

MAINE STATE LEGISLATURE

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116th MAINE LEGISLATURE

FIRST REGULAR SESSION-1993

Legislative Document

No. 765

S.P. 246

In Senate, March 2, 1993

An Act to Provide Local Control for the Job-start Program.

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

A handwritten signature in cursive script that reads "Joy J. O'Brien".

JOY J. O'BRIEN
Secretary of the Senate

Presented by Senator FOSTER of Hancock.

Cosponsored by Senators: GOULD of Waldo, VOSE of Washington, Representatives: BAILEY of Township 27, BRENNAN of Portland, COTE of Auburn, FARNUM of South Berwick, FARREN of Cherryfield, FITZPATRICK of Durham, GRAY of Sedgwick, LOOK of Jonesboro, TOWNSEND of Eastport, WALKER of Blue Hill.

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

4 Sec. 1. 5 MRSA §13070-J is enacted to read:

6 §13070-J. The Maine Micro Enterprise Development Program

8 1. Maine Micro Enterprise Development Program established.

10 The department may administer a statewide program to make
12 low-interest loans to stimulate the development and expansion of
14 small business in this State pursuant to contracts between the
16 department and local community action agencies designated under
18 Title 22, section 5323. This program is known as the Maine Micro
20 Enterprise Development Program.

22 2. Contracts. The department shall first contract with
24 community action agencies currently participating in the Maine
26 Job-start Program revolving loan fund. The department may then
28 contract with any community action agency that seeks to organize
30 a micro enterprise development program. A participating agency
32 shall accept applications from eligible participants, regardless
34 of whether an applicant resides in the region normally served by
36 that agency, unless the applicant resides in a region served by
38 another participating agency. The contract provides the following.

40 A. Each community action agency shall designate a
42 coordinator who is responsible for the micro enterprise
44 development program in that region.

46 B. Each community action agency shall maintain a revolving
loan fund for the purposes of carrying out the program.

C. The board of directors of a community action agency
shall appoint a micro enterprise advisory board, which
consists of a subcommittee of the board of directors, to
review and make recommendations concerning loan
applications. The advisory board consists of at least 5
members some of whom represent low-income people and others
who are knowledgeable about business and financial matters.
Members of the micro enterprise advisory board serve for a
2-year term and may be reappointed to successive terms.

D. The community action agency shall involve existing small
business technical assistance and counseling programs in
their implementation of the micro enterprise development
program.

2 3. Loan criteria and procedures. To implement the Maine
3 Micro Enterprise Development Program, the local community action
4 agency may adopt rules which include, but are not limited to, the
5 following loan criteria.

6 A. The purpose of the loan is to establish, strengthen or
7 expand the business of any person or the business of an
8 organization, except any nonprofit corporation, which in the
9 case of:

10 (1) An existing business, at the time application is
11 made for financing assistance, employs 20 persons or
12 fewer or has gross sales not exceeding \$2,500,000 per
13 year; or

14 (2) A new business, at the time application is made
15 for financing assistance, projects that during the
16 first 12 months of operation it will employ 20 persons
17 or fewer or will have gross sales not exceeding
18 \$2,500,000.

19 B. Loans may be made to low-income applicants with
20 insufficient access to conventional sources of credit whose
21 gross annual household income is at or below income limits
22 established by the department by rulemaking pursuant to
23 Title 5, chapter 375, subchapter II.

24 C. A loan may not be made in an amount in excess of \$15,000
25 to any single applicant, nor at an interest rate in excess
26 of rate limits established by the department by rulemaking
27 pursuant to Title 5, chapter 375, subchapter II.

28 D. A majority vote of the local micro enterprise advisory
29 board is necessary to recommend approval. Recommendations
30 are then transmitted to the community action agency for
31 final disposition in accordance with the policies adopted by
32 the agency.

33 E. Loan applications must be reviewed by the micro
34 enterprise advisory board for the feasibility of the
35 business proposal, to determine whether the applicant has
36 sufficient capital, whether an adequate market analysis or
37 other counseling requirement has been completed, whether the
38 applicant is creditworthy within the scope of this program
39 and whether the collateral offered to secure the loan is
40 adequate.

41 F. Loans may not be insured or guaranteed by the State, but
42 the community action agency shall require collateral in

2 the form of security for the loan, if available, and may in
3 appropriate cases take a mortgage on real estate.

4 G. Loan funds must be made available by the department to
5 capitalize the revolving funds of community action agencies
6 on the basis of a formula that takes into consideration both
7 the population served by the agency and the economic
8 conditions of the region as evidenced by unemployment
9 statistics and per capita income.

10 H. Loan applications must be on forms and accompanied by
11 additional information as required by the agency. Loan
12 applicants may be required to submit whatever personal or
13 business-related financial information is necessary to
14 determine eligibility for the micro enterprise development
15 program.

16
17 4. Creation of revolving funds. The revolving loan funds
18 are established and maintained by each community action agency
19 for the micro enterprise development program. These funds
20 contain transferred capital from the Maine Job-start Program, all
21 repayments of principal and interest on loans under this
22 subchapter, interest earned by the funds prior to allocation for
23 individual loans and any further appropriations. Interest and
24 principal payments required by loan defaults are charged to these
25 funds. The local community action agency shall have the sole
26 responsibility for the allocation and distribution of its
27 revolving loan fund. Any funds appropriated for this purpose may
28 not lapse but must remain available for the purposes set forth in
29 this subchapter.

30
31 5. Business counseling expenses. An agency may allocate a
32 maximum of 10% of its revolving loan fund for counseling services
33 incurred by the community action agencies with whom the
34 department has contracted under this section. All interest
35 earned by these funds, either by means of investment or loan
36 payments, is available to the agencies, which shall allocate
37 these funds primarily for business counseling services and
38 associated administrative costs.

39
40 6. Funds deposited with agency or invested. Money in a
41 fund not needed currently to meet the obligations of a community
42 action agency, as provided for in this subchapter, must be
43 deposited with the community action agency's fund or may be
44 invested in such manner as is provided for by law.

45
46 7. Agency reports. Each community action agency micro
47 enterprise development program shall file the reports as required
48 by the department.

