

MAINE STATE LEGISLATURE

The following document is provided by the
LAW AND LEGISLATIVE DIGITAL LIBRARY
at the Maine State Law and Legislative Reference Library
<http://legislature.maine.gov/lawlib>



Reproduced from scanned originals with text recognition applied
(searchable text may contain some errors and/or omissions)

OK
R.O.S.

L.D. 1071

(Filing No. S-246)

STATE OF MAINE
SENATE
116TH LEGISLATURE
FIRST REGULAR SESSION

COMMITTEE AMENDMENT "A" to S.P. 357, L.D. 1071, Bill, "An Act to Establish the Regional Revolving Loan Fund"

Amend the bill by striking out the title and substituting the following:

'An Act to Create the Maine Job Growth Fund'

Further amend the bill by striking out everything after the enacting clause and before the statement of fact and inserting in its place the following:

'Sec. 1. 10 MRSA §1026-K is enacted to read:

§1026-K. Maine Job Growth Fund

1. Established. The Maine Job Growth Fund, referred to in this section as the "fund," is established to provide financial assistance to businesses that need assistance in order to create or retain jobs. The authority shall administer the fund on behalf of eligible economic development corporations or entities. The fund is established as a revolving fund, into which must be deposited all amounts appropriated to the fund, interest earnings on the fund and any amounts repaid to the fund by participating corporations. Amounts in the fund must be used by the authority for purposes authorized in this section.

2. Eligible corporations. The fund is open to local, regional and statewide nonprofit or governmental economic development corporations or entities, capable of providing financial assistance to businesses in order to create and protect jobs and referred to in this section as "corporations." To be eligible for assistance from the fund:

COMMITTEE AMENDMENT

COMMITTEE AMENDMENT "A" to S.P. 357, L.D. 1071

2 A. A corporation must apply to the authority to participate
4 in the fund. The application must describe the corporation
6 and its funding sources, the region it serves, its methods
8 and criteria for qualifying borrowers, including any
10 targeted lending and economic development strategies, how it
12 will leverage funds from other sources in an amount at least
14 equal to the amount requested from the fund and other
16 information the authority determines necessary;

18 B. A corporation must have a strategy for the creation and
20 retention of jobs, an effective small business marketing and
22 technical assistance plan, enough expert staff available to
24 it to underwrite, document and service loans and assist its
26 clients, and a loan committee consisting of at least 5
28 members with experience in business management or commercial
30 lending; and

32 C. The corporation must be determined by the authority to
34 be able to prudently and effectively administer a direct
36 loan fund and coordinate with other business assistance
38 programs and with employment training and social assistance
40 programs.

42 3. Disbursements from fund. If an application is approved,
44 the authority shall determine the amount to be disbursed to the
46 corporation, taking into account:

48 A. The size of the region served by the corporation and the
50 expected demand for loan funds in that region;

52 B. The demand for funds from other eligible corporations in
54 relation to the total amount available in the fund; and

56 C. Whether an eligible corporation will serve a broad
58 geographic distribution of potential business borrowers.

60 Funds must be disbursed directly to and retained by the eligible
62 corporation in accordance with the contract between the
64 corporation and the authority. Funds may be disbursed to the
66 corporation in the form of a loan or a grant. The authority may
68 disburse fund amounts in one lump sum or periodic disbursements
70 in its discretion.

72 4. Contract. A corporation that has been approved for
74 participation in the program shall enter into a contract with the
76 authority. The contract governs the administration of the
78 program and the use of funds. The contract must provide that a
80 corporation shall, at a minimum, conform to the following terms
82 and conditions:

COMMITTEE AMENDMENT "A" to S.P. 357, L.D. 1071

2 A. The corporation shall certify that it will use funds
3 only for eligible purposes;

4 B. The corporation's loan committee shall review
5 applications for financial assistance, determine the
6 feasibility of the application and approve or deny the
7 application by majority vote, which is final;

8 C. A corporation's officers and employees may not
9 participate in any way or have any influence over a decision
10 on a project in which that officer or employee has a direct
11 or an indirect personal financial interest;

12 D. A corporation may charge an applicant fees based on a
13 schedule adopted by the corporation and approved by the
14 authority;

15 E. If a corporation breaches its contract with the
16 authority or ceases to operate a loan program in substantial
17 conformance with its proposal to the authority, the
18 authority may withhold further funding and may require
19 repayment of any undisbursed loan funds and loan repayments
20 to the authority; and

21 F. Other terms and conditions as the authority determines
22 appropriate.

23 5. Administrative costs. A corporation may not use any
24 money disbursed from the fund by the authority for administrative
25 expenses, but may use interest earnings to cover reasonable
26 administrative and technical assistance costs. The authority
27 shall review and approve each corporation's administrative
28 expenses on an annual basis. The authority may establish
29 reasonable administrative fees for its administration of the fund
30 by rule.

31 6. Financing terms and conditions. Loans may be made from
32 program funds under the following terms and conditions: --

33 A. Loans may not exceed \$200,000 to a borrower, including
34 an affiliated entity;

35 B. Loans may not exceed 50% of the net new funds being
36 provided to a borrower;

37 C. Each corporation shall establish interest rates,
38 amortization schedules and repayment terms for each
39 borrower, provided that loans do not bear a rate of interest
40 greater than the prime rate of interest plus 4% or are not
41 for a term longer than 20 years;

2 D. When necessary, a corporation may provide for flexible
4 repayment terms and may require additional payments tied to
6 the borrower's financial success; and

8 E. The corporation shall require collateral for loans when
10 available, but may subordinate to loans from other lenders.

12 7. Eligible projects. In order for a project or borrower
14 to be eligible for financial assistance under the program, the
16 following criteria must be met:

18 A. The borrower is unable to obtain funding needed for the
20 project from other public and private sources, including
22 personal resources of the owners;

24 B. The borrower has committed all reasonably available
26 resources to the project, has obtained financial commitment
28 from other sources of financing and has demonstrated a
30 reasonable likelihood that the loan can be repaid;

32 C. The project is not for libraries, medical facilities,
34 public infrastructure, community or civic centers or the
36 news media;

38 D. If the borrower is relocating from one community in the
40 State to another, the community from which the project is
42 moving has consented to the financing;

44 E. If the project is a retail project, the borrower has
46 demonstrated that the project will increase the net number
48 of new jobs;

50 F. The loan is not used to pay existing debt, unless the
 refinancing involves a transfer of ownership intended to
 keep the project from relocating out of State or
 substantially reducing operations; and

G. The loan is not used to make distributions to or for the
 benefit of an owner of the borrower or a related entity.

8. Reports. A corporation shall report at least
 semiannually to the authority on the projects the corporation
 funds and the administration of the program. The report must
 include a description of each project, the amount, type and terms
 of assistance the project received, the number of jobs that were
 created or retained and other information the authority
 requires. The report must contain an accounting of the loan
 portfolio and any loans that are in default, as well as an
 accounting of the corporation's administrative expenses incurred
 and charged to the program.

9. Audit. The authority shall review annually each corporation's participation in the program and may, in its discretion, require an independent audit at the expense of the corporation. If the authority determines that a corporation has used funds for ineligible purposes, the corporation shall repay those funds to the authority for deposit into the fund. The authority may not disburse additional funds to a corporation until the corporation has repaid the misapplied funds and has fully complied with its obligations under the contract with the authority.

10. Written procedures. The authority shall adopt rules governing the program pursuant to Title 5, chapter 375.

FISCAL NOTE

This bill establishes the Maine Job Growth Fund. General Fund appropriations or other funding sources will be required to capitalize this fund.'

STATEMENT OF FACT

This amendment amends the bill as follows:

1. It changes the name of the revolving loan program to the
Maine Job Growth Fund;

2. It clarifies the type of economic development organizations that are eligible to apply for and make loans from the Maine Job Growth Fund;

3. It requires that participants match money from the fund on at least a dollar-for-dollar basis;

4. It incorporates additional criteria for disbursement of program funds and requires that applicants enter into contracts with the Finance Authority of Maine;

5. It allows interest earnings to be used for administrative expenses of the participating entities and requires annual review and approval of administrative costs;

6. It sets a loan limit of \$200,000 per borrower and caps the interest rate at prime plus 4%; and

7. It makes a number of additional minor changes and clarifications to the bill.

The amendment also adds a fiscal note to the bill.

Reported by Senator Brannigan for the Committee on Housing and Economic Development. Reproduced and Distributed Pursuant to Senate Rule 12.
(6/1/93)
(Filing No. S-246)