

# MAINE STATE LEGISLATURE

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# 131st MAINE LEGISLATURE

## SECOND REGULAR SESSION-2024

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Legislative Document

No. 2113

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S.P. 906

In Senate, January 3, 2024

### **An Act to Provide Relief to Federal Employees Affected by a Federal Shutdown**

(EMERGENCY)

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Approved for introduction by a majority of the Legislative Council pursuant to Joint Rule 203.

Reference to the Committee on Health Coverage, Insurance and Financial Services suggested and ordered printed.

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

DAREK M. GRANT  
Secretary of the Senate

Presented by President JACKSON of Aroostook.  
Cosponsored by Speaker TALBOT ROSS of Portland and  
Senators: BAILEY of York, DAUGHTRY of Cumberland, RENY of Lincoln, VITELLI of  
Sagadahoc, Representative: PERRY of Calais.

1           **Emergency preamble.** Whereas, acts and resolves of the Legislature do not  
 2 become effective until 90 days after adjournment unless enacted as emergencies; and

3           **Whereas**, Maine has many residents who are employees of the Federal Government;  
 4 and

5           **Whereas**, during a partial shutdown or full shutdown of the Federal Government,  
 6 these federal employees are not paid, regardless of whether they are working, which causes  
 7 enormous stress, both fiscal and emotional, on those employees; and

8           **Whereas**, it is imperative that the State respond quickly and in an appropriate manner  
 9 to the needs of its residents; and

10           **Whereas**, in the judgment of the Legislature, these facts create an emergency within  
 11 the meaning of the Constitution of Maine and require the following legislation as  
 12 immediately necessary for the preservation of the public peace, health and safety; now,  
 13 therefore,

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

15           **Sec. 1. 5 MRSA §158** is enacted to read:

16           **§158. Federal Shutdown Loan Guarantee Program Fund established**

17           The Federal Shutdown Loan Guarantee Program Fund, referred to in this section as  
 18 "the fund," is established as a nonlapsing Other Special Revenue Funds account within the  
 19 Office of the Treasurer of State. All money received by the fund from any source, including  
 20 any transfers from the General Fund unappropriated surplus, must be credited to the fund.  
 21 Money credited to the fund must be used to guarantee the repayment of loans made by an  
 22 eligible financial institution to an eligible affected employee pursuant to Title 10, chapter  
 23 110, subchapter 15.

24           **Sec. 2. 10 MRSA c. 110, sub-c. 15** is enacted to read:

25                                   **SUBCHAPTER 15**

26                                   **FEDERAL SHUTDOWN LOAN GUARANTEE PROGRAM**

27           **§1100-HH. Definitions**

28           As used in this subchapter, unless the context otherwise indicates, the following terms  
 29 have the following meanings.

30           **1. Affected employee.** "Affected employee" means a person employed by the Federal  
 31 Government or any federal agency who, during a shutdown, is:

- 32           A. A resident; and
- 33           B. Required to work as a federal employee without pay or furloughed as a federal  
 34 employee without pay.

35           **2. Bureau.** "Bureau" means the Department of Professional and Financial Regulation,  
 36 Bureau of Financial Institutions.

1           **3. Credit union.** "Credit union" has the same meaning as "credit union authorized to  
2 do business in this State" in Title 9-B, section 131, subsection 12-A.

3           **4. Eligible affected employee.** "Eligible affected employee" means an affected  
4 employee who is eligible to receive a loan as determined pursuant to section 1100-JJ,  
5 subsection 1.

6           **5. Eligible financial institution.** "Eligible financial institution" means a credit union  
7 or financial institution that is in good standing as determined by the bureau pursuant to  
8 section 1100-II, subsection 2.

9           **6. Financial institution.** "Financial institution" has the same meaning as "financial  
10 institution authorized to do business in this State" in Title 9-B, section 131, subsection  
11 17-A.

12           **7. Good standing.** "Good standing," with respect to a credit union or financial  
13 institution, means that the credit union or financial institution is insured by the Federal  
14 Deposit Insurance Corporation or the National Credit Union Administration.

15           **8. Grace period.** "Grace period" means the later of:

16           A. Ninety days after an eligible affected employee receives disbursement of a loan  
17 under the program; and

18           B. The end of the shutdown during which the loan under paragraph A was made.

19           **9. Loan.** "Loan" means an extension of credit made by an eligible financial institution  
20 to an eligible affected employee pursuant to this subchapter.

21           **10. Loan guarantee payment.** "Loan guarantee payment" means the amount paid by  
22 the Treasurer of State in satisfaction of a claim filed by an eligible financial institution  
23 pursuant to section 1100-KK.

24           **11. Program.** "Program" means the Federal Shutdown Loan Guarantee Program  
25 established in section 1100-II.

26           **12. Shutdown.** "Shutdown" means a full or partial shutdown of the Federal  
27 Government that lasts longer than 14 consecutive calendar days. Each shutdown is  
28 considered a separate shutdown for purposes of the program.

29           **§1100-II. Federal Shutdown Loan Guarantee Program established**

30           **1. Establishment; purpose.** The Federal Shutdown Loan Guarantee Program is  
31 established within and administered by the authority. The authority shall guarantee the  
32 repayment of loans made by an eligible financial institution to an eligible affected  
33 employee pursuant to section 1100-JJ. The authority shall submit all approved claims  
34 pursuant to section 1100-KK to the Treasurer of State, who shall pay from the Federal  
35 Shutdown Loan Guarantee Program Fund, established in Title 5, section 158, any claims  
36 submitted by the authority pursuant to the program.

37           **2. Process for credit unions and financial institutions.** A credit union or financial  
38 institution may submit a request to the bureau to participate in the program. Not later than  
39 5 business days after receiving the request to participate, the bureau shall determine  
40 whether the credit union or financial institution is an eligible financial institution and  
41 immediately notify the credit union or financial institution and the authority of that

1 determination. An eligible financial institution may make loans to an eligible affected  
2 employee in accordance with section 1100-JJ.

3 **3. Notification of loan and borrower information.** Each eligible financial institution  
4 that makes a loan to an eligible affected employee pursuant to section 1100-JJ shall notify  
5 the authority in writing not later than 5 business days after making the loan, specifying such  
6 information about the eligible affected employee borrower as the authority may request.

7 **§1100-JJ. Eligibility of affected employees; loan terms; process**

8 **1. Determination of eligibility of affected employee.** An eligible financial institution  
9 may make a loan to an affected employee who meets the following eligibility requirements:

10 A. An affected employee shall provide to the eligible financial institution proof of the  
11 affected employee's employment status, income and residence in this State. An affected  
12 employee may meet the requirements of this paragraph by providing to the eligible  
13 financial institution proof such as a pay stub or bank statement, a federal employee  
14 identification card or the federal tax identification number of the affected employee's  
15 employer; and

16 B. In addition to the proof required in paragraph A, an affected employee shall submit  
17 to the eligible financial institution a sworn affidavit from the affected employee stating:

18 (1) That the affected employee is currently a federal employee residing in this  
19 State;

20 (2) That the affected employee is eligible to receive back pay when a shutdown  
21 ends;

22 (3) That the affected employee is not receiving a loan from any other eligible  
23 financial institution pursuant to this subchapter; and

24 (4) The amount per week of unemployment compensation benefits pursuant to  
25 Title 26, chapter 13:

26 (a) Received by the affected employee, if any, during a shutdown; and

27 (b) The affected employee is eligible to receive, if any, during a shutdown.

28 **2. Determination of loan amount.** The maximum amount of the loan is the lesser of  
29 \$6,000 and the affected employee's most recent monthly after-tax pay, offset by any  
30 unemployment benefits, as determined pursuant to this subsection.

31 A. Offsetting unemployment benefits are determined by multiplying by 4 the greater  
32 of the amount per week of unemployment benefits pursuant to Title 26, chapter 13, as  
33 reported pursuant to subsection 1, paragraph B, subparagraph (4):

34 (1) Actually received by the affected employee during the shutdown; and

35 (2) The affected employee is eligible to receive during the shutdown.

36 B. The amount of offsetting unemployment benefits, if any, as determined pursuant to  
37 paragraph A is subtracted from the lesser of \$6,000 and the affected employee's most  
38 recent monthly after-tax pay.

39 C. The amount of the loan is the lesser of the amount determined following the  
40 calculation in paragraph B and \$6,000.

1           **3. Creditworthiness.** An eligible financial institution may not use an affected  
2 employee's creditworthiness as a factor for the purposes of determining eligibility for a loan  
3 under this subchapter.

4           **4. Terms of loan agreement.** Notwithstanding any provision of law to the contrary,  
5 the following terms apply to a loan issued pursuant to this subchapter.

6           A. A loan agreement may not:

7                   (1) Require repayment during the grace period;

8                   (2) Charge interest on the principal amount before or during the grace period or  
9 for 180 days after the grace period; or

10                  (3) Contain a fee or penalty for the prepayment or early payment of the loan.

11           B. The loan agreement must require that the affected employee repay the loan in full  
12 not later than 180 days after the end of the grace period and permit repayment to be  
13 made in installments. An affected employee who chooses to repay the loan in  
14 installments must be allowed to make at least 3 and no more than 6 equal installment  
15 payments.

16           C. After 180 days have elapsed following the grace period, the eligible financial  
17 institution may charge interest or fees in accordance with the eligible financial  
18 institution's lending policy and the terms of the loan agreement.

19           **5. Multiple loans to same eligible affected employee during same shutdown.** An  
20 eligible affected employee who has received a loan pursuant to this section may apply to  
21 the same eligible financial institution for an additional loan for each 30-day period beyond  
22 the first that the affected employee remains an eligible affected employee, except that an  
23 eligible affected employee may not receive more than 3 loans under the program during a  
24 shutdown. An eligible affected employee who applies for an additional loan shall provide  
25 the eligible financial institution with updated information as required under subsection 1,  
26 including the amount of unemployment compensation benefits the affected employee has  
27 been determined eligible to receive or has received during the shutdown. Each additional  
28 loan must be made in accordance with this section.

29           **6. Treatment of deferred interest.** Notwithstanding any provision of Title 36, Part  
30 8 to the contrary, any interest deferred or not charged related to a loan issued pursuant to  
31 this section is exempt from all state taxes that may be applicable to such interest amounts  
32 as they relate to an affected employee. An eligible financial institution shall disclose to  
33 eligible affected employee borrowers in the signed affidavit or loan documents that there  
34 may be federal tax consequences to the program loans and that loan information may be  
35 shared with the authority.

36           **§1100-KK. Loan guarantee**

37           **1. Claims.** No sooner than the 180th day following the end of the grace period and no  
38 later than the 300th day following the end of the grace period, an eligible financial  
39 institution that has made a good faith effort to collect the outstanding principal of a loan  
40 issued pursuant to section 1100-JJ and has been unsuccessful may make a claim to the  
41 authority for recovery of an amount equal to the outstanding principal of that loan.

42           An eligible financial institution shall demonstrate to the satisfaction of the authority that  
43 the eligible financial institution has made a good faith effort to collect the outstanding

1 principal from the eligible affected employee in accordance with the eligible financial  
2 institution's loan servicing and collection policies and has been unsuccessful.

3 **2. Loan guarantee payment.** The authority, upon receipt of a properly documented  
4 claim submitted by an eligible financial institution pursuant to subsection 1, shall submit  
5 the claim immediately to the Treasurer of State for payment. The Treasurer of State  
6 immediately shall pay to the authority from the Federal Shutdown Loan Guarantee Program  
7 Fund, established in Title 5, section 158, any claims submitted by the authority pursuant to  
8 the program. The authority shall distribute the loan guarantee payment to the eligible  
9 financial institution.

10 **3. Effect of payment of claim.** After payment of a loan guarantee payment to an  
11 eligible financial institution pursuant to subsection 2:

12 A. The loan must be assigned by the eligible financial institution to the authority on  
13 behalf of the State; and

14 B. The duty of the authority to continue collection efforts on the loan pursuant to  
15 section 1100-LL, subsection 4 applies.

16 **§1100-LL. Duties and powers of authority**

17 **1. Maintenance and review of records.** The authority shall maintain records in the  
18 regular course of administration of the program, including a record of loans issued pursuant  
19 to section 1100-JJ and loan guarantee payments issued pursuant to section 1100-KK,  
20 subsection 2 to honor claims on defaulted loans. The authority shall regularly review these  
21 records to monitor all the loans issued and identify duplicative applications.

22 **2. Termination of loan recovery guarantee based on misrepresentation or failure**  
23 **to comply by financial institution.** The authority may terminate any agreement to pay the  
24 claim of an eligible financial institution pursuant to section 1100-KK if the eligible  
25 financial institution misrepresents any information pertaining to the loan or fails to comply  
26 with any requirements of this section or section 1100-KK in connection with the claim for  
27 the loan.

28 **3. Termination of loan recovery guarantee based on excess claims.** If the amount  
29 expended for loan guarantee payments under section 1100-KK equals or exceeds 10% of  
30 the total of all loans issued, the authority shall immediately cease to approve claims and  
31 shall notify the Treasurer of State and each eligible financial institution of the total amount  
32 of loan guarantee payments made and that the authority has ceased honoring loan claims.

33 **4. Recovery of defaulted loans.** The authority, on its own or by contracting with a  
34 private entity, shall make reasonable efforts to recover the amount of loan guarantee  
35 payments made pursuant to section 1100-KK, subsection 2. Any funds recovered pursuant  
36 to this subsection, less reasonable administrative costs, must be deposited in the Federal  
37 Shutdown Loan Guarantee Program Fund established in Title 5, section 158.

38 **§1100-MM. New loans prohibited after shutdown**

39 An affected employee may not apply for a loan under the program after a shutdown  
40 ends. A financial institution may not approve a loan under the program after a shutdown  
41 ends.

42 **§1100-NN. Review of funding needs**

1           The joint standing committee of the Legislature having jurisdiction over appropriations  
2 and financial affairs, in consultation with the joint standing committee of the Legislature  
3 having jurisdiction over financial services matters, may report out legislation to address  
4 any funding needs of the program.

5           **Sec. 3. Transfer.** Notwithstanding any provision of law to the contrary, the State  
6 Controller shall transfer \$250,000 from the General Fund unappropriated surplus to the  
7 Federal Shutdown Loan Guarantee Program Fund, established within the Office of the  
8 Treasurer of State pursuant to the Maine Revised Statutes, Title 5, section 158, no later  
9 than 14 days following the effective date of this Act to be used to guarantee the repayment  
10 of loans made by an eligible financial institution to an eligible affected employee pursuant  
11 to Title 10, chapter 110, subchapter 15.

12           **Sec. 4. Additional transfer and allocation in 2024.** The Joint Standing  
13 Committee on Appropriations and Financial Affairs, after consultation with the Joint  
14 Standing Committee on Health Coverage, Insurance and Financial Services, may report out  
15 legislation to the Second Regular Session of the 131st Legislature to address any funding  
16 needs of the Federal Shutdown Loan Guarantee Program established in the Maine Revised  
17 Statutes, Title 10, chapter 110, subchapter 15.

18           **Sec. 5. Appropriations and allocations.** The following appropriations and  
19 allocations are made.

20           **TREASURER OF STATE, OFFICE OF**

21           **Federal Shutdown Loan Guarantee Program Fund N296**

22 Initiative: Establishes the Federal Shutdown Loan Guarantee Program Fund with a  
23 \$250,000 transfer from the unappropriated surplus of the General Fund.

OTHER SPECIAL REVENUE FUNDS	2023-24	2024-25
All Other	\$250,000	\$0
OTHER SPECIAL REVENUE FUNDS TOTAL	<hr/> \$250,000	<hr/> \$0

28           **Emergency clause.** In view of the emergency cited in the preamble, this legislation  
29 takes effect when approved.

30   **SUMMARY**

31           This bill establishes the Federal Shutdown Loan Guarantee Program. The program,  
32 administered by the Finance Authority of Maine, or FAME, provides access to no-interest  
33 loans for certain federal employees in Maine affected by a partial or full shutdown of the  
34 Federal Government that lasts for longer than 14 consecutive days by guaranteeing up to  
35 10% of the loans eligible credit unions and financial institutions make to affected  
36 employees.

37           Under the bill, affected employees are eligible for up to 3 loans during a shutdown,  
38 each equal to their monthly after-tax pay, less unemployment benefits, up to a maximum  
39 of \$6,000. Eligibility must be proven by the employee based on certain requirements; the  
40 creditworthiness of an employee may not be used as a factor to determine eligibility for the  
41 program.



1           An eligible financial institution that makes a loan pursuant to the program is prohibited  
2 from requiring repayment of the loan during the grace period, which is the time during the  
3 shutdown or 90 days after the disbursement of the loan, whichever is later, and from  
4 imposing interest on the loan for 180 days following the grace period. Following the end  
5 of the 180 days, an institution that made a loan under the program, after a good faith effort  
6 to collect the principal amount of the loan, may apply to FAME for repayment of the  
7 uncollected amount of the loan in default. The Treasurer of State is required to transfer  
8 funds for the payment of the uncollected amount to FAME, which is required to make the  
9 payment to the financial institution. FAME is required to make reasonable efforts to recoup  
10 the amount of any payments made to eligible financial institutions from the employee who  
11 defaulted on the loan.

12           Finally, the bill gives the joint standing committee of the Legislature having  
13 jurisdiction over appropriations and financial affairs, in consultation with the joint standing  
14 committee of the Legislature having jurisdiction over financial services matters, authority  
15 to report out legislation to address any funding needs of the program.