.

13.—(1) With respect to any school division,—

- (a) that has been authorized to borrow money by debenture for capital purposes in accordance with the provisions of *The School Act*; and
- (b) that has received a portion of the money from the Fund pursuant to the provisions of Part I of this Act;

the balance of its authorized borrowing shall be secured by serialized debentures for such term or terms as may be approved pursuant to the provisions of *The School Act*.

(2) No sale of such debentures shall be completed until the proposed terms thereof have been reported to the Board.

14. If the Board approves the terms of sale of the debentures it may recommend to the Lieutenant Governor in Council that the Provincial Treasurer be authorized to guarantee, on behalf of the Province, the payment of interest on all or any part of the borrowings to be obtained from any source other than the Fund.

15.—(1) In the event of the failure of any school division to pay interest on its borrowings, which interest is guaranteed by the Province pursuant to section 14, the Department of Education, if so requested by the Provincial Treasurer, shall retain from the grants payable to any such school division under *The School Grants Act*, *The Border Areas Act* or *The Lloydminster Municipal Amalgamation Act* an amount equal to the interest which the school division has failed to pay.

(2) The Department of Education shall pay the moneys so retained to the Provincial Treasurer on account of the liability of the Province under any such guarantee of the payment of interest and thereupon all moneys so retained and paid over shall be deemed to have been paid to and received by the school division on account of the legislative grant to the school division for that term.

(3) The procedure set out in this section shall be in addition to all other rights and remedies which the Provincial Treasurer may have for recovery from the school division of the total amount of interest for which the Province became liable under the provisions of the guarantee.

PART III.**Outstanding Borrowings.**

16.—(1) In the case of any school division that,—

(a) has borrowed money by debenture for capital purposes in accordance with the provisions of *The School Act*; and

(b) has outstanding unpaid debentures;

the school division may make application to the Board for assistance.

(2) The school division shall give to the Board such information as the Board may require.

(3) Without restricting the generality of subsection (2), the school division shall give to the Board evidence of the necessity of the construction and particulars of its financing and repayment.

17. The Board, in its discretion, may approve all or part of the borrowing of the school division.

18.—(1) In the year in which the borrowing is approved by the Board and in each year thereafter the school division may submit to the Provincial Treasurer proof that it has paid all outstanding debentures of the school division falling due and payable in that year.

(2) Upon receipt of the said proof the Provincial Treasurer, on the recommendation of the Board, may pay a grant to the school division from the Fund not exceeding twelve and one-half per cent of the principal repaid by the division in retiring the debentures due in that year on account of the approved borrowing.

19. This Act shall come into force on the day upon which it is assented to.

THIRD SESSION
ELEVENTH LEGISLATURE
14 GEORGE VI
1950

BILL

An Act to provide Assistance in connection with School Borrowing for Capital Purposes.

Received and read the

First time

Second time

Third time

HON. MR. CASEY.
