



126th MAINE LEGISLATURE

SECOND REGULAR SESSION-2014

Legislative Document

No. 1827

S.P. 732

In Senate, March 18, 2014

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

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 **Preamble.** Two thirds of both Houses of the Legislature deeming it necessary in
2 accordance with the Constitution of Maine, Article IX, Section 14 to authorize the
3 issuance of bonds on behalf of the State of Maine to provide funds as described in this
4 Act,

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

6 **PART A**

7 **Sec. A-1. Authorization of bonds.** The Treasurer of State is authorized, under
8 the direction of the Governor, to issue bonds in the name and on behalf of the State in an
9 amount not exceeding \$73,000,000 for the purposes described in section 5. The bonds
10 are a pledge of the full faith and credit of the State. The bonds may not run for a period
11 longer than 10 years from the date of the original issue of the bonds.

12 **Sec. A-2. Records of bonds issued; Treasurer of State.** The Treasurer of
13 State shall ensure that an account of each bond is kept showing the number of the bond,
14 the name of the successful bidder to whom sold, the amount received for the bond, the
15 date of sale and the date when payable.

16 **Sec. A-3. Sale; how negotiated; proceeds appropriated.** The Treasurer of
17 State may negotiate the sale of the bonds by direction of the Governor, but no bond may
18 be loaned, pledged or hypothecated on behalf of the State. The proceeds of the sale of the
19 bonds, which must be held by the Treasurer of State and paid by the Treasurer of State
20 upon warrants drawn by the State Controller, are appropriated solely for the purposes set
21 forth in this Part. Any unencumbered balances remaining at the completion of the project
22 in this Part lapse to the Office of the Treasurer of State to be used for the retirement of
23 general obligation bonds.

24 **Sec. A-4. Interest and debt retirement.** The Treasurer of State shall pay
25 interest due or accruing on any bonds issued under this Part and all sums coming due for
26 payment of bonds at maturity.

27 **Sec. A-5. Disbursement of bond proceeds from General Fund bond issue.**
28 The proceeds of the sale of the bonds authorized under this Part must be expended as
29 designated in the following schedule under the direction and supervision of the agencies
30 and entities set forth in this section.

31 **FINANCE AUTHORITY OF MAINE**

32 Provides funds to insure portions of loans to small businesses made by a participating
33 financial institution in order to spur investment and innovation.

34 Total \$5,000,000

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 **Mount Desert Island Biological**
2 **Laboratory**

3 Provides funds, to be matched by \$9,500,000 in other funds, to the Mount Desert
4 Island Biological Laboratory in Bar Harbor to modernize and expand infrastructure
5 needed to increase biotechnology workforce training from 350 to 500 students a year,
6 retain and recruit to Maine multiple biomedical research and development groups and
7 create a drug discovery and development facility that will improve human health and
8 stimulate biotechnology job growth and economic activity.

9 Total \$5,000,000

10 **UNIVERSITY OF MAINE SYSTEM**

11 **University of Maine Cooperative**
12 **Extension Service**

13 Provides funds for a University of Maine Cooperative Extension Insect and Animal
14 and Plant Disease Identification Facility.

15 Total \$8,000,000

16 **Sec. A-6. Contingent upon ratification of bond issue.** Sections 1 to 5 do not
17 become effective unless the people of the State ratify the issuance of the bonds as set
18 forth in this Part.

19 **Sec. A-7. Appropriation balances at year-end.** At the end of each fiscal year,
20 all unencumbered appropriation balances representing state money carry forward. Bond
21 proceeds that have not been expended within 10 years after the date of the sale of the
22 bonds lapse to the Office of the Treasurer of State to be used for the retirement of general
23 obligation bonds.

24 **Sec. A-8. Bonds authorized but not issued.** Any bonds authorized but not
25 issued within 5 years of ratification of this Part are deauthorized and may not be issued,
26 except that the Legislature may, within 2 years after the expiration of that 5-year period,
27 extend the period for issuing any remaining unissued bonds for an additional amount of
28 time not to exceed 5 years.

29 **Sec. A-9. Referendum for ratification; submission at election; form of**
30 **question; effective date.** This Part must be submitted to the legal voters of the State at
31 a statewide election held in the month of November following passage of this Act. The
32 municipal officers of this State shall notify the inhabitants of their respective cities, towns

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.