

MAINE STATE LEGISLATURE

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119th MAINE LEGISLATURE

FIRST REGULAR SESSION-1999

Legislative Document

No. 1962

H.P. 1364

House of Representatives, March 23, 1999

An Act to Establish the State Revolving Loan Fund for Small Business Initiatives.

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

A handwritten signature in cursive script that reads "Joseph W. Mayo".

JOSEPH W. MAYO, Clerk

Presented by Representative SHOREY of Calais.
Cosponsored by Representatives: BAGLEY of Machias, DUGAY of Cherryfield, GILLIS of Danforth, GOODWIN of Pembroke, PINKHAM of Lamoine, POVICH of Ellsworth, ROSEN of Bucksport.

2 more towns or to corporations formed by 3 or more municipal
3 development corporations. To be eligible as a grantee
4 corporation under this fund, the development corporation must
5 meet the criteria established in section 1026-K, subsection 2.

6 4. Disbursement from fund. If an application is approved,
7 the corporation shall establish a separate loan account for that
8 project into which funds are deposited upon receipt from the
9 department. When requesting funds, the corporation shall certify
10 that the funds will be used for eligible projects. The
11 department may release this money only when it accepts the
12 certification.

13 A. The corporation shall review applications for financial
14 assistance under this section, determine their feasibility
15 and make recommendations to the corporation, which must
16 approve or reject an application by a majority of votes.
17 Corporation decisions are final.

18 B. The corporation shall transfer loan repayments to the
19 department on a semiannual basis. The department shall
20 deposit the repayments as follows: 100% of the principal
21 and 50% of the interest net of administration charges into
22 the fund established under this chapter; and 50% of the
23 interest net of administration charges into the General Fund.

24 5. Conflicts of interest. An officer or employee of the
25 corporation may not have any interest in a project financed under
26 the fund. Individuals may not participate in the approval
27 process for a project in which they have an interest.

28 6. Administrative costs. The corporation may use interest
29 earnings not to exceed 5% of each loan annually to cover
30 reasonable administrative and technical assistance costs. The
31 department shall review and approve the corporation's
32 administrative expenses on an annual basis. The department may
33 establish by rule, pursuant to subsection 12, reasonable
34 administrative fees for administration of the fund and may charge
35 the administrative fees and expenses to the fund.

36 7. Financing. Individual loans from the fund may range
37 from a minimum of \$25,000 to a maximum of \$175,000.

38 8. Eligible projects. A project may qualify for assistance
39 if adequate financing from other public and private sources is
40 not available. In order to qualify for assistance:

41 A. The borrower must have committed all reasonably
42 available resources to the project; have obtained, or
43 attempted to obtain, financial commitments from other

2 sources; and have reasonably demonstrated that the loan can
3 be repaid;

4 B. The project must be located in either Washington County
5 or Hancock County. A member of the corporation's staff must
6 have personally visited the project and the borrower's place
7 of business;

8
9 C. An applicant must attach a detailed business plan to the
10 loan application;

11
12 D. An applicant must demonstrate experience in and
13 knowledge of the business or industry for which loan funds
14 will be used. In lieu of demonstrated knowledge and
15 experience, the applicant may present a detailed program of
16 training and education that will assure the loan committee
17 that the applicant will be able to successfully operate the
18 business. Loan funds granted to a successful applicant may
19 be used to pay for certified training and education
20 programs; and

21
22 E. An applicant wishing to establish a new business must
23 demonstrate a need for the product or service in the region
24 and, if the new business is retail, must show that the
25 retail business will not compete with existing businesses.

26
27 The corporation shall give priority to projects that will cause a
28 net increase in new permanent jobs or that are new businesses
29 that can not obtain credit. The corporation also shall give
30 priority to projects that will result in the creation of jobs
31 that will employ individuals who are already located in the same
32 region as the project.

33
34 9. Ineligible projects. The corporation may not finance
35 certain projects.

36
37 A. The corporation may not fund libraries, medical
38 facilities, public infrastructure, community or civic
39 centers or projects involving the news media.

40
41 B. The corporation may not fund a project relocating from
42 one town to another unless the town losing the project
43 agrees to the relocation. The corporation may fund retail
44 projects only if they will increase the net number of new
45 jobs and do not compete with existing retail businesses.

46
47 C. The corporation may not refinance a project or a loan
48 unless the refinancing involves a transfer of ownership
49 intended to keep the project from relocating or

2 substantially reducing operations. The transfer of
3 ownership may be to the employees or to a local interest.

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

8 10. Reports. The corporation shall report annually to the
9 department on the projects that it funds. The report must
10 include a description of each project, the amount and type of
11 assistance the project received, the number of jobs that were
12 created or retained and any other information the department
13 requires. The department shall report annually to the Governor
14 and the joint standing committee of the Legislature having
15 jurisdiction over business and economic development matters
16 beginning September 30, 2001. The report must summarize the
17 information submitted to the department, include any audit
18 findings and the status of the pilot project for the fund. The
19 department shall present the Legislature with a final report on
20 the pilot project by September 30, 2004.

22 11. Audit. The department shall annually review the
23 corporation's participation in the fund. The department may in
24 its discretion require an independent audit. If the department
25 has determined that the corporation has used funds for ineligible
26 purposes, the corporation shall repay those funds to the
27 department for deposit into the fund. The department may not
28 disburse any additional funds to the corporation until it has
29 repaid the misapplied funds and fully complies with its
30 obligations under the fund.

32 12. Adopt rules. The department shall adopt rules
33 governing the pilot project. Rules adopted under this section
34 are routine technical rules as defined in Title 5, chapter 375,
35 subchapter II-A.

36 13. Repeal. The pilot project established under this
37 section is terminated and this section is repealed on December
38 31, 2004, unless prior to this date the department recommends to
39 the Governor and the joint standing committee of the Legislature
40 having jurisdiction over economic development matters that the
41 authorization of the fund be extended.

44 Sec. 2. Appropriation. The following funds are appropriated
45 from the General Fund to carry out the purposes of this Act.

48 **ECONOMIC AND COMMUNITY DEVELOPMENT,**
49 **DEPARTMENT OF**

2000-01

2 All Other \$2,100,000

4 Provides initial funding for the
6 establishment of a pilot project for the
8 State Revolving Loan Fund for Small Business
Initiatives.

10

SUMMARY

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14 This bill establishes the State Revolving Loan Fund for
16 Small Business Initiatives within the Department of Economic and
Community Development. The fund is established initially as a
18 pilot project in Washington County and Hancock County to be
administered by the Eastern Maine Development Corporation. The
bill proposes to appropriate \$2,100,000 from the General Fund as
20 initial funding, divided evenly between the counties.
Approximately \$100,000 of the initial funding represents
22 anticipated administration charges for the first year to cover
the cost of lending. The bill establishes a maximum loan of
24 \$175,000 that may be used for capital expenditures and training
expenses. It also establishes reporting deadlines and includes a
repeal provision.

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