

MAINE STATE LEGISLATURE

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114th MAINE LEGISLATURE

SECOND REGULAR SESSION - 1990

Legislative Document

No. 2271

H.P. 1638

House of Representatives, February 1, 1990

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

Reference to the Committee on Appropriations and Financial Affairs suggested and ordered printed.

A handwritten signature in cursive script that reads 'Ed Pert'.

EDWIN H. PERT, Clerk

Presented by Representative ANDERSON of Woodland.

Cosponsored by Representative MAYO of Thomaston, Senator COLLINS of Aroostook and Representative MICHAUD of East Millinocket.

STATE OF MAINE

IN THE YEAR OF OUR LORD
NINETEEN HUNDRED AND NINETY

**An Act to Create Low-interest Loans for Businesses to Purchase
Furnaces or Boilers That Burn Waste Motor Oil.**



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

2
3 **Sec. 1. 10 MRSA §964, sub-§1, ¶H,** as amended by PL 1989, c.
4 559, §3, is further amended to read:

6 H. Such other programs as the authority may by law be
7 authorized to administer; and

8
9 **Sec. 2. 10 MRSA §964, sub-§1, ¶I,** as enacted by PL 1989, c.
10 559, §4, is amended to read:

12 I. Student financial assistance programs; and

14 **Sec. 3. 10 MRSA §964, sub-§1, ¶J** is enacted to read:

16 J. Waste oil furnace loan program.

18 **Sec. 4. 10 MRSA c. 110, sub-c. V-A** is enacted to read:

20 SUBCHAPTER V-A

22 WASTE OIL FURNACE LOAN PROGRAM

24 §1099-A. Definitions

26 As used in this subchapter, unless the context otherwise
27 indicates, the following terms have the following meanings.

28 1. Authority. "Authority" means the Finance Authority of
30 Maine.

32 2. Effective interest rate. "Effective interest rate"
33 means an annual percentage interest rate paid by the borrower.

34 3. Eligible business. "Eligible business" means any
35 business, corporation, association, firm, partnership or other
36 organization located in this State, but does not include any
37 agency of this State.

38 4. Fund. "Fund" means the Waste Oil Furnace Loan Fund
39 established by this subchapter.

40 5. NFPA. "NFPA" means the National Fire Protection
41 Association.

42 6. Program. "Program" means the Waste Oil Furnace Loan
43 Program established by this subchapter.

44 7. Properly installed. "Properly installed" means a boiler
45 or furnace installed in accordance with NFPA Standard 31 or
46 subsequent NFPA installation standards adopted by the state Oil
47 and Solid Fuel Board.
48

2 8. Qualified boiler or furnace. "Qualified boiler or
4 furnace" means any new or replacement boiler or furnace fueled
6 wholly or in part by waste oil that produces energy for space
8 heating or cooling or for use in a manufacturing process and is
10 listed by the Oil and Solid Fuel Board as a waste oil boiler or
12 furnace.

14 9. Waste oil. "Waste oil" means a petroleum-based oil
16 that, through use or handling, has become unsuitable for its
18 original purpose due to the presence of impurities or the loss of
20 original properties. Waste oil includes, but is not limited to,
22 the following:

24 A. Automotive crankcase and lubricating oils;

26 B. Industrial lubricating oils including metal working
28 oils, railroad and marine oils and turbine lubricating oils;

30 C. Industrial nonlubricating oils including hydraulic,
32 transmission, and quenching oils, and transformer oils with
34 polychlorinated biphenyl concentrations less than 50 parts
36 per million;

38 D. Oil recovered from oil tank cleaning operations and
40 deballasting operations; and

42 E. Oil spilled on land or water.

44 Waste oil does not include oily waste debris generated during the
46 cleanup of oil spills, water residue generated from oil and water
48 separation processes at waste oil facilities or mineral spirits
50 having a flash point less than 140° Fahrenheit.

52 **\$1099-B. Waste Oil Furnace Loan Program**

54 1. Program established. There is established the Waste Oil
56 Furnace Loan Program to be administered by the authority through
58 approved lenders. The program subsidizes interest costs of loans
60 made to eligible businesses purchasing and properly installing
62 qualified waste oil boilers and furnaces. The program subsidizes
64 loan interest rates made by approved lenders to achieve an
66 effective interest rate to borrowers of 3%. Loan amounts are
68 limited to the purchase price of the boiler or furnace but may
70 not exceed \$5,000 for any boiler or furnace. The term of loans
72 made under this subchapter may not exceed 5 years.

74 2. Fund established. There is established the Waste Oil
76 Furnace Loan Fund which is managed by the authority but held
78 separate from other funds of the authority and used by the
80 authority to carry out this subchapter. Payments to approved
82 lenders equal to the present value of the difference between the

2 total interest costs charged by the lenders over the terms of the
3 loans and the interest costs paid by the borrowers at the program
4 effective interest rate of 3% are charged to the fund.

5 3. Lenders. Lenders may not participate in the program
6 without the authority's approval. As a condition of approval by
7 the authority, the lender must agree to originate and administer
8 all loans made under the program and to receive the interest
9 payment for loans made under the program from the authority in an
10 amount equal to the present value of the interest due over the
11 term of the loan. The lender shall determine the interest rate
12 of the loan.

13 4. Businesses. Businesses participating in the program are
14 responsible for repayment of the principal borrowed plus 3%
15 interest, subject to conditions established by the authority and
16 the lenders. As a condition of the loan, businesses must agree
17 to properly install the boiler or furnace and must consent to
18 post-installation inspection procedures established by the
19 authority.

20 5. Rulemaking. The authority shall adopt rules to carry
21 out this subchapter no later than January 1, 1991. The rules
22 must be adopted in accordance with the Maine Administrative
23 Procedure Act, Title 5, chapter 375, and must include:

24 A. A list of approved lenders;

25 B. Procedures governing the transfer of money from the fund
26 to the lenders;

27 C. Procedures to determine the amount charged to the fund
28 for each loan; and

29 D. Loan applications, program evaluation or program
30 administration forms and procedures that the authority
31 considers necessary to implement this subchapter.

32 **Sec. 5. P&SL 1987, c. 119, Pt. A, §1, under the caption "EXECUTIVE**
33 **DEPARTMENT" under that part relating to "Office of Energy Resources**
34 **Licensed Adult Care," 3rd line is amended to read:**

35 All Other \$800,000 \$700,000

36 **Sec. 6. Allocation. The following funds are allocated from the**
37 **Stripper Well Fund, as established in Public Law 1987, c. 533,**
38 **§2, for the fiscal year ending June 30, 1991.**

2

1990-91

4 **FINANCE AUTHORITY OF MAINE**

6 **Waste Oil Furnace Loan Fund**

8 All Other \$100,000

10 Reallocates funds to capitalize the Waste
12 Oil Furnace Loan Fund previously allocated
14 to the Boarding Homes Demonstration Program
under the Executive Department.

16 **STATEMENT OF FACT**

18 This bill creates a low-interest loan program for businesses
20 in the State wishing to purchase boilers or furnaces that burn
waste oil. Under this program, loans with an interest rate of 3%
22 are available to businesses purchasing waste oil furnaces or
boilers. The interest subsidy required by the program is paid by
24 the Finance Authority of Maine, or FAME, using a fund established
in this bill. Under this bill, the fund is managed by FAME;
26 however, loans would originate and be administered at the local
level by approved lenders. The bill uses \$100,000 of unobligated
28 and unexpended stripper well oil overcharge funds to capitalize
the Waste Oil Furnace Loan Fund.

30 Loans made under this program are limited to the cost of the
furnace or boiler up to a maximum of \$5,000 per unit. The term
32 of the loan may be up to 5 years. Lenders receive a one-time
subsidy from FAME equal to their portion of the interest due over
34 the term of each loan made under this program. Borrowers are
required to repay the principal plus 3% interest.

36 Qualifying boilers and furnaces are units listed as waste
38 oil boilers and furnaces by the state Oil and Solid Fuel Board.
All boilers and furnaces purchased under this program must be
40 installed according to the installation standards of the National
Fire Protection Association, or NFPA, that are adopted by the Oil
42 and Solid Fuel Board.

44 The cost to the State of a subsidy equal to the present
value of interest payments on a 5-year \$5,000 loan, assuming a
46 reasonable range of interest rates, would range between \$200 to
\$400. It is estimated that the amount appropriated in this bill
48 could subsidize interest costs for 200 to 500 loans for waste oil
boilers or furnaces.