

MAINE STATE LEGISLATURE

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118th MAINE LEGISLATURE

FIRST REGULAR SESSION-1997

Legislative Document

No. 1528

S.P. 497

In Senate, March 18, 1997

An Act to Create the Community Business Bonds for Maine Program.

Reference to the Committee on Business 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 KILKELLY of Lincoln.
Cosponsored by Representative BERRY of Livermore and
Senators: DAGGETT of Kennebec, LaFOUNTAIN of York, Representatives: BUNKER of
Kossuth Township, DEXTER of Kingfield, ETNIER of Harpswell, GAGNON of Waterville,
GREEN of Monmouth, PIEH of Bremen.

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

Sec. 1. 5 MRSA c. 382 is enacted to read:

CHAPTER 382

COMMUNITY BUSINESS BONDS

§13041. Definitions

As used in this chapter, unless the context otherwise indicates, the following terms have the following meanings.

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

2. Chief executive officer. "Chief executive officer" means the Chief Executive Officer of the Finance Authority of Maine or a person acting under the direction of the chief executive officer.

3. Eligible borrower. "Eligible borrower" means a person, or business entity that meets the criteria specified in section 13043.

4. Interest rate. "Interest rate" means the amount of annual interest charged on the principal balance of the loan.

5. Investment loan. "Investment loan" means an investment loan from the Community Business Bonds Fund pursuant to section 13042.

6. Investment loan commitment. "Investment loan commitment" means a letter from the chief executive officer to an applicant agreeing to make an investment loan subject to terms, conditions and requirements stated in that letter.

7. Note. "Note" means a written agreement between the authority and the borrower in which the borrower promises to repay the investment loan according to terms and conditions as set forth in the investment loan commitment.

8. Program. "Program" means the Community Business Bonds for Maine Program.

§13042. Community Business Bonds Fund

1. Creation. The Community Business Bonds Fund, referred to in this section as the "fund," is created under the jurisdiction and control of the authority.

2. Sources of money. The fund consists of the following:

A. All money appropriated or allocated for inclusion in the fund from whatever source;

B. Subject to any pledge, contract or other obligation, all interest, dividends or other pecuniary gains from investment of money from the fund;

C. Subject to any pledge, contract, fee or other obligation, any money that the authority receives in repayment of advances from the fund;

D. All money from citizen investments in the fund. Investment certificates must be available through participating banks and credit unions. Certificates must be made available in \$25 increments that will mature in 5 years; and

E. Any other money available to the authority and directed by the Department of Economic and Community Development to be paid into the fund.

3. Application of fund. Money in the fund may be applied to pay obligations incurred in connection with the fund. Money in the fund that is not needed to meet the obligations of the authority as provided in this section may accrue interest and be invested in a manner permitted by law.

4. Allocations from fund. The authority may request allocations from the fund as it determines necessary or convenient to carry out the purposes of this chapter, including, but not limited to, allocations for investment loans.

5. Revolving fund. The fund created is a nonlapsing, interest-earning, revolving fund to carry out the purposes of this chapter. Any unexpended balance in the fund carries over for continued use under this chapter. The authority may receive, invest and expend, on behalf of the fund, money from gifts, grants, bequests and donations in addition to money appropriated or allocated by the State. Investment loan repayments under this section or other repayments to the authority must be deposited in the fund and invested by the authority, as provided by law, with the earned income to be added to the fund. Money received by the authority on behalf of the fund, except interest income, must be used for the designated purpose of the program; interest income may be used for the designated purpose of the program or to pay costs incurred by the authority in administering the program as determined appropriate by the authority.

2 §13043. Community Business Bonds for Maine Program established

4 There is established the Community Business Bonds for Maine
6 Program, administered by the Finance Authority of Maine, to carry
8 out the purposes of this chapter. The program is established to
10 provide investment loans to individuals and small businesses to
12 stimulate small business growth.

14 1. Eligibility for investment loans. Individuals and small
16 businesses may apply to the authority for investment loans under
18 the program. The authority shall loan money to individuals and
20 small business entities based on the following eligibility
22 criteria.

24 A. The projects to be financed must:

26 (1) Pertain to small business development;

28 (2) Be located or be establishing a presence in the
30 State; and

32 (3) Provide public benefit in relation to the amount
34 of the loan, as determined by the authority. Public
36 benefits include but are not limited to increased
38 opportunities for employment, increased capital flow
40 and provision of necessary services.

42 Investment loan proceeds may be used for any appropriate
44 business purpose, as determined by the authority, including
46 working capital.

48 B. The authority must determine that the borrower is a
50 for-profit or nonprofit business entity or will soon be
52 established as such and that the business entity is
54 creditworthy and reasonably likely to repay the investment
56 loan.

58 C. The authority must determine that the investment loan is
60 necessary to implement the project either because the
62 borrower has insufficient access to other funds or because
64 the project would not provide the projected public benefits
66 without the availability of the investment loan.

68 2. Application procedure. The borrower shall complete and
70 return to the authority a program application, including
72 supporting schedules developed by the authority. An application
74 may not be approved unless the chief executive officer determines
76 that the application is complete and the borrower is eligible.

78 A. An investment committee, appointed by the authority,
80 comprised of one banker, one credit union representative and
82 4 small business owners from diverse geographic areas of the

2 State, shall review and shall make recommendations on the
3 viability of submitted applications.

4 B. The authority shall determine the financial viability of
5 the applicant following a formal recommendation from the
6 investment committee.

8 3. Investment loan terms and conditions. The authority may
9 establish prudent terms and conditions for investment loans,
10 including limiting the amount of investment loans for any one
11 project and requiring adequate collateral for the investment
12 loans. Investment loans may not exceed \$25,000. Investment loan
13 terms may not exceed 5 years although the authority may extend
14 investment loan repayments or renew an investment loan after 5
15 years based on need. The payment schedule and interest rate
16 charged on each investment loan must be determined on a
17 case-by-case basis. Repayment options, as determined by the
18 authority, may include conditions of repayment that allow for
19 payment of only interest for the term of the investment with
20 possibly no payments in the first year.

22 4. Local and regional investments. The authority shall
23 attempt to invest the money generated for the program through
24 citizen investments back into the areas of the State where the
25 funds are generated.

26 **§13044. State tax advantage**

28 For those individuals investing in the program, those
29 investments are tax deductible.

32 **§13045. Annual review**

34 The joint standing committee of the Legislature having
35 jurisdiction over appropriations and financial affairs shall
36 annually review the program established under this chapter.

38 **§13046. Rules**

40 The authority shall establish all rules necessary to carry
41 out the purposes of this chapter. The rules authorized by this
42 section are routine technical rules as defined by Title 5,
43 chapter 375, subchapter II-A.

46 **SUMMARY**

48 This bill establishes the Community Business Bonds Fund and
49 the Community Business Bonds for Maine Program. This program is
50 administered by the Finance Authority of Maine and available to
small businesses that meet eligibility criteria determined by the

2 authority. Applications will be reviewed by an investment
committee and the final funding decision will be at the
discretion of the authority.

4
6 Investment loans under the Community Business Bonds for
Maine Program are available in an amount no greater than \$25,000
8 to small businesses for any appropriate business purpose
including working capital. The funding for the program will be
10 available primarily from citizen investment in the Community
Business Bonds Fund. Participating banks and credit unions will
12 make available investment certificates in the amount of \$25 for
citizen purchase that will mature in 5 years. Citizen purchase
of investment certificates will be tax-exempt.

14
16 The authority is authorized to establish the rules necessary
to carry out the purposes of this chapter. The rules are routine
18 technical rules as defined in the Maine Revised Statutes, Title
5, chapter 375, subchapter II-A.