

MAINE STATE LEGISLATURE

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126th MAINE LEGISLATURE

FIRST REGULAR SESSION-2013

Legislative Document

No. 1043

H.P. 734

House of Representatives, March 14, 2013

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

Reference to the Committee on Appropriations and Financial Affairs suggested and ordered printed.

Millicent M. MacFarland
MILLICENT M. MacFARLAND
Clerk

Presented by Representative BERRY of Bowdoinham.
Cosponsored by Senator CUSHING of Penobscot and
Representatives: FREY of Bangor, NEWENDYKE of Litchfield, ROTUNDO of Lewiston,
Senators: CAIN of Penobscot, GOODALL of Sagadahoc, HILL of York, LANGLEY of
Hancock, WOODBURY of Cumberland.

1 to in this section as "corporations." In the case of loans to quality child care projects, the
2 authority may also provide loans directly to eligible borrowers. To be eligible for
3 assistance from the fund:

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

11 B. A corporation must have a strategy for the creation and retention of jobs, an
12 effective small business marketing and technical assistance plan and enough expert
13 assistance available to it to underwrite, document and service loans and assist its
14 clients or it must have a strategy for real estate development including commercial
15 and mixed-use real estate and community facilities;

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

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

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

26 **Sec. B-2. 10 MRSA §1026-M, sub-§3, ¶¶A and C**, as enacted by PL 1993, c.
27 722, Pt. C, §1 and affected by §2, are amended to read:

28 A. The size of the ~~region~~ regions served by the corporation and the expected demand
29 for loan funds in ~~that region~~ those regions;

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

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

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

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

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

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

10 B. Loans ~~over \$100,000~~ of \$50,000 or more for borrowers other than quality child
11 care projects may not exceed ~~1/3~~ 1/2 of the net new funds being provided to a
12 borrower. ~~Loans of \$50,000 to \$100,000 for projects other than quality child care~~
13 ~~projects may not exceed 1/2 of the net new funds being provided to a borrower.~~
14 Loans of less than \$50,000 and loans for quality child care projects may be for the
15 total amount of new funds being provided to the borrower.

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

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

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

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

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

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

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

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

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

38 (4) A business converting from defense dependency;

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

3 (6) A business that dedicates significant resources to research and development
4 activities;

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

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

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

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

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

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

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

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

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

28 **Sec. B-9. Contingent effective date.** This Part takes effect only if the General
29 Fund bond issue proposed in Part A is approved by the voters of the State.

30 **SUMMARY**

31 Part A provides funds in the amount of \$10,000,000 to be used to provide funds for
32 state, regional and local financial intermediaries to make flexible loans to and
33 investments in small businesses and real estate projects to create jobs.

34 Part B amends the laws regarding the Regional Economic Development Revolving
35 Loan Program of the Finance Authority of Maine to include revitalization of downtowns
36 and building stronger communities and a sustainable economy as purposes of the
37 program. It clarifies that a corporation under the program may use revenue from
38 commitment fees and interest to cover its operating costs, including loan fund

1 management, increases the dollar amount of the maximum loan available to a borrower
2 and adjusts other financing terms. It also adds businesses engaged in commercial and
3 mixed-use real estate and community facilities and businesses engaged in serving tourists
4 to the list of businesses that are eligible for financial assistance under the program. Part
5 B takes effect only if the General Fund bond issue proposed in Part A is approved by the
6 voters of the State.