

MAINE STATE LEGISLATURE

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117th MAINE LEGISLATURE

FIRST REGULAR SESSION-1995

Legislative Document

No. 1575

S.P. 589

In Senate, June 19, 1995

**An Act to Authorize a General Fund Bond Issue in the Amount of
\$3,000,000 to Encourage Agricultural Enterprises in Maine.**

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

A handwritten signature in cursive script that reads "May M. Ross".

MAY M. ROSS
Secretary of the Senate

Presented by Senator CASSIDY of Washington. (GOVERNOR'S BILL).
Cosponsored by Representative KILKELLY of Wiscasset and
Senators: CAREY of Kennebec, CIANCHETTE of Somerset, FAIRCLOTH of Penobscot,
McCORMICK of Kennebec, MICHAUD of Penobscot, PARADIS of Aroostook,
Representatives: DAVIDSON of Brunswick, DiPIETRO of South Portland, DONNELLY of
Presque Isle, KNEELAND of Easton, LOOK of Jonesboro, POULIOT of Lewiston, ROWE of
Portland, SPEAR of Nobleboro.

2 **Preamble.** Two thirds of both Houses of the Legislature
4 deeming it necessary in accordance with the Constitution of
6 Maine, Article IX, Section 14, to authorize the issuance of bonds
8 on behalf of the State of Maine to provide funds for the
development of agriculture in the State.

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

12 **PART A**

14 **Sec. A-1. 7 MRSA c. 101, sub-c. I-D** is enacted to read:

16 **SUBCHAPTER I-D**

18 **AGRICULTURAL MARKETING LOAN FUND**

20 **§434. Definitions**

22 As used in this subchapter, unless the context otherwise
24 indicates, the term "agricultural enterprise" means a person or
26 business entity engaged in commercial growing or harvesting of
28 plants; raising of animals; growing or obtaining plant or animal
by-products; aquaculture, as defined in Title 12, section 6001,
subsubsection 1; or producing, processing, storing, packaging or
marketing a product derived from an agricultural enterprise, with
the intent that the product be sold or otherwise disposed of to
generate income.

30 **§435. Agricultural Marketing Loan Fund**

32 The Agricultural Marketing Loan Fund is created. All funds
34 received by the commissioner from any source for the development
36 and implementation of an improved agricultural marketing loan
38 program must be credited to this fund. Any money credited to the
40 Agricultural Marketing Loan Fund from the issuance of bonds on
42 behalf of the State for financing loans for agricultural
44 enterprises may be used only for the following purposes: to
46 provide assistance to agricultural enterprises in this State for
the design, construction and improvement of storage, packing and
marketing facilities; for the construction, renovation or
acquisition of land, buildings, equipment, docks, wharves, piers
or vessels used in connection with a commercial agricultural
enterprise; or to pay the administrative costs of processing loan
applications, to the extent that these costs exceed the fee for
administrative costs established by section 436. Repayment of
these loans and interest on these loans must be credited to the
Agricultural Marketing Loan Fund and must be available for making
additional loans for the same purposes, except that interest may
be used for the purposes stated in section 437.

2 A purchaser of a modern storage facility that was previously
4 financed with a state loan from the Potato Marketing Improvement
6 Fund may receive a loan under the conditions of this section,
8 except that such a purchaser may not receive a loan under the
10 conditions of this section for the same project. Mortgages
12 obtained from the Agricultural Marketing Loan Fund may be assumed
14 by subsequent purchasers of the property. The department shall
16 adopt rules concerning the purchase of existing buildings. These
18 rules must include provisions that ensure that such purchases are
20 consistent with the purposes of this subchapter.

22 **§436. Agricultural marketing loans**

24 **1. Conditions.** Agricultural marketing loans are subject to
26 the following conditions.

28 A. An agricultural marketing loan for any project under
30 this subchapter, the total cost of which exceeds \$50,000,
32 may not exceed 45% of the project cost. A loan from the
34 Agricultural Marketing Loan Fund may not be provided for
36 such a project unless the applicant demonstrates a
38 commitment of private funds of at least 10% of the total
40 cost of the project, except that, in order to encourage the
42 undertaking of cooperative projects by 2 or more
44 agricultural enterprises, an agricultural marketing loan may
46 not be provided unless the cooperating agricultural
48 enterprises as a group demonstrate a commitment of private
50 funds of at least 5% of the total cost of the project.

B. An agricultural marketing loan for any project under
 this subchapter, the total cost of which is \$50,000 or less,
 may not exceed 55% of the total cost of the project.

C. An agricultural marketing loan must be at the interest
 rate established pursuant to subsection 2.

D. An agricultural marketing loan is subject to other terms
 and conditions prescribed by rule by the commissioner,
 including, but not limited to, mechanisms for reserving
 funds for, or giving priority to, projects in agricultural
 enterprises or areas of the State determined by the
 commissioner to require special assistance.

2. Interest rate. The commissioner by rule may establish
 an interest rate for a loan, except that this rate may not be
 less than 5% per year. If the commissioner does not establish an
 interest rate, the rate on a loan is a rate 2% less than the
 prime rate of interest as determined by the commissioner.

2 3. Administrative costs. The commissioner may establish by
rule a fee for administrative costs on loans in excess of
4 \$50,000. This fee may not exceed 1% of the loan. The
commissioner may contract with the Finance Authority of Maine to
6 assist in the administration of this subchapter.

8 **§437. Grants for technical assistance and research**

The commissioner may use all or a portion of the accrued
10 interest in the cash balance of the Agricultural Marketing Loan
Fund and interest portion of loan repayments, up to a maximum of
12 \$150,000 per year, for technical assistance and for the research
14 programs identified in the technology transfer program in chapter
10, and the Agricultural Market Research and Development Fund in
16 section 401-D, for the purposes of supporting adoption of new and
innovative technology to support agricultural production and
18 marketing.

Sec. A-2. Contingent on bond issue. This Part takes effect only
20 if the bond issue submitted pursuant to Part B of this Act is
approved by the voters of this State.
22

24 **PART B**

26 **Sec. B-1. Authorization of bonds to provide for the Agricultural**
Marketing Loan Fund. The Treasurer of State is authorized, under
28 the direction of the Governor, to issue bonds in the name and on
behalf of the State in an amount not exceeding \$3,000,000 to
30 raise funds for the Agricultural Marketing Loan Fund as
authorized by section 6 of this Part. The bonds are a pledge of
32 the full faith and credit of the State. The bonds may not run
for a period longer than 20 years from the date of the original
34 issue of the bonds. At the discretion of the Treasurer of State,
with the approval of the Governor, any issuance of bonds may
36 contain a call feature. The bonds must be issued from time to
time so as to meet the needs of the Agricultural Marketing Loan
38 Fund. The bonds, when paid at maturity or otherwise retired, may
not be reissued, but may be refunded on terms more favorable to
40 the State than those in the original issue.

42 **Sec. B-2. Records of bonds issued to be kept by the State Auditor and**
the Treasurer of State. The State Auditor shall keep an account of
44 the bonds showing the number and amount of each, the date when
payable and the date of delivery of the bonds to the Treasurer of
46 State. The Treasurer of State shall keep an account of each bond
showing the number of the bond, the name of the successful bidder
48 to whom sold, the amount received for the bond, the date of sale
and date when payable.

2 **Sec. B-3. Sale; how negotiated; proceeds appropriated.** The
3 Treasurer of State may negotiate the sale of the bonds by
4 direction of the Governor, but no bond may be loaned, pledged or
5 hypothecated on behalf of the State. The proceeds of the sale of
6 the bonds, which must be held by the Treasurer of State and paid
7 by the Treasurer of State upon warrants drawn by the State
8 Controller, are appropriated solely for the purposes set forth in
9 this Part.

10 **Sec. B-4. Interest and debt retirement.** The Treasurer of State
11 shall pay interest due or accruing on any bonds issued under this
12 Part and all sums coming due for payment of bonds at maturity.

13 **Sec. B-5. Disbursement of bond proceeds.** The proceeds of the
14 bonds must be expended as set out in section 6 of this Part under
15 the direction and supervision of the Department of Agriculture,
16 Food and Rural Resources.

17 **Sec. B-6. Allocations from General Fund bond issue; Agricultural
18 Marketing Loan Fund.** The proceeds of the sale of bonds must be
19 expended as designated in the following schedule.

20
21
22
23
24 **1995-96**

25 **AGRICULTURE, FOOD AND RURAL RESOURCES,**
26 **DEPARTMENT OF**
27
28 **Agricultural Marketing Loan Fund**

29 All Other \$3,000,000

30
31 Provides funds for the capitalization of the
32 Agricultural Marketing Loan Fund. The fund
33 may provide loans to agricultural
34 enterprises on a matching basis for public
35 and private investments in storage, packing
36 and marketing and for the construction,
37 renovation or acquisition of land,
38 buildings, equipment, docks, wharves, piers
39 or vessels used in conjunction with a
40 commercial agricultural enterprise. The
41 fund may also provide grants for technical
42 assistance and research in new agricultural
43 technology. The fund is administered by the
44 Department of Agriculture, Food and Rural
45 Resources.
46
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48

2 **Sec. B-7. Contingent upon ratification of bond issue.** Sections 1
to 6 of this Part do not become effective unless the people of
4 the State have ratified the issuance of bonds as set forth in
this Part.

6 **Sec. B-8. Appropriation balances at year end.** At the end of each
fiscal year, all unencumbered appropriation balances representing
8 state money carry forward. Bond proceeds that have not been
expended within 10 years after the date of the sale of the bonds
10 lapse to General Fund debt service.

12 **Sec. B-9. Taxable bond option.** The Treasurer of State, at the
direction of the Governor, may covenant and consent that the
14 interest on some or all of the bonds must be includable, under
the United States Internal Revenue Code, in the gross income of
16 the holders of the bonds to the same extent and in the same
manner that the interest on bills, bonds, notes or other
18 obligations of the United States is includable in the gross
income of the holders under the United States Internal Revenue
20 Code or any subsequent law. The powers conferred by this section
are not subject to any limitations or restrictions of any law
22 that may limit the power to covenant and consent.

24 **Sec. B-10. Bonds authorized but not issued.** Any bonds authorized
but not issued, or for which bond anticipation notes are not
26 issued within 5 years of ratification of this Part, are
deauthorized and may not be issued; except that the Legislature
28 may, within 2 years after the expiration of that 5-year period,
extend the period for issuing any remaining unissued bonds or
30 bond anticipation notes for an additional amount of time not to
exceed 5 years.

32 **Sec. B-11. Referendum for ratification; submission at statewide**
34 election; form of question; effective date. This Part must be submitted
to the legal voters of the State of Maine at a statewide election
36 held on the Tuesday following the first Monday of November
following passage of this Part. The municipal officers of this
38 State shall notify the inhabitants of their respective cities,
towns and plantations to meet, in the manner prescribed by law
40 for holding a statewide election, to vote on the acceptance or
rejection of this Part by voting on the following question:

42
44 "Do you favor a \$3,000,000 bond issue for use in providing
financing assistance to encourage job growth and economic
46 vitality through public and private investment in
agricultural enterprises?"

48 The legal voters of each city, town and plantation shall
vote by ballot on this question and designate their choice by a

2 cross or check mark placed within a corresponding square below
the word "Yes" or "No." The ballots must be received, sorted,
4 counted and declared in open ward, town and plantation meetings
and returns made to the Secretary of State in the same manner as
6 votes for members of the Legislature. The Governor shall review
the returns and, if a majority of the legal votes are cast in
8 favor of the Part, the Governor shall proclaim the result without
delay, and the Part becomes effective 30 days after the date of
the proclamation.

10 The Secretary of State shall prepare and furnish to each
12 city, town and plantation all ballots, returns and copies of this
Part necessary to carry out the purpose of this referendum.

16 STATEMENT OF FACT

18 This bill establishes the Agricultural Marketing Loan Fund
to provide financial assistance to agricultural enterprises. The
20 fund is capitalized by a proposed \$3,000,000 bond issue.
Financial assistance from the fund includes direct loans not to
22 exceed 55% of the total cost of an eligible agricultural project
and grants for technical assistance and research from interest
24 earnings on the fund and loan balances.