

MAINE STATE LEGISLATURE

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119th MAINE LEGISLATURE

FIRST REGULAR SESSION-1999

Legislative Document

No. 1191

S.P. 400

In Senate, February 11, 1999

**An Act to Authorize a General Fund Bond Issue in the Amount of
\$5,000,000 to Promote the Cranberry Industry.**

Reference to the Committee on Appropriations and Financial Affairs 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 CASSIDY of Washington.
Cosponsored by Speaker ROWE of Portland and
Senators: AMERO of Cumberland, KIEFFER of Aroostook, NUTTING of Androscoggin,
Representatives: DUGAY of Cherryfield, KNEELAND of Easton.

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

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

10 **PART A**

12 **Sec. A-1. Authorization of bonds to provide for the capitalization of**
14 **the Cranberry Product Loan Fund.** The Treasurer of State is
authorized, under the direction of the Governor, to issue bonds
16 in the name and on behalf of the State in an amount not exceeding
\$5,000,000 to raise funds for the capitalization of the Cranberry
18 Product Loan Fund to provide disbursements to enterprises in
critical stages of growth, as authorized by section 6 of this
20 Part. The bonds are a pledge of the full faith and credit of the
State. The bonds may not run for a period longer than 5 years
22 from the date of the original issue of the bonds. At the
discretion of the Treasurer of State, with the approval of the
Governor, any issuance of bonds may contain a call feature.

24 **Sec. A-2. Records of bonds issued to be kept by the Treasurer of**
26 **State.** The Treasurer of State shall keep an account of each bond
showing the number of the bond, the name of the successful bidder
28 to whom sold, the amount received for the bond, the date of sale
and the date when payable.

30 **Sec. A-3. Sale; how negotiated; proceeds appropriated.** The
32 Treasurer of State may negotiate the sale of the bonds by
direction of the Governor, but no bond may be loaned, pledged or
34 hypothecated on behalf of the State. The proceeds of the sale of
the bonds, which must be held by the Treasurer of State and paid
36 by the Treasurer of State upon warrants drawn by the State
Controller, are appropriated solely for the purposes set forth in
38 this Part. Any unencumbered balances remaining at the completion
of the project in section 6 of this Part lapse to the debt
40 service account established for the retirement of these bonds.

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

46 **Sec. A-5. Taxable bond option.** The Treasurer of State, at the
direction of the Governor, may covenant and consent that the
48 interest on the bonds is includable in the gross income of the

2 holders of the bonds under the United States Internal Revenue
Code or any subsequent law. The powers conferred by this section
4 are not subject to any limitations of restrictions of any law
that may limit the power so as to covenant and consent.

6 **Sec. A-6. Disbursement of bond proceeds.** The proceeds of the
bonds must be expended as set out in section 7 of this Part under
8 the direction and supervision of the Finance Authority of Maine.

10 **Sec. A-7. Allocations from General Fund bond issue.** The proceeds
of the sale of bonds must be expended as designated in the
12 following schedule.

14 **FINANCE AUTHORITY OF MAINE**

16 Cranberry Product Loan Fund \$5,000,000

18 **Sec. A-8. Contingent upon ratification of bond issue.** Sections 1
to 7 do not become effective unless the people of the State have
20 ratified the issuance of bonds as set forth in this Part.

22 **Sec. A-9. Appropriation balances at year-end.** At the end of each
fiscal year, all unencumbered appropriation balances representing
24 state money carry forward. Bond proceeds that have not been
expended within 10 years after the date of the sale of the bonds
26 lapse to General Fund debt service.

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

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

2 "Do you favor a \$5,000,000 bond issue to encourage job
4 growth and economic vitality by providing access to capital
for cranberry growers and processors?"

6 The legal voters of each city, town and plantation shall
7 vote by ballot on this question and designate their choice by a
8 cross or check mark placed within a corresponding square below
the word "Yes" or "No." The ballots must be received, sorted,
10 counted and declared in open ward, town and plantation meetings
and returns made to the Secretary of State in the same manner as
12 votes for members of the Legislature. The Governor shall review
the returns and, if a majority of the legal votes are cast in
14 favor of the Part, the Governor shall proclaim the result without
delay, and the Part becomes effective 30 days after the date of
16 the proclamation.

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

22

PART B

24

26 **Sec. B-1. 10 MRSA §964, sub-§1, ¶I,** as amended by PL 1989, c.
774, §2, is further amended to read:

28

I. Student financial assistance programs; and

30

32 **Sec. B-2. 10 MRSA §964, sub-§1, ¶J,** as enacted by PL 1989, c.
774, §3, is amended to read:

32

J. Waste oil furnace loan program; and

34

36 **Sec. B-3. 10 MRSA §964, sub-§1, ¶K,** is enacted to read:

36

K. Cranberry Product Loan Program.

38

40 **Sec. B-4. 10 MRSA §1023-L** is enacted to read:

40

§1023-L. Cranberry Product Loan Fund

42

44 The Cranberry Product Loan Fund, referred to in this section
46 as the "fund," is created. The fund must be deposited with and
48 maintained and administered by the Finance Authority of Maine.
All money received by the Finance Authority of Maine from any
source for the development and implementation of the Cranberry
Product Loan Fund must be credited to the fund. Any money
credited to the fund from the issuance of bonds on behalf of the
State for financing loans for cranberry product enterprises may

2 be used only for the following purposes: to provide assistance to
3 enterprises in this State for the design, construction,
4 implementation or improvement of facilities to grow, harvest,
5 process or market cranberries; or for the construction,
6 renovation or acquisition of land, buildings, equipment, vines,
7 docks, wharves, piers or vessels used in connection with a
8 commercial cranberry enterprise. Repayment of these loans and
9 interest on these loans must be credited to the fund and must be
10 available for making additional loans for the same purposes.
11 Interest earned on money in the fund and interest earned on loans
12 made from the fund may be used to pay the administrative costs of
13 the authority.

14 **Sec. B-5. 10 MRSA §1026-Q** is enacted to read:

16 **§1026-Q. Cranberry Product Loan Program**

18 The Cranberry Product Loan Program is established to provide
19 loans to cranberry growers and processors in order to encourage
20 the growth and development of the cranberry industry in this
21 State.

22 **1. Administration.** The authority shall administer the
23 Cranberry Product Loan Fund established under section 1023-L.

26 **2. Conditions.** Cranberry product loans are subject to the
27 following conditions.

28 **A.** A cranberry product loan for any project under this
29 subchapter, the total cost of which exceeds \$150,000, may
30 not exceed 55% of the project cost. A loan from the fund
31 may not be provided for such a project unless the applicant
32 provides a business plan acceptable to the authority and
33 demonstrates a commitment of private funds or in-kind
34 contribution acceptable to the authority of at least 10% of
35 the total cost of the project; except that, in order to
36 encourage the undertaking of cooperative projects by 2 or
37 more enterprises, a cranberry product loan may not be
38 provided unless the cooperating enterprises as a group
39 demonstrate a commitment of private funds or in-kind
40 contribution acceptable to the authority of at least 5% of
41 the total cost of the project. A cranberry product loan may
42 not exceed \$250,000 for any borrower.

44 **B.** A cranberry product loan for any project under this
45 subchapter, the total cost of which is \$150,000 or less, may
46 not exceed 90% of the total cost of the project, including
47 in-kind contributions approved by the authority.

2 C. A cranberry product loan must be at the interest rate
established pursuant to subsection 3.

4 D. The authority may establish flexible repayment options
to meet the reasonable needs of the borrower, including
6 where necessary deferral of payments of principal, or
principal and interest, until the borrower's revenues can
8 support debt service payments.

10 E. A cranberry product loan is subject to other terms and
conditions prescribed by rule by the authority, including,
12 but not limited to, a mechanism for reserving funds for or
giving priority to projects in areas of the State determined
14 by the authority to require special assistance.

16 3. Interest rate. The authority may establish by rule
interest rates applicable to loans under the Cranberry Product
18 Loan Program, except that this rate may not be less than 4% per
year. If the authority does not establish an interest rate, the
20 rate on a loan is a rate that is 2% less than the prime rate of
interest as determined by the authority.

22 4. Administrative costs. The authority may establish by
24 rule fees for the administrative costs of the Cranberry Product
Loan Program, including loan closing and servicing fees.

26 Rules adopted pursuant to this section are routine technical
28 rules as defined in Title 5, chapter 375, subchapter II-A.

30 **Sec. B-6. Contingent on bond issue.** This Part takes effect only
32 if the bond issue submitted pursuant to Part A of this Act is
approved by the voters of the State.

34

SUMMARY

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38 This bill creates the Cranberry Product Loan Fund and the
Cranberry Product Loan Program as mechanisms to promote the
cranberry industry in Maine. The Cranberry Product Loan Program
40 is administered by the Finance Authority of Maine. The authority
will make loans under the program to eligible borrowers for
42 cranberry growing, harvesting, processing or marketing projects.
Because of the length of time it takes to raise a marketable crop
44 of cranberries, the authority has the ability to defer loan
payments if necessary.

46

48 The bill also proposes a bond issue of \$5,000,000 to
capitalize the Cranberry Product Loan Fund.