

MAINE STATE LEGISLATURE

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119th MAINE LEGISLATURE

FIRST REGULAR SESSION-1999

Legislative Document

No. 1066

S.P. 362

In Senate, February 9, 1999

An Act to Establish the Early Care and Revolving Loan Program.

Reference to the Committee on Business 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 LONGLEY of Waldo.
Cosponsored by Speaker ROWE of Portland and
Senators: KONTOS of Cumberland, MacKINNON of York, Representatives: BOWLES of
Sanford, CLOUGH of Scarborough, MENDROS of Lewiston, O'NEAL of Limestone,
SHOREY of Calais, TRIPP of Topsham.

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

4 **Sec. 1. 10 MRSA §1026-Q is enacted to read:**

5 **§1026-Q. Early Care and Education Revolving Loan Program**

6
7 **1. Established.** The Early Care and Education Revolving
8 Loan Program, referred to in this section as the "program," is
9 established to provide financial assistance to businesses
10 providing early care and education. The authority shall
11 administer the program, which may include direct loans to early
12 care and education providers, as well as loans or grants by the
13 authority to eligible economic development corporations or
14 entities for the purpose of providing loans to early care and
15 education providers. The Early Care and Education Revolving Loan
16 Program Fund, referred to in this section as the "fund," is
17 established as a revolving fund, into which must be deposited all
18 amounts appropriated to the program, interest earnings on the
19 fund, any amounts repaid to the program by loan recipients and
20 funds from any other source. Amounts in the fund must be used by
21 the authority for purposes authorized in this section.

22
23 **2. Eligible corporations.** The program is open to local,
24 regional and statewide nonprofit or governmental economic
25 development corporations or entities, capable of providing
26 financial assistance to businesses providing early child care and
27 education. To be eligible to participate in the program:

28
29 **A.** A corporation must apply to the authority to participate
30 in the program. The application must describe the
31 corporation and its funding sources, the region it serves,
32 its methods and criteria for qualifying borrowers,
33 strategies in locating qualified borrowers, its expertise in
34 management assistance and financing of early child care and
35 education businesses, its ability to leverage funds from
36 other sources and other information the authority determines
37 necessary;

38
39 **B.** A corporation must have a strategy for the provision of
40 marketing and technical assistance to early child care and
41 education businesses and enough expert assistance available
42 to underwrite, document and process loans and assist its
43 clients; and

44
45 **C.** The corporation must be determined by the authority to
46 be able to prudently and effectively administer a direct
47 loan fund and to coordinate the administration of a loan
48 fund with other business assistance programs and employment
49 training and social assistance programs.

2 3. Disbursements from fund. If an application is approved,
3 the authority shall determine the amount to be disbursed to the
4 corporation, taking into account:

6 A. The size of the region served by the corporation and the
7 expected demand for loan funds in that region;

8 B. The demand for funds from other eligible corporations in
9 relation to the total amount available in the fund; and

10 C. Whether an eligible corporation serves a geographic area
11 or segment of potential business borrowers not served by
12 other applicants.

14 The authority shall allocate funds in the program considering
15 each of the factors in this subsection and such other factors as
16 the authority establishes by rule. The authority may reserve up
17 to 50% of the funds appropriated for loans to be made by the
18 authority. Funds allocated to a corporation must be disbursed
19 directly to and retained by the eligible corporation in
20 accordance with the contract between the corporation and the
21 authority. Funds must be disbursed to the corporation in the
22 form of a loan or grant. The authority may disburse fund amounts
23 in one lump sum or periodic disbursements.

26 4. Contract. A corporation that has been approved for
27 participation in the program may enter into a contract with the
28 authority. The contract governs the administration of the
29 program and the use of funds. The contract must provide that a
30 corporation shall, at a minimum, conform to the following terms
31 and conditions:

32 A. The corporation shall certify that it will use funds
33 only for eligible purposes;

34 B. The corporation shall review each application for
35 financial assistance, determine the feasibility of the
36 application and approve or deny the application;

37 C. An officer or employee of the corporation or a member of
38 its credit committee may not participate in any way in, or
39 have any influence over, a decision on a project in which
40 that officer, employee or member has a direct or indirect
41 personal financial interest;

42 D. If the corporation breaches its contract with the
43 authority or ceases to operate a loan program in substantial
44 conformance with its proposal to the authority, the
45 authority may withhold further funding and may require
46 the corporation to reimburse the authority for any funds
47 disbursed to the corporation.

2 repayment of any undisbursed loan funds and loan repayments
3 to the authority; and

4 E. Other terms and conditions as the authority determines
5 appropriate.

6 5. Administrative costs. A corporation may not use any
7 money disbursed from the fund by the authority for administrative
8 expenses, but may charge a commitment fee on each loan of up to
9 1% and may use interest earnings not to exceed 5% of each loan
10 annually to cover reasonable administrative and technical
11 assistance costs. The authority shall review and approve a
12 corporation's administrative expenses on an annual basis. The
13 authority may establish by rule reasonable administrative fees
14 for its origination of loans and administration of the fund.

15 6. Financing terms and conditions. Loans may be made from
16 program funds under the following terms and conditions.

17 A. Loans may not exceed \$200,000 to a borrower, including
18 an affiliated entity.

19 B. Each corporation and the authority shall establish
20 interest rates, amortization schedules and repayment terms
21 for each borrower, except that loans may not bear a rate of
22 interest greater than the prime rate of interest.

23 C. A corporation or the authority may provide for flexible
24 repayment terms.

25 D. A corporation or the authority shall require collateral
26 for loans when available, but may subordinate to loans from
27 other lenders.

28 7. Eligible borrower. A project or borrower is eligible
29 for financial assistance under the program if the following
30 criteria are met.

31 A. The business for which funds are requested must provide
32 early child care and education services to at least 3
33 children who are not related to the owner of the business or
34 any provider of early care and education services working
35 for the borrower.

36 B. The borrower has insufficient access to funding for the
37 project from other public and private sources.

38 C. The borrower has committed all reasonably available
39 resources to the project, obtained financial commitment from

2 other sources of financing and demonstrated a reasonable
3 likelihood that the loan can be repaid.

4 8. Reports. A corporation shall report at least
5 semiannually to the authority on the projects the corporation
6 funds and the administration of the program. The report must
7 include a description of each borrower, the amount, type and
8 terms of assistance each borrower received and other information
9 the authority requires. The report must contain an accounting of
10 the loan portfolio and any loans that are in default, as well as
11 an accounting of the corporation's administrative and technical
12 assistance expenses incurred and charged to the program.

13 9. Audit. The authority shall periodically review each
14 corporation's participation in the program and may, in its
15 discretion, require an independent audit at the expense of the
16 corporation. If the authority determines that a corporation has
17 used funds for ineligible purposes, the corporation shall repay
18 those funds to the authority for deposit into the fund. The
19 authority may not disburse additional funds to a corporation
20 until the corporation has repaid the misapplied funds and has
21 fully complied with its obligations under the contract with the
22 authority.

23 10. Written procedures. The authority shall adopt rules
24 governing the program. Rules adopted pursuant to this section
25 are routine technical rules as defined in Title 5, chapter 375,
26 subchapter II-A.

27 **Sec. 2. 20-A MRSA §12502**, as amended by PL 1995, c. 117, Pt.
28 E, §5 and affected by §13, is further amended to read:

29 **§12502. Teachers for Maine Program**

30 There is established the Teachers for Maine Program to
31 provide financial assistance to college students, graduating high
32 school seniors and students pursuing postbaccalaureate teacher
33 certification or child development associate certification or an
34 associate's degree in child development who demonstrate an
35 interest in pursuing a career in teaching in this State for
36 postsecondary education and to teachers for advanced degree or
37 continued study. The program recognizes outstanding graduating
38 high school seniors, college students and students pursuing
39 postbaccalaureate teacher certification or child development
40 associate certification or an associate's degree in child
41 development. The chief executive officer shall administer the
42 program and shall establish by rule the rates of interest or fees
43 to be charged.
44

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SUMMARY

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4 This bill establishes the Early Care and Education Revolving
6 Loan Program. The program is open to nonprofit or governmental
 economic development corporations or entities capable of
 providing financial assistance to businesses providing early care
 and education.