

MAINE STATE LEGISLATURE

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116th MAINE LEGISLATURE

FIRST REGULAR SESSION-1993

Legislative Document

No. 1071

S.P. 357

In Senate, March 29, 1993

An Act to Establish the Regional Revolving Loan Fund.

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

A handwritten signature in cursive script, reading 'Joy J. O'Brien'.

JOY J. O'BRIEN
Secretary of the Senate

Presented by Senator PINGREE of Knox.
Cosponsored by Senator: McCORMICK of Kennebec, Representatives: BOWERS of Washington, FARNSWORTH of Hallowell, MELENDY of Rockland, SKOGLUND of St. George, TREAT of Gardiner, WENTWORTH of Arundel.

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

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Sec. 1. 10 MRSA §1026-K is enacted to read:

§1026-K. Regional Revolving Loan Fund

1. Established. The Regional Revolving Loan Fund, referred to in this section as the "fund," is established to provide financial assistance to businesses that need assistance in order to create or retain jobs. The authority shall administer the fund on behalf of regional development corporations. The fund is established as a revolving fund, into which must be deposited all amounts appropriated to the fund, interest earnings on the fund and amounts repaid to the fund by participating regional development corporations. Amounts in the fund must be used by the authority for purposes authorized in this section.

2. Eligible corporations. The fund is open to regional economic development corporations, nonprofit development corporations serving three or more towns and corporations formed by three or more municipal development corporations. To be eligible for assistance:

A. A regional corporation must have enough expert staff available to it to underwrite and service loans and assist its clients, an effective small business marketing plan and a loan committee, which must have at least 5 members with experience in business management or commercial lending and one member from the corporation's staff;

B. A regional corporation must apply to the authority to participate in the fund. The application must describe the corporation and its funding sources, the region it serves, its methods and criteria for qualifying borrowers, how it will leverage funds from other sources and any other information the authority decides is necessary; and

C. The authority shall determine that the corporation is able to administer a regional loan fund, coordinate with other governmental business assistance programs, obtain support from public and private organizations and serve businesses in the region's distressed areas.

3. Disbursements from fund. If an application is approved, the authority must establish a separate account for the regional corporation. When requesting funds, the corporation must certify that they will be used for eligible purposes. The authority may release the money only if it accepts the certification.

A. The corporation's loan committee shall review applications for financial assistance, determine their feasibility and make recommendations to the corporation,

2 which must approve or reject applications by a majority
3 vote. Board decisions are final.

4 B. The corporation shall transfer loan repayments to the
5 authority, which shall deposit them in the corporation's
6 account.

8 4. Conflicts of interest. A regional corporation's
9 officers and employees may not have any interest in a project.
10 Individuals may not participate in the approval process for a
11 project in which they have an interest.

12 5. Administrative costs. A regional corporation may charge
13 an applicant fees based on a schedule adopted by the
14 corporation's board. The corporation may use up to 50% of the
15 interest its account earns to cover the administrative cost of
16 providing assistance under the fund. The authority may establish
17 reasonable administrative fees for administration of the fund by
18 rule and may charge the administrative fees and expenses to the
19 fund.

20 6. Financing. Loans from the fund may not exceed \$75,000
21 and financing from the fund may not exceed 50% of the net new
22 funds being provided to a borrower.

23 The term for any type of guarantee may not exceed 5 years. Banks
24 must secure the loans the corporation guarantees with a security
25 agreement, loan agreement or a similar instrument. The
26 corporation must keep in its authority account enough funds to
27 cover at least 1/2 of its outstanding guarantees.

28 7. Eligible projects. A project may qualify for
29 assistance, if adequate financing from other public and private
30 sources is not available. The following specifications apply.

31 A The borrower must have committed all reasonably available
32 resources to the project, obtain financial commitments from
33 other sources, reasonably demonstrate that the loan can be
34 repaid.

35 B. The project must be located in the regional
36 corporation's region. A member of the corporation's staff
37 must have personally visited the project and the borrower's
38 place of business.

39 The corporation must give priority to projects that will cause a
40 net increase in new permanent jobs; are owned by minorities,
41 women or dislocated workers; or are new businesses that can not
42 obtain credit.

43 8. Ineligible projects. A regional corporation may not
44 finance certain projects.

2 A. A regional corporation may not fund libraries, medical
4 facilities, public infrastructure, community or civic
 centers, or projects involving the news media.

6 B. A regional corporation may not fund a project relocating
8 from one town to another unless the town losing the project
10 agrees to the relocation. The corporation may fund retail
 projects only if they will increase the net number of new
 jobs.

12 C. A regional corporation may not refinance a project or a
14 loan, unless the refinancing involves a transfer of
16 ownership intended to keep the project from relocating or
 substantially reducing operations. The transfer of
 ownership may be to the employees or to a local interest.

18 D. The corporation may not provide loans if the proceeds
20 will be paid to the project's owners, partners or
 shareholders.

22 9. Reports. A regional corporation must report annually to
24 the authority on the projects it funds. The report must include
26 a description of each project, the amount and type of assistance
28 it received, the number of jobs that were created or retained and
30 any other information the authority requires. The corporation
32 must also report annually to the Governor and the joint standing
 committee of the Legislature having jurisdiction over housing and
 economic development matters, beginning on October 1, 1994. The
 report must summarize the information submitted to the authority,
 include any audit findings and the status of the regional
 revolving loan fund.

34 10. Audit. The authority must annually review each
36 regional corporation's participation, and may in its discretion
38 require an independent audit. If the authority determines that
40 any regional corporation has used funds for ineligible purposes,
42 that corporation must repay those funds to the authority for
 deposit into the fund. The authority may not disburse any
 additional funds to the corporation until it has repaid the
 misapplied funds and fully complies with its obligations under
 the fund.

44 11. Written procedures. The authority must adopt rules
46 governing the program pursuant to the Maine Revised Statutes,
 Title 5, chapter 375.

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STATEMENT OF FACT

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4 This bill creates the Regional Revolving Loan Fund to assist
6 businesses to create or retain jobs. The Finance Authority of
Maine will assist regional development corporations in
administering the program. There is a \$75,000 loan maximum.