

# MAINE STATE LEGISLATURE

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(New Draft of H.P. 1459, L.D. 1911)

SECOND REGULAR SESSION

ONE HUNDRED AND ELEVENTH LEGISLATURE

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Legislative Document No. 2456

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H.P. 1855 House of Representatives, April 10, 1984

Reported by the Majority from the Committee on Appropriations and Financial Affairs and printed under Joint Rule 2.

Original bill presented by Representative Mitchell of Vassalboro.  
Cosponsored by Senator Pray of Penobscot, Senator Najarian of Cumberland and Representative Gwadosky of Fairfield.

EDWIN H. PERT, Clerk

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STATE OF MAINE

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

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AN ACT to Establish the Maine  
Job-start Program.

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

Sec. 1. 10 MRSA §1001, sub-§30, as enacted by PL 1983, c. 519, §7, is amended to read:

30. Small business, subchapters V ~~and~~, VI and VII "small business," as used in subchapters V ~~and~~, VI and VII, means any business or employee cooperative corporation subject to Title 13, chapter 85, subchapter III, employing 20 persons or less or with sales of \$2,500,000 or less.

Sec. 2. 10 MRSA §1002, sub-§1, ~~¶¶D and E~~, as enacted by PL 1983, c. 519, §7, are amended to read:

D. Maine Small Business Loan Program; ~~and~~

1 E. Maine Veterans' Small Business Loan Program-  
2 ; and

3 Sec. 3. 10 MRSA §1002, sub-§1, ¶F is enacted to  
4 read:

5 F. Maine Job-start Program.

6 Sec. 4. 10 MRSA c. 110, sub-c. VII is enacted to  
7 read:

8 SUBCHAPTER VII

9 MAINE JOB-START PROGRAM

10 §1100-M. Authorization

11 The Finance Authority of Maine may administer a  
12 statewide program to make low interest loans to stim-  
13 ulate the development and expansion of small business  
14 in this State pursuant to contracts between the au-  
15 thority and local community action agencies desig-  
16 nated under Title 5, chapter 330. This program shall  
17 be known as the Maine Job-start Program.

18 §1100-N. Administration

19 1. Contracts. The authority shall contract with  
20 each community action agency who seeks to participate  
21 in this program in order to organize a job-start pro-  
22 gram within the region served by the community action  
23 agency. The contract shall provide as a minimum:

24 A. Each community action agency shall designate  
25 a coordinator who shall be responsible for the  
26 job-start program in that region;

27 B. The board of directors of a community action  
28 agency shall appoint a job-start advisory board  
29 which may consist of a subcommittee of the board  
30 of directors to review and make recommendations  
31 concerning loan applications and offer other ad-  
32 vice to small businesses, which board shall con-  
33 sist of 5 members who represent low income people  
34 and representatives knowledgeable of business and  
35 financial matters. Members shall serve for a  
36 maximum of 2 years;

1           C. The community action agency shall be respon-  
2 sible for at least 50% of the administrative  
3 costs of implementing the job-start program,  
4 which costs may be derived from direct financial  
5 support or in-kind services, or both; and

6           D. The community action agency shall involve ex-  
7 isting small business technical assistance and  
8 counseling programs in their implementation of  
9 the job-start program and shall, to the maximum  
10 extent feasible, contract or arrange for in-kind  
11 donation of technical and counseling services to  
12 assist job-start loan applicants.

13           2. Loan criteria and procedures. The authority  
14 may, after consultation with the Community Services  
15 Advisory Board, established by Title 5, section 3517,  
16 promulgate rules to implement the Maine Job-start  
17 Program which shall include, but not be limited to,  
18 the following loan criteria:

19           A. The purpose of the loan shall be to estab-  
20 lish, strengthen or expand a small business, ex-  
21 cept that not-for-profit businesses shall not be  
22 eligible;

23           B. Loans may be made to applicants with insuffi-  
24 cient access to conventional sources of credit  
25 and whose gross annual household income is at or  
26 below 150% of the federal poverty line promul-  
27 gated by the Federal Office of Management and  
28 Budget;

29           C. No loan may be made in an amount in excess of  
30 \$10,000 to any single applicant, nor at a fixed  
31 interest rate in excess of a rate equal to 2 per-  
32 centage points below the prime rate in effect in  
33 the Boston metropolitan area;

34           D. A majority vote of the local job-start advis-  
35 ory board shall be necessary to recommend approv-  
36 al of a loan which shall then be transmitted to  
37 the authority for final disposition in accordance  
38 with the policies adopted by the authority;

39           E. Loan applications shall be reviewed by both  
40 the job-start advisory board and the authority

1 for feasibility, that is, for the general reason-  
2 ableness of the business proposal, whether the  
3 applicant has sufficient capital, whether an ade-  
4 quate market analysis or other counseling re-  
5 quirement has been completed, whether the appli-  
6 cant is credit worthy within the scope of this  
7 program and whether the collateral offered to se-  
8 ecure the loan is adequate;

9 F. Loans shall not be insured or guaranteed by  
10 the State, but the authority may require collat-  
11 eral in the form of security for the loan, if  
12 available, and may, in appropriate cases, take a  
13 mortgage on real estate;

14 G. Loan funds shall be made available by the au-  
15 thority for loan recommendations by community ac-  
16 tion agencies on the basis of a formula that  
17 takes into consideration both the population  
18 served by the agency and the economic conditions  
19 of the region, as evidenced by unemployment sta-  
20 tistics and per capita income; and

21 H. Loan applications shall be on forms and ac-  
22 companied by additional information as required  
23 by the authority. Loan applicants may be re-  
24 quired to submit whatever personal or  
25 business-related financial information as may be  
26 necessary to determine eligibility for the  
27 job-start program.

28 §1100-0. Revolving loan fund

29 1. Creation of fund. A Job-start Revolving Loan  
30 Fund shall be established by the authority for the  
31 job-start program. The fund shall contain appropria-  
32 tions provided for that purpose and all repayments of  
33 principal and interest of loans under this subchapter  
34 and interest earned by the fund prior to its alloca-  
35 tion for individual loans. Interest and principal  
36 payments required by loan defaults shall be charged  
37 to this fund. The authority shall have the sole re-  
38 sponsibility for the allocation and distribution of  
39 the fund. This fund shall initially be the sum of  
40 \$500,000. Any funds appropriated for this purpose  
41 shall not lapse, but shall remain available for the  
42 purposes set forth in this subchapter.

1           2. Administrative expenses. During the first  
2 fiscal year after the effective date of this Act, the  
3 authority may allocate a maximum of 10% of the  
4 Job-start Revolving Loan Fund for administrative ex-  
5 penditures and counseling services incurred by the au-  
6 thority and the community action agencies with whom  
7 the authority has contracted under section 1100-N.  
8 Subsequently, all interest earned by the fund, either  
9 by means of investment or loan payments, shall be  
10 available to the authority which shall allocate these  
11 funds primarily to community action agencies for ad-  
12 ministrative and counseling services.

13           3. Deposited with authority or invested. Moneys  
14 in the fund, not needed currently to meet the obliga-  
15 tions of the authority, as provided for in this sub-  
16 chapter, shall be deposited with the authority to the  
17 credit of the fund or may be invested in such manner  
18 as is provided for by statute.

19           §1100-P. Reports

20           1. Regional. Each community action agency  
21 job-start program shall file the reports as required  
22 by the authority.

23           2. Authority. The authority shall file a report  
24 showing the balance of the Job-start Revolving Loan  
25 Fund, the status of all outstanding loans and a re-  
26 port on all other program activities as part of the  
27 annual report required by section 974.

28           Sec. 5. Appropriation. The following funds are  
29 appropriated from the General Fund to carry out the  
30 purposes of this Act.

31		<u>1984-85</u>
32	<u>FINANCE AUTHORITY OF MAINE</u>	
33	Personal Services	\$ 35,000
34	All Other	<u>500,000</u>
35	Total	\$535,000

1 STATEMENT OF FACT

2 The purposes of this new draft are as follows:

3 1. To clarify that the Finance Authority of  
4 Maine is responsible for the administration of the  
5 loan program and makes the final decision whether or  
6 not to grant or deny the loan;

7 2. To clarify the role of the community action  
8 agencies as one of loan intake, counseling and recom-  
9 mendation to the authority concerning the loan appli-  
10 cation;

11 3. To emphasize that the community action agen-  
12 cies should coordinate existing small business tech-  
13 nical assistance and counseling programs in the im-  
14 plementation of the job-start program;

15 4. To increase the maximum loan amount to  
16 \$10,000 and the maximum interest rate to 10% within  
17 guidelines to be established by rule;

18 5. To specify that the interest earned by the  
19 Job-start Revolving Loan Fund shall be allocated to  
20 administrative and counseling expenses and that dur-  
21 ing the first year of the program no more than 10% of  
22 the fund may be allocated to administrative expenses;

23 6. To add an appropriation for one position for  
24 the coordinator of the job-start program at the Fi-  
25 nance Authority Maine Act; and

26 The basic purpose of the program, to provide a  
27 source of capital for low income, small business  
28 start-up or expansion, remains the same.

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