

# MAINE STATE LEGISLATURE

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FIRST REGULAR SESSION

ONE HUNDRED AND THIRTEENTH LEGISLATURE

Legislative Document

No. 915

S.P. 313

In Senate, March 25, 1987

Reference to the Committee on Economic Development suggested and ordered printed.

JOY J. O'BRIEN, Secretary of the Senate  
Presented by Senator ANDREWS of Cumberland:

Cosponsored by Representative CARTER of Winslow, Senator COLLINS of Aroostook, Representative STANLEY of Cumberland  
Forside.

STATE OF MAINE

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

**AN ACT to Establish the Maine Business  
Opportunity and Job Development Program.**

**Preamble.** Two thirds of both Houses of the Legislature deeming it necessary in accordance with the Constitution of Maine, Article IX, Section 14, to authorize the issuance of bonds on behalf of the State of Maine to establish a Maine Business Opportunity and Job Development Fund.

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

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

SUBCHAPTER II-B

1        LOAN INCENTIVES TO MEET ECONOMIC DEVELOPMENT NEEDS

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

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

8            2. Sources of fund. There shall be paid into  
9        the fund the following:

10           A. All money appropriated for inclusion in the  
11           fund;

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

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

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

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

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

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

1           6. Commitment and administrative fees. The au-  
2 thority may fix commitment fees in an amount not to  
3 exceed 1% of the initial principal amount of a loan  
4 made or insured under this subchapter. Such fees  
5 may, at the discretion of the authority, be deposited  
6 into the fund created under this section or into the  
7 Mortgage Insurance Fund or Loan Insurance Reserve  
8 Fund.

9           §1039. Maine Business Opportunity and Job Develop-  
10 ment Program

11           1. Operation. Upon appropriation of money for  
12 the Maine Business Opportunity and Job Development  
13 Fund created by section 1038, the authority shall op-  
14 erate the Maine Business Opportunity and Job Develop-  
15 ment Program. This program may be operated in con-  
16 junction with or as part of one or more other pro-  
17 grams of the authority. Money in the fund may be ap-  
18 plied to carry out any power of the authority, in-  
19 cluding, without limitation, to pledge or transfer  
20 money in the fund as security for and to apply money  
21 in the fund in payment of principal, interest, fees  
22 and other charges due on loans made or insured under  
23 this program. Not more than \$250,000 may be loaned  
24 from this fund to an individual business.

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

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

38           4. Criteria. Program criteria and procedures  
39 shall be established by rulemaking pursuant to Title  
40 5, chapter 375, subchapter II, and shall include lim-  
41 its on the amounts of financial assistance provided  
42 from the fund to any one business and requirements

1 for sources of financial assistance in addition to  
2 the fund. The program shall be directed at  
3 small-sized and medium-sized businesses, as defined  
4 by the authority. The authority shall establish in-  
5 centives encouraging effective and efficient use of  
6 money from the fund to:

7 A. Stimulate investment in geographical areas of  
8 the State deemed economically distressed by the  
9 authority from data provided by the State Plan-  
10 ning Office which indicates depressed areas in  
11 the State;

12 B. Stimulate investment in businesses in econom-  
13 ically distressed industries in the State;

14 C. Provide benefits, in addition to those pro-  
15 vided to a business, to the geographical area in  
16 which the business is located or to a business  
17 sector;

18 D. Solve problems widespread in particular busi-  
19 ness sectors;

20 E. Develop quality and well-paying jobs;

21 F. Minimize adverse environmental impact;

22 G. Provide for employee safety;

23 H. Make new or additional jobs available to  
24 Maine citizens, including economically disadvan-  
25 tagged persons;

26 I. Utilize a significant amount of financial as-  
27 sistance in addition to that provided from the  
28 fund; and

29 J. Provide for training or retraining of dis-  
30 placed, dislocated or unskilled persons.

31 With respect to any loan made or insured under this  
32 subchapter, the authority shall periodically, subject  
33 to rules promulgated under this subchapter, determine  
34 whether the business has made effective and efficient  
35 use of the money and shall reduce or apply money in  
36 the fund to the reduction of the interest rate on

1 the loan if the authority determines that the busi-  
2 ness has made effective and efficient use of the mon-  
3 ey.

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

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

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

35 **Sec. 3. Records of bonds issued to be kept by**  
36 **State Auditor and Treasurer of State. The State Au-**  
37 **ditor shall keep an account of the bonds, showing the**  
38 **number and amount of each, the date when payable and**  
39 **the date of delivery to the Treasurer of State who**  
40 **shall keep an account of each bond showing the number**  
41 **of the bond, the date of sale and the date when pay-**  
42 **able.**

1       **Sec. 4. Sale, how negotiated; proceeds appropri-**  
2 **ated.** The Treasurer of State may negotiate the sale  
3 of the bonds by direction of the Governor, but no  
4 bond may be loaned, pledged or hypothecated in behalf  
5 of the State. The proceeds of the sale of the bonds,  
6 which shall be held by the Treasurer of State and  
7 paid by him upon warrants drawn by the Governor, are  
8 appropriated to be used solely for the purposes set  
9 forth in this Act.

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

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

27       **Sec. 7. Disbursement of bond proceeds.** The pro-  
28 ceeds of the bonds shall be expended under the direc-  
29 tion and supervision of the Finance Authority of  
30 Maine.

31       **Sec. 8. Appropriation balances at year end.** At  
32 the end of each fiscal year, all unencumbered appro-  
33 priation balances representing state money shall car-  
34 ry forward from year to year. Bond proceeds which  
35 have not been expended within 10 years after the date  
36 of the sale of the bonds shall lapse to General Fund  
37 debt service.

38       **Sec. 9. Bonds authorized but not issued.** Any  
39 bonds authorized but not issued, or for which bond  
40 anticipation notes have not been issued within 5  
41 years of the ratification of this Act, shall be  
42 deauthorized and may not be issued, provided that the

1 Legislature may, within 2 years after the expiration  
2 of the 5-year period, extend the period for issuing  
3 any remaining unissued bonds or bond anticipation  
4 notes for an additional amount of time not to exceed  
5 5 years.

6 Sec. 10. Contingent upon ratification of bond  
7 issue. Sections 1 to 9 shall not become effective  
8 until the people of the State have ratified the issu-  
9 ance of bonds as set forth in this Act.

10 Sec. 11. Statutory referendum procedure; submis-  
11 sion at statewide election; form of question; effec-  
12 tive date. This Act shall be submitted to the legal  
13 voters of the State of Maine at a statewide election  
14 to be held on the Tuesday following the first Monday  
15 of November following passage of this Act. The city  
16 aldermen, town selectmen and plantation assessors of  
17 this State shall notify the inhabitants of their re-  
18 spective cities, towns and plantations to meet, in  
19 the manner prescribed by law for holding a statewide  
20 election, to vote on the acceptance or rejection of  
21 this Act by voting on the following question:

22 "Shall the State create the Maine Business Oppor-  
23 tunity and Job Development Program to be funded  
24 with a \$5,000,000 bond issue?"

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

39 The Secretary of State shall prepare and furnish  
40 to each city, town and plantation all ballots, re-  
41 turns and copies of this Act necessary to carry out  
42 the purpose of this referendum.



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STATEMENT OF FACT

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This bill 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 bill 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 bill consistent with the Finance Authority of Maine Act. In order to provide additional incentive to businesses to attain the purposes of the bill 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 bill 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 Opportunity and Job Development Fund which will maintain a pool of capital to assist small businesses over future years.

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This bill will require a contribution of equity or loans from other financial institutions or persons at least equal to the amount of the fund loan.

1           A referendum provision requires the general vot-  
2   ing public to approve or disapprove the Maine Busi-  
3   ness Opportunity and Job Development Program at the  
4   election in November.

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