# MAINE STATE LEGISLATURE

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## (EMERGENCY) (AFTER DEADLINE) SECOND REGULAR SESSION

### ONE HUNDRED AND THIRTEENTH LEGISLATURE

Legislative Document

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NO. 2357

H.P. 1718 . House of Representatives, February 25, 1988 Approved for introduction by a majority of the Legislative Council pursuant to Joint Rule 27. Reference to the Committee on Appropriations and Financial Affairs suggested and ordered printed. EDWIN H. PERT, Clerk

Presented by Representative LISNIK of Presque Isle. Cosponsored by Speaker MARTIN of Eagle Lake, Representative MAHANY of Easton and Senator COLLINS of Aroostook.

#### STATE OF MAINE

IN THE YEAR OF OUR LORD NINETEEN HUNDRED AND EIGHTY-EIGHT

1 AN ACT to Improve the Linked Investment 2 Program for Agricultural Loans. 3 Emergency preamble. Whereas, Legislature do not become effective 4 the Acts 5 until days 6 after adjournment unless enacted as emergencies; and Whereas, the Maine Revised Statutes, section 135, paragraph 5, as enacted by Public

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1985, chapter 816, authorizes a program of investing

1 state funds in lending institutions at below market
2 rates linked to loans of an equivalent amount to
3 agricultural enterprises; and

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Whereas, experience with the program has demonstrated that the program will not be able to continue to work effectively unless certain changes are made to the program; and

Whereas, if such changes are not enacted on an emergency basis, agricultural enterprises will not be able to get loans at reduced interest rates under the program in time to prepare for the 1988 planting season; and

13 Whereas, in the judgment of the Legislature, these 14 facts create an emergency within the meaning of the 15 Constitution of Maine and require the following 16 legislation as immediately necessary for preservation of the public peace, health and safety; 17 18 now, therefore,

19 Be it enacted by the People of the State of Maine as 20 follows:

21 5 MRSA §135, 5th ¶, as enacted by PL 1985, c. 22 816, §1, is amended to read:

The Treasurer of State may deposit an amount not to exceed \$4,000,000 at any time in each calendar responsible financial institutions with authorized to do business in the State at a rate of return not more than 2% per year below the rate of otherwise obtainable had the funds return invested in accordance with the first paragraph of this section with such financial institutions for a similar term, as determined by the treasurer, for periods not to exceed one year, provided that each financial institution covenants with treasurer as a condition of the deposit to loan an amount at least equal to the amount so deposited with the financial institution by the treasurer under this paragraph to agricultural enterprises located within the State for agricultural purposes. All the loans

shall be at interest rates which are below the

interest rates the loans would have borne existing market conditions and loan standards of the 3 financial institution but for the deposit by 4 treasurer under this paragraph, and the interest rates 5 fully shall reflect the savings to the financial 6 institution due to the reduced interest rate paid on the deposit. Notwithstanding any provisions of this section to the contrary, the treasurer shall not be 7 8 9 obligated to seek competitive bids for investments or 10 deposits pursuant to this paragraph. The Authority of Maine shall provide assistance to the 11 12 treasurer in implementing this paragraph. 13 section, "Agricultural purposes of this 14 agricultural enterprises" means a business involving 15 cultivating raising soil, producing crops and 16 livestock or their by-products. In adopting rules to 17 implement this paragraph, the treasurer shall consider 18 targeting loans under the program criteria geographic areas of financial need, and may establish 19 20 limits on deposits to any one financial institution 21 and limits on deposits supporting loans to any one 22 borrower.

Emergency clause. In view of the emergency cited in the preamble, this Act shall take effect when approved.

#### 26 STATEMENT OF FACT

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This bill revises the Linked Investment Program for Agricultural Loans to address problems with the enacting legislation. The Linked Investment Program authorizes the Treasurer of State to invest \$4,000,000 with financial institutions in the State at a rate of up to 2% below the rate of return otherwise provided obtainable from other that sources financial institution makes a corresponding loan at a correspondingly reduced interest rate an agricultural enterprise. The bill makes clear that the \$4,000,000 limit is an annual limit, and that the \$4,000,000 invested in one year need not mature before an amount of up to \$4,000,000 may be invested in the next calendar year.

The bill also authorizes the Treasurer of State to 2 invest funds with Maine financial institutions rates 2% below the rate otherwise obtainable from that 3 financial institution. Under current legislation, the 5 Treasurer of State has invested funds at rates below rates the Treasurer of State could have gotten 6 7 from other financial institutions in the State, some 8 of which pay rates of returns slightly higher those financial institutions participating in 9 program. Unless this change is made, financial 10 institutions in Maine will find it unprofitable at 11 best or impossible at worst to participate in the program, and are likely to refrain from participating 12 13 14 in the program.

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