

MAINE STATE LEGISLATURE

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L.D. 1043

Date:

4/17/14

(Filing No. H-851)

APPROPRIATIONS AND FINANCIAL AFFAIRS

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STATE OF MAINE

HOUSE OF REPRESENTATIVES

126TH LEGISLATURE

SECOND REGULAR SESSION

COMMITTEE AMENDMENT "A" to H.P. 734, L.D. 1043, Bill, "An Act To Authorize a General Fund Bond Issue and To Assist in the Creation of Jobs through Regional Economic Development"

Amend the bill by striking out the title and substituting the following:

'An Act To Improve the Regional Economic Development Revolving Loan Program'

Amend the bill by striking out everything after the title and before the summary and inserting the following:

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

Sec. 1. 10 MRSA §1026-M, sub-§2, as amended by PL 1999, c. 401, Pt. 000, §1, is further amended to read:

2. Eligible corporations. The fund is open to local, regional and statewide nonprofit or governmental economic development corporations or entities; that are capable of providing financial assistance to businesses in order to create and protect jobs, as well as revitalize downtowns and build strong communities and a sustainable economy, referred to in this section as "corporations." In the case of loans to quality child care projects, the authority may also provide loans directly to eligible borrowers. To be eligible for assistance from the fund:

A. A corporation must apply to the authority to participate in the fund. The application must describe the corporation and its funding sources, the region or regions it serves, its methods and criteria for qualifying borrowers, including any targeted lending and economic development strategies, its expertise in management assistance and financing of small and emerging businesses, the method by which it will leverage funds from other sources in an amount at least equal to 2 times the amount requested from the fund and other information the authority determines necessary;

B. A corporation must have a strategy for the creation and retention of jobs, an effective small business marketing and technical assistance plan and enough expert

COMMITTEE AMENDMENT

1 assistance available to it to underwrite, document and service loans and assist its
2 clients or it must have a strategy for real estate development including commercial
3 and mixed-use real estate and community facilities;

4 C. The corporation must be determined by the authority to be able to prudently and
5 effectively administer a direct loan fund and to coordinate with other business
6 assistance programs and employment training and social assistance programs;

7 D. The corporation must propose performance measurements and goals and a
8 process for monitoring compliance with proposed measurements and goals. The
9 authority shall assist corporations in developing loan or equity-like debt underwriting
10 and administrative capacity and in portfolio monitoring and servicing and may
11 establish one or more advisory boards or committees to assist corporations; and

12 E. A child care project must apply to the authority or to a corporation and meet the
13 eligibility criteria for a borrower.

14 **Sec. 2. 10 MRSA §1026-M, sub-§3, ¶¶A and C**, as enacted by PL 1993, c.
15 722, Pt. C, §1 and affected by §2, are amended to read:

16 A. The size of the region or regions served by the corporation and the expected
17 demand for loan funds in that region or those regions;

18 C. Whether an eligible corporation will serve statewide or will serve a geographic
19 area or segment of potential business borrowers not served by other applicants.

20 **Sec. 3. 10 MRSA §1026-M, sub-§5**, as amended by PL 2001, c. 639, §2, is
21 further amended to read:

22 **5. Administrative costs.** A corporation may not use any money disbursed from the
23 fund by the authority for administrative expenses, but may charge a commitment fee of
24 up to 2% and may use interest earnings not to exceed 7% of each loan annually on loans
25 to cover reasonable ~~administrative, technical assistance and education costs~~ operating
26 costs, including loan fund management, technical assistance and education. The authority
27 shall review and approve a corporation's administrative expenses on an annual basis. The
28 authority may establish by rule reasonable administrative fees for its administration of the
29 fund.

30 **Sec. 4. 10 MRSA §1026-M, sub-§6, ¶A**, as amended by PL 2009, c. 131, §4, is
31 further amended to read:

32 A. Loans may not exceed ~~\$250,000~~ \$350,000 to a borrower, including an affiliated
33 entity, and approval of the authority is required for any loan in excess of \$150,000.
34 ~~Loans for quality child care projects may not exceed \$100,000 to a borrower.~~ Loans
35 or portions of loans to a quality child care project to be used solely for lead abatement
36 may not exceed \$15,000.

37 **Sec. 5. 10 MRSA §1026-M, sub-§6, ¶B**, as amended by PL 2009, c. 131, §5, is
38 further amended to read:

39 B. Loans ~~over \$100,000~~ of \$50,000 or more for borrowers other than quality child
40 care projects may not exceed ~~1/3~~ 1/2 of the net new funds being provided to a
41 borrower. ~~Loans of \$50,000 to \$100,000 for projects other than quality child care~~
42 ~~projects may not exceed 1/2 of the net new funds being provided to a borrower.~~

1 Loans of less than \$50,000 and loans for quality child care projects may be for the
2 total amount of new funds being provided to the borrower.

3 **Sec. 6. 10 MRSA §1026-M, sub-§6, ¶C**, as amended by PL 2007, c. 683, Pt. B,
4 §1, is further amended to read:

5 C. The authority and each corporation shall establish interest rates, amortization
6 schedules and repayment terms for each borrower, except that loans may not be for a
7 term longer than 20 years and:

8 (1) Loans to a quality child care project must bear a rate of interest ~~equal to 3%,~~
9 ~~not including any administrative costs or fees not greater than 5%;~~ or

10 (2) Loans to any other eligible borrower may not bear a rate of interest greater
11 than the prime rate of interest plus 7%.

12 **Sec. 7. 10 MRSA §1026-M, sub-§7, ¶A**, as amended by PL 2011, c. 11, §1, is
13 further amended to read:

14 A. The business for which funds are requested has ~~50~~ 100 or fewer employees or
15 annual sales of ~~\$5,000,000~~ \$10,000,000 or less, and it consists of or involves at least
16 one of the following:

17 (1) Manufacturing technologies, such as value-added wood products, specialty
18 fabricated metal and electronic products, precision manufacturing and use of
19 composites or advanced materials;

20 (2) Technologies, such as advanced information systems, advanced
21 telecommunications, energy and environmental products and services;

22 (3) ~~Biological~~ Value-added natural resource enterprises and biological and
23 natural resource technologies, such as aquaculture, marine technology,
24 agriculture, forestry products and biotechnology;

25 (4) A business converting from defense dependency;

26 (5) A business significantly engaged in export of goods or services to locations
27 outside the State;

28 (6) A business that dedicates significant resources to research and development
29 activities;

30 (7) Other businesses with ~~40~~ 15 or fewer employees; ~~and~~

31 (8) A child care project that includes any business that, for compensation,
32 provides a regular service of care and protection for any part of a day less than 24
33 hours to a child or children under 16 years of age whose parents work outside the
34 home, attend an educational program or are otherwise unable to care for their
35 children-;

36 (9) A business significantly engaged in commercial and mixed-use real estate
37 and community facilities; and

(10) A business significantly engaged in serving tourists, such as in the areas of outdoor recreation, culture and heritage and hospitality.

Notwithstanding the requirements of this paragraph, until June 30, 2012, a project or a borrower that is eligible for loan insurance under section 1026-A is eligible for financial assistance under the program.

Sec. 8. 10 MRSA §1026-M, sub-§8, as enacted by PL 1993, c. 722, Pt. C, §1 and affected by §2, is amended to read:

8. Priorities. Among eligible applicants, a corporation shall give priority to businesses and projects with the potential of meeting one or more of the following objectives.

A. The financing will help the business pursue a business that adds significant value to raw materials or inventory.

B. The financing is likely to result in a long-term net increase in permanent, quality jobs that meet a local or regional need or the retention of jobs in jeopardy of being lost.

Sec. 9. Contingent effective date. This Act does not take effect until the effective date of an act of the Legislature that appropriates or allocates a sum of at least \$1,000,000 to the Finance Authority of Maine for the Regional Economic Development Revolving Loan Program and that specifies that the funds are appropriated or allocated for the purposes of this Act. The Finance Authority of Maine shall notify the Revisor of Statutes and the Secretary of State when the funds are appropriated or allocated by the Legislature pursuant to this section.'

SUMMARY

This amendment strikes the bill and replaces it with changes to the laws regarding the Regional Economic Development Revolving Loan Program of the Finance Authority of Maine. It adds revitalization of downtowns and building stronger communities and a sustainable economy as purposes of the program. It clarifies that a lending corporation under the program may use revenue from commitment fees and interest to cover its operating costs, including loan fund management, increases the dollar amount of the maximum loan available to a borrower, allows a lending corporation to serve more than one region and adjusts other financing terms. It adds businesses engaged in commercial and mixed-use real estate and community facilities, businesses engaged in serving tourists and value-added natural resource enterprises to the list of businesses that are eligible for financial assistance under the program. It changes the program to allow participation by companies with 100 or fewer employees, instead of 50 or fewer, and by companies with annual sales of up to \$10,000,000, instead of \$5,000,000 or less. It also amends the total loan amount by increasing the cap from \$250,000 to \$350,000 for corporations and from \$100,000 to \$350,000 for quality child care projects.

The amendment also adds a contingent effective date, under which the provisions of the Act do not take effect until the effective date of an act of the Legislature that appropriates or allocates a sum of at least \$1,000,000 to the Finance Authority of Maine for the Regional Economic Development Revolving Loan Program and that specifies that the funds are appropriated or allocated for the purposes of this Act.

FISCAL NOTE REQUIRED

(See attached)



126th MAINE LEGISLATURE

LD 1043

LR 1819(02)

**An Act To Authorize a General Fund Bond Issue and To Assist in the Creation of Jobs through
Regional Economic Development**

Fiscal Note for Bill as Amended by Committee Amendment

Committee: Appropriations and Financial Affairs

Fiscal Note Required: Yes

A (H-851)

Fiscal Note

Minor cost increase - Other Funds

Fiscal Detail and Notes

Additional costs to the Finance Authority of Maine to amend its rules relating to the Regional Economic Development Revolving Loan Program can be absorbed within existing budgeted resources.