

MAINE STATE LEGISLATURE

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1 (New Draft of S.P. 810, L.D. 2038)
2 (New Title)
3 SECOND SPECIAL SESSION
4

5 ONE HUNDRED AND TWELFTH LEGISLATURE
6

7 Legislative Document

No. 2426

8
9 S.P. 980

In Senate, May 23, 1986

10 Reported by the Majority Report of the Committee on Appropriations
11 and Financial Affairs and printed under Joint Rule 2.

12 JOY J. O'BRIEN, Secretary of the Senate

Presented by Senator Andrews of Cumberland.

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

14 STATE OF MAINE
15

16 IN THE YEAR OF OUR LORD
17 NINETEEN HUNDRED AND EIGHTY-SIX
18

19 AN ACT to Establish the Maine Business
20 Opportunity and Job Development
21 Program.
22

23 **Preamble.** Two thirds of both Houses of the Leg-
24 islature deeming it necessary in accordance with the
25 Constitution of Maine, Article IX, Section 14, to au-
26 thorize the issuance of bonds on behalf of the State
27 of Maine to establish a Maine Business Opportunity
28 and Job Development Fund.

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

31 Sec. 1. 10 MRSA c. 110, sub-c. II-B is enacted
32 to read:

33 SUBCHAPTER II-B

34 LOAN INCENTIVES TO MEET ECONOMIC DEVELOPMENT NEEDS

1 §1038. Maine Business Opportunity and Job Develop-
2 ment Fund

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

6 2. Sources of fund. There shall be paid into
7 the Maine Business and Job Development Fund:

8 A. All money appropriated for inclusion in the
9 fund;

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

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

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

20 3. Application of fund. The authority may apply
21 money in the fund for purposes authorized by this
22 subchapter. Money in the fund not needed currently
23 for purposes of this subchapter may be deposited with
24 the authority to the credit of the fund or may be in-
25 vested in such manner as is provided for by law.

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 by
32 continuously applied by the authority to carry out
33 this subchapter.

34 6. Commitment and administrative fees. The au-
35 thority may fix commitment fees in an amount not to
36 exceed 1% of the initial principal amount of a loan
37 made or insured under this subchapter. Such fees

1 may, at the discretion of the authority, be deposited
2 into the fund created under this section or into the
3 Mortgage Insurance Fund or Loan Insurance Reserve
4 Fund.

5 §1039. Maine Business Opportunity and Job Develop-
6 ment Program.

7 1. Operation. Upon appropriation of money for
8 the Maine Business Opportunity and Job Development
9 Fund created by section 1038, the authority shall op-
10 erate a Maine Business Opportunity and Job Develop-
11 ment Program. This program may be operated in con-
12 junction with or as part of one or more other pro-
13 grams of the authority. Money in the fund may be ap-
14 plied to carry out any power of the authority includ-
15 ing, without limitation, to pledge or transfer money
16 in the fund as security for and to apply money in the
17 fund in payment of principal, interest, fees and oth-
18 er charges due on loans made or insured under this
19 program. No more than \$250,000 may be loaned from
20 this fund to an individual business.

21 2. Loans. If money in the fund is loaned for
22 purposes of this subchapter, the loan shall be equal
23 to or less than 50% of the total project cost ap-
24 proved by the authority.

25 3. Loan insurance. The authority may insure
26 payments due under a loan or lease and may pledge as
27 security for such loan or lease money in the fund,
28 which may be in addition to or in lieu of insurance
29 provided under other provisions of this chapter.
30 Loans or leases shall not constitute any debt or lia-
31 bility on the part of the authority or the State, ex-
32 cept to the extent specifically provided by contract
33 executed by the authority.

34 4. Criteria. Program criteria and procedures
35 shall be established by rulemaking pursuant to Title
36 5, chapter 375, subchapter II, and shall include lim-
37 its on the amounts of financial assistance provided
38 from the fund to any one business and requirements
39 for sources of financial assistance in addition to
40 the fund. The program shall be directed at
41 small-sized and medium-sized businesses, as defined
42 by the authority. The authority shall establish in-

1 centives encouraging effective and efficient use of
2 money from the fund to:

3 A. Stimulate investment in geographical areas of
4 the State deemed economically distressed by the
5 authority from data provided by the State Plan-
6 ning Office which indicates depressed areas in
7 the State;

8 B. Stimulate investment in economically
9 distressed industries in the State;

10 C. Provide benefits, in addition to those pro-
11 vided to a business, to the geographical area in
12 which the business is located or to a business
13 sector;

14 D. Solve problems widespread in particular busi-
15 ness sectors;

16 E. Develop quality and well-paying jobs;

17 F. Minimize adverse environmental impact;

18 G. Provide for employee safety;

19 H. Make new or additional jobs available to
20 Maine citizens, including economically disadvan-
21 tagged persons;

22 I. Utilize a significant amount of financial as-
23 sistance in addition to that provided from the
24 fund; and

25 J. Provide for training or retraining of dis-
26 placed, dislocated or unskilled persons.

27 With respect to any loan made or insured under this
28 subchapter, the authority shall, at mid-term of the
29 loan, determine whether the business has made effec-
30 tive and efficient use of the money pursuant to this
31 subsection and shall reduce or apply money in the
32 fund to the reduction of the interest rate on the
33 loan if the authority determines that the business
34 has made effective and efficient use of the money.

1 5. Recovery. To the extent permitted by law,
2 the authority shall by agreement require repayment of
3 amounts by any business on whose behalf money from
4 the fund has been applied or pledged to carry out
5 this subchapter and shall by agreement require inter-
6 est or other premium on those amounts at such rate as
7 the authority may determine, and shall require such
8 collateral to secure repayment as may be reasonably
9 available, including junior liens as appropriate.
10 The recovery may be deferred until such time as the
11 authority shall determine.

12 6. Report. The authority shall file a report
13 showing the balance of the Maine Business Opportunity
14 and Job Development Fund, the status of all outstand-
15 ing direct and insured loans and a report on all oth-
16 er program activities as part of the annual report
17 required by section 974.

18 Sec. 2. Issue of bonds to establish the Maine
19 Business Opportunity and Job Development Fund. The
20 Treasurer of State may, under the direction of the
21 Governor, issue from time to time registered bonds in
22 the name and behalf of the State up to an amount not
23 exceeding \$5,000,000 in the aggregate for the purpose
24 of raising funds to fund the Maine Business Opportu-
25 nity and Job Development Fund as authorized by sec-
26 tion 1. The bonds shall be deemed a pledge of the
27 faith and credit of the State. The bonds shall not
28 run for a longer period than 10 years from the date
29 of the original issue. Any issuance of bonds may
30 contain a call feature at the discretion of the Treas-
31 urer of State with approval of the Governor.

32 Sec. 3. Records of bonds issued to be kept by
33 the State Auditor and Treasurer of State. The State
34 Auditor shall keep an account of the bonds, showing
35 the number and amount of each, the date when payable
36 and the date of delivery to the Treasurer of State
37 who shall keep an account of each bond showing the
38 number of the bond, the date of sale and the date
39 when payable.

40 Sec. 4. Sale, how negotiated; proceeds appropri-
41 ated. The Treasurer of State may negotiate the sale
42 of the bonds by direction of the Governor, but no
43 bond may be loaned, pledged or hypothecated in behalf

1 of the State. The proceeds of the sale of the bonds,
2 which shall be held by the Treasurer of State and
3 paid by him upon warrants drawn by the Governor, are
4 appropriated to be used solely for the purposes set
5 forth in this Act.

6 **Sec. 5. Taxable bond option.** The Treasurer of
7 State, at the direction of the Governor, shall cove-
8 nant and consent that the interest on the bonds shall
9 be includable, under the United States Internal Reve-
10 nue Code, in the gross income of the holders of the
11 bonds to the same extent and in the same manner that
12 the interest on bills, bonds, notes or other obliga-
13 tions of the United States is includable in the gross
14 income of the holders under the United States Inter-
15 nal Revenue Code or any subsequent law. The powers
16 conferred by this section shall not be subject to any
17 limitations or restrictions of any law which may lim-
18 it the power to so covenant and consent.

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

23 **Sec. 7. Disbursement of bond proceeds.** The pro-
24 ceeds of the bonds shall be expended under the direc-
25 tion and supervision of the Finance Authority of
26 Maine.

27 **Sec. 8. Appropriation balances at year end.** At
28 the end of each fiscal year, all unencumbered appro-
29 priations balances representing state money shall
30 carry forward from year to year.

31 **Sec. 9. Bonds authorized but not issued.** Any
32 bonds authorized but not issued, or for which bond
33 anticipation notes have not been issued within 5
34 years of the ratification of this Act, shall be
35 deauthorized and may not be issued, provided that the
36 Legislature may, within 2 years after the expiration
37 of the 5-year period, extend the period for issuing
38 any remaining unissued bonds or bond anticipation
39 notes for an additional amount of time not to exceed
40 5 years.

1 Sec. 10. Contingent upon ratification of bond
2 issue. Sections 1 to 9 shall not become effective
3 unless and until the people of the State have rati-
4 fied the issuance of bonds as set forth in this Act.

5 Sec. 11. Statutory referendum procedure; submis-
6 sion at general election; form of question; effective
7 date. This Act shall be submitted to the legal vot-
8 ers of the State of Maine at the next general elec-
9 tion in the month of November following passage of
10 this Act. The city aldermen, town selectmen and
11 plantation assessors of this State shall notify the
12 inhabitants of their respective cities, towns and
13 plantations to meet, in the manner prescribed by law
14 for holding a statewide election, to vote on the ac-
15 ceptance or rejection of this Act by voting on the
16 following question:

17 "Shall the State create the Maine Business Op-
18 portunity and Job Development Program to be
19 funded with a \$5,000,000 bond issue?"

20 The legal voters of each city, town and planta-
21 tion shall vote by ballot on this question, and shall
22 designate their choice by a cross or check mark
23 placed within a corresponding square below the word
24 "Yes" or "No." The ballots shall be received,
25 sorted, counted and declared in open ward, town and
26 plantation meetings and returns made to the Secretary
27 of State in the same manner as votes for members of
28 the Legislature. The Governor shall review the re-
29 turns and, if it appears that a majority of the legal
30 voters are in favor of the Act, the Governor shall
31 proclaim that fact without delay, and the Act shall
32 become effective 30 days after the date of the proc-
33 lamation.

34 The Secretary of State shall prepare and furnish
35 to each city, town and plantation all ballots, re-
36 turns and copies of this Act necessary to carry out
37 the purpose of this referendum.

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FISCAL NOTE

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The total cost of this bond issue is \$7,062,500 of which \$5,000,000 is principal and \$2,062,500 is interest.

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STATEMENT OF FACT

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This new draft establishes the Maine Business Opportunity and Job Development Program to encourage and assist businesses which are seeking to begin or expand operations and which may, with financial assistance, stimulate investment in economically distressed areas or industries, provide quality jobs and job training, or otherwise provide significant benefits to the economy of the State and the quality of life of its inhabitants.

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The program will be administered by the Finance Authority of Maine using money in the Maine Business Opportunity and Job Development Fund created by this new draft and funded by the proceeds of sale of general obligation bonds. The authority may use the money for loans, as pledged security for loans from financial institutions or leases, or in other ways that will promote the purposes of the consistent with the Finance Authority of Maine Act. In order to provide additional incentive to businesses to attain the purposes of the new draft in stimulating investment and employment, the authority is authorized to provide for the reduction of the interest rate on the loan at mid-term of each loan, provided that the borrower has met the performance standards established by the authority.

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The new draft also authorizes a bond issue in the amount of \$5,000,000 for the purpose of providing funds to establish the Maine Business Opportunity and Job Development Fund. This fund will be a nonlapsing fund held and administered by the Finance Authority of Maine to provide financial assistance and leveraging private investment money for Maine business and job development. Repayment of loans to the authority shall be deposited in the Maine Business

1 Opportunity and Job Development Fund which will main-
2 tain a pool of capital to assist small businesses
3 over future years.

4 This new draft will require a contribution of eq-
5 uity or loans from other financial institutions or
6 persons at least equal to the amount of the fund
7 loan.

8 A referendum provision requires the general vot-
9 ing public to approve or disapprove the Maine Busi-
10 ness Opportunity and Job Development Program at the
11 election in November.

12 This new draft adds a fiscal note.

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