

# MAINE STATE LEGISLATURE

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# 126th MAINE LEGISLATURE

## SECOND REGULAR SESSION-2014

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Legislative Document

No. 1827

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S.P. 732

In Senate, March 18, 2014

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### **An Act To Authorize a General Fund Bond Issue To Support Maine Small Business and Job Creation**

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Reported by Senator VALENTINO of York for the Joint Select Committee on Maine's Workforce and Economic Future pursuant to Joint Order, S.P. 27.

Reference to the Committee on Appropriations and Financial Affairs suggested and ordered printed pursuant to Joint Rule 218.

A handwritten signature in black ink, appearing to read 'D M Grant'.

DAREK M. GRANT  
Secretary of the Senate



1 Provides funds for state, regional and local financial intermediaries to make flexible  
2 loans to small businesses to create jobs, revitalize downtowns and strengthen our  
3 rural economy.

4 Total \$15,000,000

5 **ECONOMIC AND COMMUNITY**  
6 **DEVELOPMENT, DEPARTMENT OF**

7 Provides funds to be awarded on a competitive basis to facilitate the growth of  
8 marine businesses and commercial enterprises that create jobs and improve the  
9 sustainability of the State's marine economy and related industries through capital  
10 investments.

11 Total \$15,000,000

12 **Maine Technology Institute**

13 Provides funds for research, development and commercialization as prioritized by the  
14 Office of Innovation's most recent Science and Technology Action Plan. The funds  
15 must be allocated to biotechnology, aquaculture and marine technology, composite  
16 materials technology, environmental technology, advanced technologies for forestry  
17 and agriculture, information technology and precision manufacturing technology  
18 through a competitive process and must be awarded to Maine-based public and  
19 private entities and leverage matching funds on at least a one-to-one basis.

20 Total \$10,000,000

21 **Jackson Laboratory**

22 Provides funds, to be matched by \$16,000,000 in other funds, to establish at the  
23 Jackson Laboratory in Bar Harbor a center for biometric analysis using state-of-the-  
24 art technologies to expand the State's research capabilities in the area of medical  
25 analytics, make the State a global resource for precision medicine, improve the State's  
26 capacity to attract and retain young professionals and facilitate additional grant  
27 funding, private sector investment, job growth and economic activity in the State.

28 Total \$15,000,000



1 and plantations to meet, in the manner prescribed by law for holding a statewide election,  
2 to vote on the acceptance or rejection of this Part by voting on the following question:

3 "Do you favor a \$73,000,000 bond issue to:

4 1. Provide \$5,000,000 in funds to insure portions of loans to small  
5 businesses to spur investment and innovation;

6 2. Provide \$15,000,000 in funds to make flexible loans to small  
7 businesses to create jobs, revitalize downtowns and strengthen our rural  
8 economy;

9 3. Provide \$10,000,000 in funds to promote research, development and  
10 commercialization for economic development and private sector job  
11 creation, awarded after a competitive process administered by the Maine  
12 Technology Institute, and leverage matching funds on at least a one-to-  
13 one basis;

14 4. Provide \$8,000,000 in funds for a University of Maine Cooperative  
15 Extension Insect and Animal and Plant Disease Identification Facility to  
16 assist farmers and foresters and to protect plant, animal and human  
17 health;

18 5. Provide \$15,000,000 in funds, to be matched by \$16,000,000 in  
19 private and public contributions, to establish at the Jackson Laboratory in  
20 Bar Harbor a center for biometric analysis using state-of-the-art  
21 technologies to expand the State's research capabilities in the area of  
22 medical analytics, make the State a global resource for precision  
23 medicine, improve the State's capacity to attract and retain young  
24 professionals and facilitate additional grant funding, private sector  
25 investment, job growth and economic activity in the State;

26 6. Provide \$5,000,000 in funds, to be matched by \$9,500,000 in private  
27 and public funds, to modernize and expand the infrastructure at the  
28 Mount Desert Island Biological Laboratory needed to increase  
29 biotechnology workforce training from 350 to 500 students a year, retain  
30 and recruit to Maine multiple biomedical research and development  
31 groups and create a drug discovery and development facility that will  
32 improve human health and stimulate biotechnology job growth and  
33 economic activity; and

34 7. Provide \$15,000,000 in funds to facilitate the growth of marine  
35 businesses and commercial enterprises that create jobs and improve the  
36 sustainability of the State's marine economy and related industries  
37 through capital investments, awarded after a competitive process  
38 administered by the Department of Economic and Community  
39 Development in consultation with the Department of Marine Resources  
40 and the Maine Technology Institute, and leverage matching funds on at  
41 least a one-to-one basis?"

42 The legal voters of each city, town and plantation shall vote by ballot on this question  
43 and designate their choice by a cross or check mark placed within a corresponding square

1 below the word "Yes" or "No." The ballots must be received, sorted, counted and  
2 declared in open ward, town and plantation meetings and returns made to the Secretary of  
3 State in the same manner as votes for members of the Legislature. The Governor shall  
4 review the returns. If a majority of the legal votes are cast in favor of this Part, the  
5 Governor shall proclaim the result without delay and this Part becomes effective 30 days  
6 after the date of the proclamation.

7 The Secretary of State shall prepare and furnish to each city, town and plantation all  
8 ballots, returns and copies of this Part necessary to carry out the purposes of this  
9 referendum.

## 10 PART B

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

26           B. Loans ~~over \$100,000~~ of \$50,000 or more for borrowers other than quality child  
27 care projects may not exceed ~~1/3~~ 1/2 of the net new funds being provided to a  
28 borrower. ~~Loans of \$50,000 to \$100,000 for projects other than quality child care~~  
29 ~~projects may not exceed 1/2 of the net new funds being provided to a borrower.~~  
30 Loans of less than \$50,000 and loans for quality child care projects may be for the  
31 total amount of new funds being provided to the borrower.

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

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

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

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



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

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

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

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

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

14                   (4) A business converting from defense dependency;

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

17                   (6) A business that dedicates significant resources to research and development  
18 activities;

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

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

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

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

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

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

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

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

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

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

6 **PART C**

7 **Sec. C-1. Administration of marine economy funds.** Funds awarded by the  
8 Department of Economic and Community Development to facilitate the growth of marine  
9 businesses and commercial enterprises that create jobs and improve the sustainability of  
10 the State's marine economy and related industries through capital investments pursuant to  
11 Part A must be administered according to the following guidelines. Funds must be  
12 awarded on a competitive basis pursuant to a request for proposals and application  
13 process designed by the Department of Economic and Community Development in  
14 consultation with the Department of Marine Resources. A successful application must  
15 include support from:

16 1. A marine-based research program at a private or public university or nonprofit  
17 research institution;

18 2. Commercial fishing or aquaculture interests;

19 3. Community-based organizations committed to the growth of their local  
20 economies; and

21 4. Private sector businesses.

22 A successful application must demonstrate matching funds on at least a one-to-one  
23 basis. As part of the application process, the Department of Economic and Community  
24 Development shall establish a technical review board process in consultation with the  
25 Maine Technology Institute. In awarding funds, priority must be given to projects with a  
26 demonstrable return on investment to the State, including, but not limited to, job creation  
27 and improvements to the capacity and long-term sustainability of Maine's marine  
28 economy, as well as strong benchmarks and accountability measures to ensure these  
29 results.

30 **Sec. C-2. Contingent effective date.** This Part takes effect only if the General  
31 Fund bond issue proposed in Part A is approved by the voters of the State.

32 **SUMMARY**

33 This bill is reported out by the Joint Select Committee on Maine's Workforce and  
34 Economic Future pursuant to its authority under Joint Order 2013, S.P. 27 and Joint  
35 Order 2013, S.P. 602. The committee is reporting the bill out with the recommendation  
36 that it be referred to the Joint Standing Committee on Appropriations and Financial  
37 Affairs for an appropriate public hearing and subsequent processing in the normal course.

1 Part A provides for a bond issue in the amount of \$73,000,000 to be used to provide  
2 funds to the Finance Authority of Maine, the Maine Technology Institute, the Department  
3 of Economic and Community Development, the University of Maine System, the Jackson  
4 Laboratory and the Mount Desert Island Biological Laboratory. The funds would be used  
5 to:

6 1. Provide \$5,000,000 to insure portions of loans to small businesses made by a  
7 participating financial institution to spur investment and innovation;

8 2. Provide \$15,000,000 for state, regional and local financial intermediaries to make  
9 flexible loans to and investments in small businesses to create jobs;

10 3. Provide \$10,000,000 to promote research, development and commercialization for  
11 economic development and private sector job creation, awarded after a competitive  
12 process administered by the Maine Technology Institute, and leverage matching funds on  
13 at least a one-to-one basis;

14 4. Provide \$15,000,000, to be matched by \$16,000,000 in private and public  
15 contributions, to establish at the Jackson Laboratory in Bar Harbor a center for biometric  
16 analysis using state-of-the-art technologies to expand the State's research capabilities in  
17 the area of medical analytics, make the State a global resource for precision medicine,  
18 improve the State's capacity to attract and retain young professionals and facilitate  
19 additional grant funding, private sector investment, job growth and economic activity in  
20 the State;

21 5. Provide \$5,000,000, to be matched by \$9,500,000 in private and public funds, to  
22 modernize and expand infrastructure at the Mount Desert Island Biological Laboratory  
23 needed to increase biotechnology workforce training from 350 to 500 students a year,  
24 retain and recruit to Maine multiple biomedical research and development groups and  
25 create a drug discovery and development facility that will improve human health and  
26 stimulate biotechnology job growth and economic activity;

27 6. Provide \$15,000,000 in funds to facilitate the growth of marine businesses and  
28 commercial enterprises that create jobs and improve the sustainability of the State's  
29 marine economy and related industries through capital investments, awarded after a  
30 competitive process administered by the Department of Economic and Community  
31 Development in consultation with the Department of Marine Resources and the Maine  
32 Technology Institute, and leverage matching funds on at least a one-to-one basis; and

33 7. Provide \$8,000,000 in funds for a University of Maine Cooperative Extension  
34 Insect and Animal and Plant Disease Identification Facility to assist farmers and foresters  
35 and to protect plant, animal and human health.

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

1 allows a lending corporation to serve more than one region and adjusts other financing  
2 terms. It also adds businesses engaged in commercial and mixed-use real estate and  
3 community facilities and businesses engaged in serving tourists to the list of businesses  
4 that are eligible for financial assistance under the program. It changes the program to  
5 allow participation by companies with 100 or fewer employees, instead of 50 or fewer,  
6 and by companies with annual sales of up to \$10,000,000, instead of \$5,000,000 or less.  
7 It amends the total loan amount by increasing the cap from \$250,000 to \$350,000 for  
8 corporations and from \$100,000 to \$350,000 for quality child care projects.

9 Part C provides guidelines for the administration of the \$15,000,000 for marine  
10 businesses provided in Part A.

11 Parts B and C take effect only if the General Fund bond issue proposed in Part A is  
12 approved by the voters of the State.