



STATE OF MAINE
OFFICE OF THE STATE TREASURER
39 State House Station, Augusta, ME 04333-0039
www.maine.gov/treasurer

JOSEPH C. PERRY
State Treasurer
GREGORY OLSON
Deputy State Treasurer

TO: Senator Chip Curry
Representative Traci Gere
Joint Standing Committee on Housing and Economic Development

FROM: Joseph C. Perry, State Treasurer

DATE: May 2, 2025

RE: L.D. 1500 "An Act to Establish the Maine Community Development Financial Institution Fund to Support Small Businesses, Rural Economic Development and Affordable Housing"

Good morning, Senator Curry, Representative Gere and members of the Joint Standing Committees on Housing and Economic Development, my name is Joe Perry, and I am the State Treasurer. Thank you for this opportunity to come before you today and to testify neither for nor against LD 1500 "An Act to Establish the Maine Community Development Financial Institution Fund to Support Small Businesses, Rural Economic Development and Affordable Housing

Thank you to Representative Sachs for sponsoring this bill. Community Development Financial Institutions (CDFIs) do a lot of good work across Maine, providing access to capital to small businesses particularly in rural communities underserved by traditional financial services.

I want to draw the committee's attention to a portion of this bill that relates to the Office of the State Treasurer – which I will limit my testimony to. Section 13056-K, Subsection 2, paragraph 2 authorizes the Treasurer of State to deposit up to \$10 million with Maine CDFIs, earning an interest rate at up to 2% less than the current market rate.

As Treasurer of State, one of my primary responsibilities is to manage the Treasurer's Cash Pool. This Cash Pool is made up all state revenues collected, but not yet expended, the Budget Stabilization Fund, the Highway Fund, various special revenue and trust funds of the state such as the Land for Maine's Future, and the State Employee Health Insurance Fund, as well as funds from quasi-state entities like FAME and the University of Maine System. Per the investment policy of the Treasurer, the Cash Pool is invested with the goals of security, liquidity and a competitive return for the state's money, in those order. As of March 31, 2025, the Treasurer's Cash Pool contained just over \$3.958 billion – and has generated \$137.7 million in investment earnings, in FY25 to date. The Cash Pool is primarily invested in US Treasury notes (56%), collateralized bank deposits (27%) and collateralized certificates of deposit (CDs) (17%).

Under current law, the Treasurer, in coordination with FAME, may allocate up to \$8 million from the Cash Pool to a linked-CD program, where the state purchases CD's, at up to 2% below the market rate, from Maine banks, who in turn make below market interest loans to qualifying small business and agricultural concerns in Maine, who apply through FAME.

We see the authorization in LD 1500 to be very similar, with comparable policy goals. State funds could be invested at lesser rates to enable financial institutions to in turn make below market rate loans in underserved communities. From an operational perspective, I would expect this change to have little disruption or impact and would represent 0.25% of the funds in the Treasurer's Cash Pool.

On a technical note, and perhaps selfishly, it would be appreciated if Subsection 2, paragraph 2 of the bill were to be appended to **Title 5, Section 135 Deposit of State Funds; limitations**, along with the Treasurer's other deposit authorizations.

Thank you for the opportunity to testify today.