

MAINE STATE LEGISLATURE

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007
R.O.S.

L.D. 765

(Filing No. S-126)

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STATE OF MAINE
SENATE
116TH LEGISLATURE
FIRST REGULAR SESSION

COMMITTEE AMENDMENT "A" to S.P. 246, L.D. 765, Bill, "An Act to Provide Local Control for the Job-start Program"

Amend the bill by striking out everything after the enacting clause and before the statement of fact and inserting in its place the following:

Sec. 1. 10 MRSA §1100-M, as enacted by PL 1983, c. 856, §4 is amended to read:

§1100-M. Authorization

The Finance Authority of Maine may administer a statewide program to make low interest loans to stimulate the development and expansion of small business in this State pursuant to contracts between the authority and local community action agencies designated under Title 522, chapter 3301477. This program shall be is known as the Maine Job-start Program or the Maine Job-start Micro Enterprise Loan Program.

Sec. 2. 10 MRSA §1100-N, as corrected by PL 1991, c. 2, §31, is amended by repealing and replacing the headnote to read:

§1100-N. Administration and procedures

Sec. 3. 10 MRSA §1100-N, sub-§1, as amended by PL 1989, c. 857, §49 is further amended to read:

1. **Contracts.** The authority may contract with any community action agency that seeks to organize a job-start program. The authority shall first contract with community action agencies that have current contracts with the authority to

COMMITTEE AMENDMENT

R. of S.

COMMITTEE AMENDMENT "A" to S.P. 246, L.D. 765

2 administer the Maine Job-start Program. The authority may then
3 contract with any community action agency that seeks to organize
4 a job-start program. A participating agency shall accept
5 applications from eligible participants, regardless of whether an
6 applicant resides in the region normally served by that agency,
7 unless the applicant resides in a region served by another
8 participating agency. The contract shall must provide as a
9 minimum the following.

10 A. Each community action agency shall designate a
11 coordinator who shall be responsible for the job-start
12 program in that region.

14 B. The board of directors of a community action agency
15 shall appoint a job-start advisory board, which may consist
16 of a subcommittee of the board of directors, to review and
17 make recommendations concerning loan applications and offer
18 other advice to small businesses. The advisory board must
19 consist of 5 members who represent low-income people and
20 representatives knowledgeable of business and financial
21 matters. Members of the job-start advisory board serve for a
22 2-year term and may be reappointed to successive terms.

24 C. The community action agency is responsible for up to 30%
25 of the administrative costs of implementing the job-start
26 program, which costs may be derived from direct financial
27 support or in-kind services, or both.

28 D. The community action agency shall involve existing small
29 business technical assistance and counseling programs in
30 their implementation of the job-start program and shall, to
31 the maximum extent feasible, contract or arrange for the
32 in-kind donation of technical and counseling services to
33 assist job-start loan applicants.

36 E. A majority vote of the local job-start advisory board is
37 necessary to recommend approval of a loan. Upon approval,
38 the loan is then transmitted to the authority for final
39 disposition in accordance with the policies adopted by the
40 authority.

42 F. Loan applications must be reviewed by both the local
43 job-start advisory board and the authority to determine the
44 feasibility and reasonableness of the business proposal,
45 whether the applicant has sufficient capital, whether an
46 adequate market analysis or other counseling requirement has
47 been completed, whether the applicant is creditworthy within
48 the scope of this program and whether adequate collateral is
49 offered to secure the loan.

50

2 G. Loan applications must be on forms and accompanied by
4 additional information required by the authority. Loan
6 applicants may be required to submit personal or
8 business-related financial information considered necessary
10 to determine eligibility for the job-start program.

12 **Sec. 4. 10 MRSA §1100-N, sub-§1-A is enacted to read:**

14 1-A. Contracts for local agency control of funds. The
16 authority may contract with a community action agency to
18 administer the Maine Job-start Program and may provide for agency
20 control of a portion of the Job-start Revolving Loan Fund for a
22 specified period of time. A contract entered into with an agency
24 pursuant to this section may provide that the agency is
26 responsible for the administration of all existing loans made by
28 the authority upon the recommendation of the agency's advisory
30 committee. A contract may be renewed upon a showing of continued
32 compliance with all requirements. The authority may enter into a
34 contract with a community action agency upon a showing by the
36 local agency that it complies with each of the following
38 requirements.

40 A. The agency must have a job-start loan board to review
42 and make recommendations concerning loan applications. The
44 loan board must consist of 5 members and include
46 representatives of persons of low income and members
48 experienced in business, lending and financial matters.

50 B. The agency must prove its capacity to originate prudent
52 loans and to service those loans through:

54 (1) The ability to solicit and screen potential
56 applicants and provide necessary technical assistance
58 to help applicants prepare a business plan and
60 determine the viability of the business, repayment
62 ability and the amount of loan funds needed;

64 (2) The ability to properly document each loan
66 transaction, including the perfection of the interest
68 of the agency in all collateral;

70 (3) The ability to access appropriate legal guidance
72 to ensure adherence to all applicable laws concerning
74 lending, loan administration and collection;

76 (4) The ability to accurately account for all loan
78 repayments;

80 (5) The ability to pursue collection actions;

R. of S.
COMMITTEE AMENDMENT "A" to S.P. 246, L.D. 765

2 (6) the ability to invest and administer the Job-start
3 Revolving Loan Fund;

4 (7) Such other criteria as the authority determines
5 necessary to ensure the efficient administration of the
6 program.

8 C. The community action agency must agree to follow each of
9 the following mechanisms for loan review and approval.

10 (1) Loan applications must be reviewed by the
11 job-start loan board to determine the feasibility and
12 general reasonableness of the business proposal,
13 whether the applicant has sufficient capital for the
14 intended purpose, whether an adequate market analysis
15 or other counseling requirement has been completed,
16 whether the applicant is creditworthy within the scope
17 of this program and whether adequate collateral is
18 offered to secure the loan.

19 (2) A majority vote of the full job-start loan board
20 is necessary to approve a loan in accordance with the
21 policies adopted by the agency and approved by the
22 authority. The decision of the loan board is final.

23 (3) Loan applications must be on forms and accompanied
24 by additional information required by the agency. Loan
25 applicants may be required to submit personal or
26 business-related financial information considered
27 necessary to determine eligibility for the job-start
28 program.

29 D. The community action agency must provide the authority
30 with an annual report detailing the loan fund activity in
31 the form and containing the information required by the
32 contract between the agency and the authority.

33 E. The community action agency must allow the authority or
34 an agent of the authority to perform an audit of the loan
35 fund and the administration of the program at the times and
36 in the manner provided in the contract between the agency
37 and the authority.

38 **Sec. 5. 10 MRSA §1100-N, sub-§2, ¶¶D, E and H, as enacted by PL**
39 **1983, c. 856, §4, are repealed.**

40 **Sec. 6. 10 MRSA §1100-O, sub-§§1 and 2, as amended by PL 1989,**
41 **c. 857, §50, are further amended to read:**

2 **1. Creation of fund.** A Job-start Revolving Loan Fund is
4 established by the authority for the job-start program. The fund
6 contains appropriations provided for that purpose and all
8 repayments of principal and interest of loans under this
10 subchapter and interest earned by the fund prior to its
12 allocation for individual loans. The fund may be divided into
14 separate revolving loan funds to be administered by community
16 action agencies upon approval by the authority. Each separate
18 fund must contain all repayments of principal and interest for
20 loans made from that fund and interest earned by the fund.
Interest and principal payments required by loan defaults are
charged to this the fund to which repayments are applied. The
authority shall ~~have~~ has sole responsibility for the allocation
and distribution of the original fund and for appropriations and
repayments applied to the original fund. Each community action
agency has responsibility for the allocation and distribution of
the portion of the fund allocated to its separate revolving loan
fund. Any funds appropriated for this purpose may not lapse, but
must remain available for the purposes set forth in this
subchapter.

22 **2. Administrative expenses.** ~~During the first fiscal year
24 after July 25, 1984, the authority may allocate a maximum of 10%
26 of the Job-start Revolving Loan Fund for administrative expenses
28 and counseling services incurred by the authority and the
30 community action agencies with whom the authority has contracted
32 under section 1100-N. Subsequently, all All interest earned by
34 the fund, either by means of investment or loan payments, is
36 available to the authority which to community action agencies or
38 the community action agency administering that separate revolving
loan fund to which the interest is attributable. The authority
or community action agency shall allocate these funds primarily
for administrative and counseling services. Beginning in fiscal
year 1990-91, the authority may allocate up to \$10,000 of
administrative program funds for each agency with which it
contracts under section 1100-N for expenses incurred by the
authority under this program.~~

40 **Sec. 7. 10 MRSA §1100-P, sub-§2,** as enacted by PL 1983, c.
856, §4, is amended to read:

42 **2. Authority.** The authority shall file a report showing
44 the balance of the each Job-start Revolving Loan Fund, the
46 status of all outstanding loans and a report on all other
program activities as part of the annual report required by
section 974.

48 **Sec. 8. Transition provisions.** The Finance Authority of Maine,
50 in consultation with the community action agencies shall develop
rules for the establishment of and transfer of funds to

COMMITTEE AMENDMENT "A" to S.P. 246, L.D. 765

2 separate revolving loan funds for community action agencies.
3 These rules must be adopted in accordance with the Maine
4 Administrative Procedure Act and must allow the community action
5 agencies making the showings required by this Act to commence
6 administration of the program locally by no later than July 1,
7 1994.

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FISCAL NOTE

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11 The additional costs of administering the division of the
12 Job-start Revolving Loan Fund into separate revolving loan funds
13 to be administered by community action agencies and to adopt
14 rules can be absorbed by the Finance Authority of Maine utilizing
15 existing budgeted resources.'

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STATEMENT OF FACT

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21 This amendment establishes procedures for the Finance
22 Authority of Maine to approve local community action agency
control of portions of the Job-start Revolving Loan Fund. The
amendment also adds the necessary fiscal note.

Reported by Senator Harriman for the Committee on Housing
& Economic Development. Reproduced and Distributed Pursuant
to Senate Rule 12.
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