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**Testimony of Representative Melanie Sachs introducing
*LD 1500, An Act to Establish the Maine Community Development Financial Institution
Fund to Support Small Businesses, Rural Economic Development and Affordable
Housing*
Before the Joint Standing Committee on Housing and Economic Development**

Senator Curry, Representative Gere and esteemed members of the Joint Standing Committee on Housing and Economic Development, my name is Melanie Sachs and I am honored to represent the community of Freeport in the Maine Legislature. I am before you today to introduce **LD 1500, An Act to Establish the Maine Community Development Financial Institution Fund to Support Small Businesses, Rural Economic Development and Affordable Housing**.

There are, I believe, core principles that hold true for every member of this Legislature. We believe in Maine, and Mainers, and we want every community to thrive. In these uncertain times, we hold true to that belief, and our ability to help one another. To invest in one another and to lift up one another.

This is also true for Community Development Financial Institutions (CDFIs). There are ten certified CDFIs in Maine, with two other members of the network pursuing certification. They can receive a small amount of capital from the federal government through an annual grant making round, through the Community Development Financial Institutions Fund. They leverage this private resource with invested capital from a variety of private sources, including banks who are motivated by the Community Reinvestment Act. In this way, CDFIs have a significant return on investment. The U.S. Treasury notes the return on investment for CDFIs is at minimum 8:1, going as high as 12:1.

CDFIs invest in small businesses, mixed-use commercial real estate developments, affordable housing and child/healthcare facilities in limited resource communities. CDFIs are effective conduits for deploying capital, paired with technical assistance. They support small local enterprises to grow and become financially and environmentally sustainable and focus on economic revitalization in rural communities. They work in communities and with entrepreneurs that lack access to the necessary capital. There are consistently more projects identified than funding allows.

To address this need, states such as VA, MI, NY, PA and OH are creating state CDFI funds, housed in the relevant state agency with jurisdiction over economic and community development or housing. By making funding available at low or no cost, these states are maximizing the impact of CDFIs, which have connected local relationships, business and economic development knowledge, and accrued experience in signature industries.

The former Maine State Treasurer, Henry Beck, before he left his position, began the conversation with Maine CDFIs exploring the possibility of utilizing CDFIs as a vehicle for state investment. The Maine State Treasurer already has the authority to invest state funds (Title 5, §135) in agricultural or discrete small business enterprises that guarantee a certain rate of return. Maine CDFI investment, with their proven track record of investment and leveraging resources, is a smart addition to this model.

I worked closely with Maine's current State Treasurer, Joseph Perry, and his team, as well as our colleagues at DECD, to craft the language of LD 1500 that you see before you today. It establishes a fund that allows Maine maximum flexibility to not only leverage state resources to facilitate local growth, but also creates a vehicle to accept private grants, federal economic development funds or other targeted funding opportunities like housing that may become available.

Thank you for your time and for the opportunity to submit this bill for your consideration.