

MAINE STATE LEGISLATURE

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1 SECOND REGULAR SESSION
2

3 ONE HUNDRED AND TWELFTH LEGISLATURE
4

5 Legislative Document

No. 2038

6
7 S.P. 810

In Senate, February 21, 1986

8 Approved for introduction by a majority of the Legislative Council
9 pursuant to Joint Rule 26.

10 Reference to the Committee on State Government suggested and ordered
printed.

JOY J. O'BRIEN, Secretary of the Senate

Presented by Senator Andrews of Cumberland.

11 Cosponsored by President Pray of Penobscot, Representative Hayden of
Brunswick and Representative Holloway of Edgecomb.

12 STATE OF MAINE
13

14 IN THE YEAR OF OUR LORD
15 NINETEEN HUNDRED AND EIGHTY-SIX
16

17 AN ACT to Establish the Maine Small Business
18 and Job Development Program.
19

20 **Preamble.** Two thirds of both Houses of the Leg-
21 islature deeming it necessary in accordance with the
22 Constitution of Maine, Article IX, Section 14, to au-
23 thorize the issuance of bonds on behalf of the State
24 of Maine to establish a Maine Economic Future Fund.

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

27 **Sec. 1.** 10 MRSA c. 110, sub-c. II-B is enacted
28 to read:

29 SUBCHAPTER II-B

30 LOAN INCENTIVES TO MEET ECONOMIC DEVELOPMENT NEEDS

31 §1038. Maine Small Business and Job Development Fund

1 1. Creation. There is created and established
2 under the jurisdiction and control of the authority
3 the Maine Small Business and Job Development Fund.

4 2. Sources of fund. There shall be paid into
5 the Maine Small Business and Job Development Fund:

6 A. All money appropriated for inclusion in the
7 fund;

8 B. Subject to any pledge, contract or other ob-
9 ligation, any money which the authority receives
10 in repayment of advances from the fund;

11 C. Subject to any pledge, contract or other ob-
12 ligation, all interest, dividends or other pecu-
13 niary gains from investment of money of the fund;
14 and

15 D. Any other money available to the authority
16 and directed by the authority to be paid into the
17 fund.

18 3. Application of fund. Subject to section
19 1039, money in the fund may be applied to carry out
20 any power of the authority including, without limita-
21 tion to pledge or transfer and deposit money in the
22 fund as security for and to apply money in the fund
23 in payment of principal of, interest on or redemption
24 premiums on revenue obligation securities of the au-
25 thority.

26 4. Accounts within fund. The authority may di-
27 vide the funds into such separate accounts as it de-
28 termines are necessary or convenient for carrying out
29 the purposes of this subchapter.

30 5. Revolving fund. The fund shall be a nonlaps-
31 ing revolving fund. All money in the fund shall be
32 continuously applied by the authority to carry out
33 this subchapter.

34 6. Interest earnings. The authority shall, at
35 the direction of the State Controller, pay over to
36 the General Fund all interest, dividends or other pe-
37 culniary gains from investment of money of the fund,
38 subject to any pledge, contract or other obligation
39 pertaining to the gains.

1 §1039. Maine Small Business and Job Development Pro-
2 gram

3 1. Operation. Upon appropriation of money for
4 the Maine Small Business and Job Development Fund
5 created by section 1038, the authority shall operate
6 a Maine Small Business and Job Development Program.
7 This program may be operated in conjunction with or
8 as part of one or more other programs of the authori-
9 ty.

10 2. Loans. If money in the fund is loaned for
11 purposes of this subchapter, then the loan shall be
12 made in conjunction with one or more loans by one or
13 more financial institutions.

14 3. Criteria. Program criteria shall be estab-
15 lished by rulemaking pursuant to Title 5, chapter
16 375, subchapter II and shall include limits on the
17 amounts of financial assistance provided from the
18 fund to any one business and requirements for sources
19 of financial assistance in addition to the fund. The
20 program shall be directed at small and medium-sized
21 businesses, as defined by the authority. The author-
22 ity shall establish incentives encouraging effective
23 and efficient use of money from the fund to:

24 A. Stimulate investment in geographical areas of
25 the State deemed economically distressed by the
26 authority from data provided by the State Plan-
27 ning Office which indicates depressed areas in
28 the State;

29 B. Stimulate investment in businesses in the
30 State deemed economically distressed by the au-
31 thority from data provided by the State Planning
32 Office which indicates depressed areas in the
33 State;

34 C. Provide benefits, in addition to those pro-
35 vided to a business, to the geographical area in
36 which the business is located or to a business
37 sector;

38 D. Solve problems widespread in particular busi-
39 ness sectors;

- 1 E. Develop quality and well-paying jobs;
2 F. Minimize adverse environmental impact;
3 G. Provide for employee safety;
4 H. Make new or additional jobs available to
5 Maine citizens, including economically disadvan-
6 tagged persons;
7 I. Utilize a significant amount of financial as-
8 sistance in addition to that provided from the
9 fund; and
10 J. Provide for training or retraining of dis-
11 placed, dislocated or unskilled persons.

12 With respect to any loan of money from the fund to a
13 business, the authority shall, at midterm of the loan
14 determine whether the business has made effective and
15 efficient use of the money pursuant to this subsec-
16 tion and shall reduce the interest rate on the loan
17 if the authority determines that the business has
18 made effective and efficient use of the money.

19 4. Recovery. To the extent permitted by law,
20 the authority shall by agreement require repayment of
21 amounts by any business on whose behalf money from
22 the fund has been applied to carry out this subchap-
23 ter and shall by agreement require interest or other
24 premium on those amounts at such rate as the authori-
25 ty may determine. The recovery may be deferred until
26 such time as the authority shall determine.

27 **Sec. 2. Issue of bonds to establish the Maine**
28 **Small Business and Job Development Fund.** The Treas-
29 **urer of State may, under the direction of the Govern-**
30 **or, issue from time to time registered bonds in the**
31 **name and behalf of the State up to an amount not ex-**
32 **ceeding \$5,000,000 in the aggregate for the purpose**
33 **of raising funds to fund the Maine Small Business and**
34 **Job Development Fund as authorized by section 7. The**
35 **bonds shall be deemed a pledge of the faith and cred-**
36 **it of the State. The bonds shall not run for a**
37 **longer period than 10 years from the date of the**
38 **original issue. Any issuance of bonds may contain a**
39 **call feature at the discretion of the Treasurer of**
40 **State with approval of the Governor.**

1 **Sec. 3. Records of bonds issued to be kept by**
2 **the State Auditor and Treasurer of State. The State**
3 **Auditor shall keep an account of the bonds, showing**
4 **the number and amount of each, the date when payable**
5 **and the date of delivery to the Treasurer of State**
6 **who shall keep an account of each bond showing the**
7 **number of the bond, the date of sale and the date**
8 **when payable.**

9 **Sec. 4. Sale, how negotiated; proceeds appropri-**
10 **ated. The Treasurer of State may negotiate the sale**
11 **of the bonds by direction of the Governor, but no**
12 **bond may be loaned, pledged or hypothecated in behalf**
13 **of the State. The proceeds of the sale of the bonds,**
14 **which shall be held by the Treasurer of State and**
15 **paid by him upon warrants drawn by the Governor, are**
16 **appropriated to be used solely for the purposes set**
17 **forth in this Act.**

18 **Sec. 5. Taxable bond option. The Treasurer of**
19 **State, at the direction of the Governor, shall cove-**
20 **nant and consent that the interest on the bonds shall**
21 **be includable, under the United States Internal Reve-**
22 **nuce Code, in the gross income of the holders of the**
23 **bonds to the same extent and in the same manner that**
24 **the interest on bills, bonds, notes or other obliga-**
25 **tions of the United States is includable in the gross**
26 **income of the holders under the United States Inter-**
27 **nal Revenue Code or any subsequent law. The powers**
28 **conferred by this section shall not be subject to any**
29 **limitations or restrictions of any law which may lim-**
30 **it the power to so covenant and consent.**

31 **Sec. 6. Interest and debt retirement. Interest**
32 **due or accruing upon any bonds issued under this Act**
33 **and all sums coming due for payment of bonds at matu-**
34 **rity shall be paid by the Treasurer of State.**

35 **Sec. 7. Disbursement of bond proceeds. The pro-**
36 **ceeds of the bonds shall be expended under the direc-**
37 **tion and supervision of the Finance Authority of**
38 **Maine.**

39 **Sec. 8. Appropriation balances at year end. At**
40 **the end of each fiscal year, all unencumbered appro-**
41 **priations balances representing state money shall**
42 **carry forward from year to year.**

1 Sec. 9. Lapse of unused bonds. Bond proceeds
2 from the sale of bonds under this Act which have not
3 been transferred to the Maine Economic Future Fund
4 within 10 years after the date of the sale of bonds
5 shall lapse to General Fund debt service.

6 Sec. 10. Bond authorized but not issued. Any
7 bonds authorized but not issued, or for which bond
8 anticipation notes have not been issued within 5
9 years of the ratification of this Act, shall be
10 deauthorized and may not be issued, provided that the
11 Legislature may, within 2 years after the expiration
12 of the 5-year period, extend the period for issuing
13 any remaining unissued bonds or bond anticipation
14 notes for an additional amount of time not to exceed
15 5 years.

16 Sec. 11. Contingent upon ratification of bond
17 issue. Sections 1 to 10 shall not become effective
18 unless and until the people of the State have rati-
19 fied the issuance of bonds as set forth in this Act.

20 Sec. 12. Statutory referendum procedure; submis-
21 sion at general election; form of question; effec-
22 tive date. This Act shall be submitted to the legal
23 voters of the State of Maine at the next general
24 election in the month of November following passage
25 of this Act. The city aldermen, town selectmen and
26 plantation assessors of this State shall notify the
27 inhabitants of their respective cities, towns and
28 plantations to meet, in the manner prescribed by law
29 for holding a statewide election, to vote on the ac-
30 ceptance or rejection of this Act by voting on the
31 following question:

32 "Do you favor a \$5,000,000 bond issue to finance
33 the Maine Small Business and Job Development Pro-
34 gram?"

35 The legal voters of each city, town and planta-
36 tion shall vote by ballot on this question, and shall
37 designate their choice by a cross or check mark
38 placed within a corresponding square below the word
39 "Yes" or "No." The ballots shall be received,
40 sorted, counted and declared in open ward, town and
41 plantation meetings and returns made to the Secretary
42 of State in the same manner as votes for members of

1 the Legislature. The Governor shall review the re-
2 turns and, if it appears that a majority of the legal
3 votes are in favor of the Act, the Governor shall
4 proclaim that fact without delay, and the Act shall
5 become effective 30 days after the date of the proc-
6 lamation.

7 The Secretary of State shall prepare and furnish
8 to each city, town and plantation all ballots, re-
9 turns and copies of this Act necessary to carry out
10 the purpose of this referendum.

11 STATEMENT OF FACT

12 This bill establishes the Maine Small Business
13 and Job Development Fund to encourage and assist
14 businesses that intend to invest in geographically
15 dislocated or distressed sectors of the State or its
16 economy in which employment or wages reflect indus-
17 trial or economic distress. Funded with general ob-
18 ligation bonds the Maine Small Business and Job De-
19 velopment Fund also is intended to finance new pro-
20 duction processes, new products and product
21 diversification.

22 This fund will be administered by the Finance Au-
23 thority of Maine. Proceeds from bond issues will be
24 provided to financial institutions of the State. In
25 turn, the financial institutions will provide loans
26 for a 10-year period to eligible applicants.

27 During the 5th year of the loan and as often
28 thereafter as the finance authority considers neces-
29 sary, the loan and recipient of the loan will be
30 evaluated. If the loan recipient has met some or all
31 of the standards required by law and by rule, the fi-
32 nance authority or its authorized designee, at its
33 discretion, may reduce the original rate of interest
34 for the duration of the loan. In the event that the
35 loan recipient has not met any or very few of the
36 standards, the finance authority or its authorized
37 designee may retain the interest rate until the next
38 evaluation. Loan recipients will be encouraged
39 therefore, to meet their performance standards within
40 the first 5 years of the loan.

1 The bill also authorizes a bond issue in the
2 amount of \$5,000,000 for the purpose of providing
3 funds to establish the Maine Small Business and Job
4 Development Fund. This fund will be a nonlapsing
5 fund held and administered by the finance authority
6 of Maine to provide financial assistance and
7 leveraging private investment money for Maine busi-
8 ness and job development. Repayment of loans to the
9 finance authority shall be deposited in the Maine
10 Small Business and Job Development Fund which will
11 maintain a pool of capital to assist small businesses
12 over future years.

13 A referendum provision requires the general vot-
14 ing public to approve or disapprove the Maine Small
15 Business and Job Development Program at the election
16 in November.

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