

# MAINE STATE LEGISLATURE

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SECOND REGULAR SESSION

ONE HUNDRED AND THIRTEENTH LEGISLATURE

Legislative Document

No. 2378

S.P. 912

In Senate, February 26, 1988

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

JOY J. O'BRIEN, Secretary of the Senate

Presented by President PRAY of Penobscot.

Cosponsored by Representative HIGGINS of Scarborough,  
Representative CHONKO of Topsham, Senator EMERSON of Penobscot.

STATE OF MAINE

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

1           **AN ACT** Providing for the 1988 Amendments to the  
2    Finance Authority of Maine Act.  
3

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

6           **Sec. 1.**     5 MRSA §1511, as repealed and replaced  
7           by PL 1985, c. 714, §1, is amended to read:

8           §1511. Reserve for General Fund Operating Capital

1       The State Controller may, at the close of each  
2 fiscal year, transfer from the Unappropriated Surplus  
3 of the General Fund to the Reserve for General Fund  
4 Operating Capital such amounts as may be available  
5 from time to time up to an amount of \$1,000,000 a year  
6 until a maximum of \$25,000,000 is achieved. The State  
7 Controller may, at the close of each fiscal year,  
8 transfer from the Unappropriated Surplus of the  
9 General Fund to the Loan Insurance Reserve Fund,  
10 maintained by the Finance Authority of Maine, such  
11 amounts as may be available from time to time, up to  
12 an amount of \$1,000,000 a year, but not if the  
13 transfer causes the balance in the fund, when added to  
14 amounts held by the Finance Authority of Maine in the  
15 Mortgage Insurance Fund which are not committed or  
16 encumbered for another purpose, to exceed  
17 \$10,000,000. Amounts necessary to accomplish the  
18 purposes of this section are allocated for those  
19 purposes.

20       Sec. 2. 10 MRSA §972, sub-§9, as enacted by PL  
21 1983, c. 519, §6, is repealed and the following  
22 enacted in its place:

23       9. Provide information on employment  
24 opportunities. Provide copies of the employment plans  
25 required by section 979 to the Department of Labor and  
26 the Department of Human Services.

27       Sec. 3. 10 MRSA §974, sub-§1, ¶G, as amended by  
28 PL 1985, c. 344, §23, is further amended to read:

29       G. A description summary of the actual and  
30 potential employment opportunities that have  
31 been and are being developed for recipients of Aid  
32 to Families with Dependent Children reported on  
33 employment plans pursuant to section 979;

34       Sec. 4. 10 MRSA §975-A, sub-§3, ¶D, as enacted  
35 by PL 1985, c. 344, §25, is amended to read:

36       D. Information necessary to comply with any  
37 federal or state law, including section 979, or  
38 rule or with any agreement pertaining to financial

1 assistance;

2 Sec. 5. 10 MRSA §979, as enacted by PL 1983, c.  
3 730, §3, is repealed and the following enacted in its  
4 place:

5 §979. Employment plan

6 The authority and its chief executive officer  
7 shall ensure that each applicant for assistance submit  
8 an employment plan which describes the business and  
9 its products or services and which provides  
10 information on new employment opportunities, including  
11 types of jobs, skills and training necessary for  
12 placement and training the applicant could provide.  
13 The chief executive officer shall provide this  
14 information to the Department of Labor and the  
15 Department of Human Services. This provision shall  
16 apply only to those applicants with more than 10  
17 employees.

18 Sec. 6. 10 MRSA §1026-A, sub-§1-A is enacted to  
19 read:

20 1-A. Coinsurance. Notwithstanding subsection 1,  
21 paragraph A, and section 1026-D, subsection 2, with  
22 respect to mortgage loans securing revenue obligation  
23 securities of the authority issued under subchapter  
24 III, the authority may insure an amount not to exceed  
25 50% of the original principal amount of the mortgage  
26 loan, plus 50% of accrued interest, and may provide  
27 that mortgage payments be applied so that the insured  
28 percentage of the loan increases and that proceeds of  
29 collateral are applied first to reduce the portion of  
30 the loan not insured by the authority, provided that  
31 that insurance shall not exceed \$3,500,000 in original  
32 principal amount for any loan and that the authority  
33 shall not issue that insurance unless it determines  
34 that the applicant is financially strong and credit  
35 worthy and that the loan is adequately secured by  
36 collateral.

37 Sec. 7. 10 MRSA §1026-D, sub-§3, ¶A, as amended  
38 by PL 1985, c. 714, §24, is further amended to read:

1 A. The authority shall have received the  
2 following:

3 (1) Evidence that the project will serve the  
4 purposes of this chapter in increasing or  
5 retaining income and employment in the State;

6 (2) Evidence, through submission of a  
7 comprehensive plan, of the project's  
8 capability of achieving its revenue and  
9 employment goals;

10 (3) Evidence of the economic feasibility of  
11 the project;

12 (4) Evidence of financial capability,  
13 including effective commitments for equity,  
14 interim financing and final mortgage  
15 financing for the project;

16 (5) An employment plan describing  
17 potential opportunity for Aid to Families  
18 with Dependent Children recipients, including  
19 types of jobs, skills required, training  
20 necessary for placement and the percentage of  
21 permanent jobs which will be targeted to  
22 these-recipients;

23 (6) Evidence of management and planning  
24 capability; and

25 (7) A written statement of an authorized  
26 representative of the municipality in which  
27 the project is or will be located supporting  
28 the project.

29 The authority may modify or waive any of the  
30 requirements of this paragraph with respect to any  
31 mortgage insurance program established for  
32 purposes of section 997;

33 Sec. 8. 10 MRSA §1026-D, sub-§3, ¶B, as amended  
34 by PL 1987, c. 393, §8, is further amended to read:

1 B. The original principal amount of the mortgage  
2 loan, including any mortgage loan secured by a  
3 coordinate or priority lien or security interest  
4 in the same eligible collateral which is proposed  
5 to secure repayment of the insured mortgage loan,  
6 shall not exceed the sum of the following  
7 percentages of the cost or value, as determined by  
8 the authority at the time of application for  
9 mortgage insurance, of eligible collateral held,  
10 owned, controlled or used by any eligible  
11 enterprise:

12 (1) One hundred percent of the cost or value  
13 of real estate designed as an industrial park  
14 or 100% of the value of cash, deposits of  
15 money, certificates of deposit or other cash  
16 equivalents, irrevocable letters of credit  
17 issued by financial institutions acceptable  
18 to the authority or loan guarantees from  
19 insurance companies or other institutions  
20 satisfactory to the authority;

21 (2) Ninety percent of the cost or value of  
22 real estate or 90% of the amount of accounts  
23 receivable determined by the authority to be  
24 eligible;

25 (3) Eighty percent of the cost or value of  
26 eligible collateral consisting primarily of  
27 one or more fishing or other vessels;

28 (4) Seventy-five percent of the cost or  
29 value of eligible collateral consisting  
30 primarily of machinery and equipment;

31 (5) Notwithstanding subparagraph (2), 75% of  
32 the cost or value of eligible collateral  
33 held, owned, controlled or used by a  
34 recreational enterprise; or

35 (6) Sixty percent of the cost or value of  
36 other eligible collateral.

37 Sec. 9. 10 MRSA §1043, sub-§2, §1, as enacted  
38 by PL 1981, c. 698, §64, is repealed and the following

1 enacted in its place:

2 I. The project will, to the extent possible,  
3 cooperate with representatives of the Department  
4 of Labor and the Department of Human Services  
5 regarding employment opportunities for recipients  
6 of the services of those departments.

7 Sec. 10. 10 MRSA §1053, sub-§§3 and 4, as  
8 enacted by PL 1985, c. 344, §78, are amended to read:

9 3. Reserve requirement. The authority may  
10 provide that money in any such fund shall not be  
11 withdrawn at any time in such amount as would  
12 reduce cause the amount of any such fund, when added  
13 to the amount of any letter of credit available to be  
14 drawn to pay amounts required to be paid from a  
15 capital reserve fund, to be less than the maximum  
16 amount of principal and interest becoming due by  
17 reason of maturity or a required sinking fund payment  
18 in the next succeeding 12-month period within which  
19 any such maturity occurs or any such payment is  
20 required, the amount being referred to as the "capital  
21 reserve requirement," except for the purpose of paying  
22 the amount due at any such maturity or the sinking  
23 fund payment with respect to revenue obligation  
24 securities, repayment of which is secured by any such  
25 fund.

26 4. Issuance limit. The authority may provide  
27 that it shall not issue revenue obligation securities  
28 if the capital reserve requirement with respect to  
29 securities outstanding and then to be issued and  
30 secured by any such fund will exceed the amount of any  
31 such fund, including the amount available to be drawn  
32 on any letter of credit given to secure the capital  
33 reserve requirement, at the time of issuance, unless  
34 the authority, at the time of issuance of the  
35 securities, shall deposit in any such fund from  
36 proceeds of the securities so to be issued, or from  
37 other sources, an amount, which, together with the  
38 amounts then in any such fund and amounts available to  
39 be drawn under any letter of credit, will not be less  
40 than the capital reserve requirement.

1 STATEMENT OF FACT

2 This bill provides for amendments designed to  
3 enhance the operation of the programs of the Finance  
4 Authority of Maine.

5 Section 1 of the bill authorizes the State  
6 Controller to deposit up to \$1,000,000 annually from  
7 the Unappropriated Surplus of the General Fund into  
8 the authority's Loan Insurance Reserve Fund. No such  
9 deposit would be made if the authority's reserves  
10 available for loan insurance payments exceeded  
11 \$10,000,000. This provision reinstates a provision  
12 repealed in 1985 which authorized an annual deposit  
13 into the Guarantee Reserve Fund created in 1981 to  
14 provide a reserve for losses incurred by the Maine  
15 Guarantee Authority, predecessor of the Finance  
16 Authority of Maine. By maintaining an adequate Loan  
17 Insurance Reserve Fund, the authority is less likely  
18 to need to call on the Governor to pay loan insurance  
19 losses.

20 Sections 2 to 5, 7 and 9 pertain to the  
21 requirement that applicants with more than 10  
22 employees provide an employment plan, which the  
23 authority will refer to the Department of Labor and  
24 the Department of Human Services so that those  
25 departments can determine whether any recipients of  
26 human resource services can be employed with these  
27 applicants. Current law requires such information  
28 pertaining only to opportunities for recipients of Aid  
29 to Families with Dependent Children.

30 Section 6 permits the authority to "coinsure" up  
31 to 50% of individual loans backing bond issues on a  
32 basis where the authority would be primarily liable  
33 for losses. The remainder of the loan would be backed  
34 by a letter of credit or other sources of credit  
35 enhancement so that the bonds could be publicly  
36 marketed at favorable rates. The authority's  
37 liability could in no event exceed 50% of the loan,



1 which reduces the use of the authority's loan  
2 insurance and would assist the authority in carrying  
3 out its statutory mandate to utilize other sources of  
4 credit insurance whenever possible. The maximum  
5 principal insured is limited to \$3,500,000 per loan,  
6 as opposed to \$7,000,000 for 90% insured loans.

7 Section 8 increases the required loan-to-value  
8 percentage for collateral consisting of eligible  
9 accounts receivable from 60% to 90%, in recognition of  
10 the high value of most accounts receivable as  
11 collateral for insured loans. The intent is to  
12 increase the authority's ability to insure loans to  
13 assist growing Maine businesses which need receivable  
14 financing to continue their rapid growth.

15 Section 10 amends the Maine Revised Statutes,  
16 Title 10, section 1053, pertaining to so-called "moral  
17 obligation" bonds, such as bonds which are not backed  
18 by the faith and credit of the State but by the  
19 State's goodwill. Moral obligation bonds must be  
20 backed by capital reserve funds in the amount of at  
21 least one year's debt service. Section 10 also  
22 authorizes the authority to use either cash or letters  
23 of credit from banks to meet the reserve fund  
24 requirement. The risk to the State would not be  
25 increased by this bill.

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