An Act To Establish a State Bank

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

Presented by Senator MIRAMANT of Knox.
Cosponsored by Representative CASÁS of Rockport, Representative MOONEN of Portland and Senators: CARPENTER of Aroostook, CYRWAY of Kennebec, DAVIS of Piscataquis, DESCHAMBAULT of York, Representatives: SCHNECK of Bangor, SPEAR of South Thomaston.
Be it enacted by the People of the State of Maine as follows:

Sec. 1. 5 MRSA §12004-F, sub-§19 is enacted to read:

19.
Maine Street Bank, Board of Directors

Sec. 2. 5 MRSA §12004-I, sub-§2-H is enacted to read:

2-H.
Banking Maine Street Bank Advisory Committee

Sec. 3. 9-B MRSA c. 125 is enacted to read:

CHAPTER 125

MAINE STREET BANK

§1251. Definitions

As used in this chapter, unless the context otherwise indicates, the following terms have the following meanings.

1. Advisory committee. "Advisory committee" means the Maine Street Bank Advisory Committee under section 1254.


3. Board. "Board" means the Board of Directors of the Maine Street Bank under section 1253.

4. Participation loan. "Participation loan" means a loan in which one or more than one bank, bank holding company, state-chartered or federally chartered financial institution, any other financial institution or any other entity that provides financial services participates pursuant to a written agreement with the originator of the loan.

5. Public funds. "Public funds" means funds under the control or in the custody of a public official by virtue of office.

§1252. Bank established; purposes

The Maine Street Bank is established and is a public body corporate and politic and an instrumentality of the State. The bank is established for the following purposes:
1. Economic development. To support job creation in and the economic
development of the State by increasing access to capital for businesses and farms within
the State in partnership with local financial institutions;

2. Financial stability. To provide stability to the State's financial sector, but not to
compete with state-chartered financial institutions, credit unions or other financial
institutions;

3. Basic banking services. To reduce costs paid by the State for basic banking
services; and

4. Return profits. To return profits, beyond the revenue needed to accomplish the
purposes and for continued sound operation of the bank, to the Maine Budget
Stabilization Fund established in Title 5, section 1532.

§1253. Board; duties and powers

1. Members. The Board of Directors of the Maine Street Bank, as established in
Title 5, section 12004-F, subsection 19, consists of 5 voting members appointed by the
Governor and subject to approval by the joint standing committee of the Legislature
having jurisdiction over appropriations and financial affairs and confirmation by the
Senate. The Treasurer of State and the Commissioner of Administrative and Financial
Services serve as ex officio nonvoting members of the board. The board shall oversee the
operation, management and control of the bank in accordance with this chapter. The
board shall designate one of its members as chair and shall determine the location of the
bank's main office and maintain places of business of the bank.

2. Meetings; quorum. The board shall establish the frequency of regular board
meetings in bylaws and public notice requirements for meetings through rulemaking
under subsection 5. A special meeting may be called at any time upon notice by the
Governor or by 3 members of the board. Three voting members constitute a quorum and
may transact business and exercise all rights, duties and powers of the board.

3. Appointment of president; employment of officers and agents. The board shall
appoint a person with extensive experience in banking as the president of the bank. The
board may appoint and employ any subordinate officers, employees and agents that the
board considers necessary and shall define the duties, designate the titles and fix the
compensation of all those positions.

The board may designate the president or another officer or employee as its agent with
respect to the functions of the bank, subject to the supervision, limitation and control of
the board. The board may discharge any person appointed and employed under this
subsection.

4. Compensation. Board members serve without compensation except that
members may be reimbursed for travel expenses associated with their duties under this
chapter.

5. Rulemaking. The board, through rulemaking, shall adopt bylaws and operating
policies and shall enforce orders necessary to fulfill its functions under this section.
Rules adopted under this subsection are routine technical rules as defined in Title 5, chapter 375, subchapter 2-A.

§1254. Advisory committee

The board shall appoint the Maine Street Bank Advisory Committee, as established in Title 5, section 12004-I, subsection 2-H, to actively enlist the help of private enterprise and encourage use of the bank.

1. Members. The advisory committee consists of 7 members and must include:

A. Representatives of the State's financial, business, agricultural and labor sectors; and

B. At least 2 officers of state-chartered financial institutions that do not maintain offices outside the State.

2. Officers. The board shall appoint a chair, vice-chair and secretary for the advisory committee from the members of the advisory committee.

3. Terms. Advisory committee members serve a term of office of 4 years.

4. Vacancies. If a vacancy occurs on the advisory committee, the board shall appoint a successor to fill the unexpired term.

5. Quorum. A majority of the members of the advisory committee constitutes a quorum.

6. Duties. The advisory committee shall:

A. Meet regularly with the board to review and make recommendations concerning the bank's operations, finances and loan practices;

B. Make recommendations to the board for improving management performance, customer service and internal methods, procedures and operating policies of the bank;

C. Make recommendations to the board relating to the establishment of objectives for the operation of the bank;

D. Make recommendations to the board concerning the appointment of officers of the bank; and

E. Participate on loan committees.

7. Compensation. Advisory committee members serve without compensation except that members may be reimbursed for travel expenses associated with their duties under this chapter.

§1255. Deposit of funds

The bank may accept deposits of public funds. Except as provided in section 1256, the bank may not accept deposits of private funds. All income earned by the bank on public funds must be credited to and becomes a part of the revenues and income of the bank.
1. **Paying of interest.** The bank shall pay interest on deposits of public funds at a rate comparable to rates paid by private depositories of public funds and may offer other financial products to the Treasurer of State on a competitive basis.

2. **Deposit by the Treasurer of State.** The Treasurer of State shall deposit with the bank 50% of the funds in the State Treasury according to Title 5, section 130 no later than December 31, 2022, 75% of these funds no later than December 31, 2027 and 100% of these funds no later than December 31, 2032.

3. **Investment by Maine Public Employees Retirement System.** The bank may accept funds from the Maine Public Employees Retirement System pursuant to section 1257.

### §1256. Powers of the bank

1. **Loans.** The bank may:
   
   A. Make loans to and purchase, guarantee, modify or hold loans originated by state-chartered financial institutions;
   
   B. Make, purchase, guarantee, modify or hold loans:
      
      (1) That are insured or guaranteed in whole or in part by the United States or its agencies or instrumentalities; and
      
      (2) Obtained as security pledged for, or originated in the restructuring of, any other loan properly originated or participated in by the bank;
   
   C. Make loans to and purchase, guarantee, modify or hold loans of instrumentalities of this State; and
   
   D. Purchase, guarantee, modify or hold loans originated by financial institutions authorized to do business in this State.

   Except as provided in subsection 2, paragraph B, the bank may not make loans to any private individual or legal entity.

2. **Participation interests.** The bank may:

   A. Purchase participation interests in loans made or held by banks, bank holding companies, state-chartered or federally chartered financial institutions, any other financial institutions or any other entity that provides financial services and that meets underwriting standards that are generally accepted by state or federal financial regulatory agencies; and
   
   B. Make loans in the form of participation loans to qualified persons residing in or doing business in this State if the originator of the loan is a private financial institution.

3. **Investments.** The bank shall invest its funds in conformity with policies of the board and the investment standards in Title 5, chapter 7.

4. **Federal bonds.** The bank may buy and sell federal bonds.
5. **Corporate bonds.** The bank may issue corporate bonds.

6. **Property.** The bank may lease, assign, sell, exchange, transfer, convey, grant, pledge or mortgage all real and personal property to which the bank has, in any manner, acquired title.

7. **Services to other banks.** The bank may:
   
   A. Act as a custodian bank for financial institutions authorized to do business in this State and accept deposits from the financial institutions in connection with this function;
   
   B. Issue bank stock loans to financial institutions authorized to do business in this State; and
   
   C. For financial institutions that make the bank a reserve depository, perform the functions and render the services of a clearinghouse, including all functions for providing domestic and foreign exchange and rediscount notes, on terms prescribed by the board.

8. **Reserves.** The bank may hold reserves in the form of gold or silver bullion.

9. **Other powers.** The bank may perform all acts and do all things necessary, convenient, advisable or desirable to carry out the powers expressly granted or necessarily implied in this chapter through or by means of its president, officers, agents or employees or by contracts with any person, firm or corporation.

§1257. **Investment by Maine Public Employees Retirement System authorized**

1. **Investment authorized.** The Maine Public Employees Retirement System, referred to in this section as "the retirement system," may invest funds in the bank in the exercise of its discretion and consistent with its fiduciary duties to the beneficiaries of the retirement system. This subsection does not mandate or require any investment by the retirement system or give the retirement system any responsibilities in the governance and oversight of the bank.

2. **Investment restrictions.** The retirement system may not invest more than $20,000,000 in the bank.

3. **Disclosure of investment.** The retirement system shall make available to the public the following information with respect to any investment in the bank pursuant to this section:
   
   A. The amount of the retirement system's total investment in the bank;
   
   B. The date of the investment; and
   
   C. The rate of interest paid on the investment by the bank in accordance with section 1255, subsection 1.
§1258. Transfer to Maine Budget Stabilization Fund

Except as provided in Title 5, section 1533, as soon as possible after the end of each calendar year, the board shall determine the amount of income, if any, earned by the bank in that prior calendar year that is in excess of amounts necessary to pay for expenses of administering the activities of the bank less any reserves required pursuant to rules adopted in accordance with section 1259, subsection 1, paragraph E for delinquencies and future business and payment of debts from any initial funding. The amount of the excess must be transferred to the Maine Budget Stabilization Fund established in Title 5, section 1532.

§1259. Rulemaking; oversight

1. Rule-making authority. The bank shall adopt rules to:

   A. Ensure the safety and soundness of the bank that, to the extent possible, reflect applicable standards for safety and soundness set forth in 12 Code of Federal Regulations, Part 364 (2016);

   B. Specify the bank's powers and permissible investments and activities consistent with section 1256;

   C. Specify services that the bank may provide;

   D. Specify limits for loans and other obligations the bank makes or undertakes;

   E. Specify reserve requirements; and

   F. Set requirements that the board considers necessary to administer the bank under this chapter and to accomplish the purposes listed in section 1252.

   Rules adopted under this subsection are major substantive rules as defined in Title 5, chapter 375, subchapter 2-A.

2. Examination and report. The bureau shall examine the bank at least once each calendar quarter to verify and ensure that the bank is complying with the rules adopted under subsection 1. The bureau shall report the results of the examination to the board and to the Commissioner of Administrative and Financial Services. The bureau's report is a public record subject to disclosure.

3. Audit. The State Auditor shall audit the accounts and financial affairs of the bank at least once every 2 years.

4. Annual report; performance measures. Beginning July 1, 2020 and annually thereafter, the bank shall report to the Governor and the Legislature on the financial condition and performance of the bank and provide an analysis of the bank's effect on the State consistent with the bank's purposes set forth in section 1252, particularly the bank's effect on job creation and economic development.
§1260. Exempt from liability

A public official who deposits public funds in the bank and the sureties on any bond of the public official are exempt from liability for loss of any of the funds while the funds are deposited in the bank.

§1261. Use of name; execution of instruments

All business of the bank must be conducted under the name of the Maine Street Bank. Title to property pertaining to the operation of the bank must be obtained and conveyed in the name of the Maine Street Bank.

Instruments must be executed in the name of the State. Within the scope of authority granted by the board, the president of the bank may execute instruments on behalf of the bank, including any instrument granting, conveying or otherwise affecting any interest in or lien upon real or personal property.

Officers, employees or agents of and legal counsel to the bank may execute instruments on behalf of the bank when authorized by the board.

Sec. 4. 9-B MRSA c. 127 is enacted to read:

CHAPTER 127

COUNTY AND MUNICIPAL BANKS

§1271. County and municipal banks authorized

1. County or municipality may establish; purposes. A county or municipality may establish a public bank. A public bank established pursuant to this subsection shall serve the following purposes:

A. To support job creation in and the economic development of the county or municipality by increasing access to capital for businesses and farms within the county or municipality in partnership with local financial institutions;

B. To provide stability to the county's or municipality's financial sector, but not to compete with state-chartered financial institutions, credit unions or other financial institutions;

C. To reduce costs paid by the county or municipality for basic banking services; and

D. To return profits, beyond the revenue needed to accomplish the purposes and for continued sound operation of the bank, to the county or municipality.

2. Board. The legislative body of the county or municipality that establishes a public bank pursuant to this section shall appoint a board of directors for the bank. The board of directors shall oversee the operation, management and control of the bank. The board of directors shall appoint a president for the bank.

3. Deposit of funds. A public bank established pursuant to this section may accept deposits of public funds, as defined in section 1251, subsection 5. All income earned by
the bank on public funds must be credited to and becomes a part of the revenues and
income of the bank.

4. Audit. The State Auditor shall audit the accounts and financial affairs of a public
bank established pursuant to this section at least once every 2 years.

5. Rules. The bureau shall adopt rules, which are routine technical rules as
described in Title 5, chapter 375, subchapter 2-A, governing the operation and
examination of public banks established pursuant to this section.

Sec. 5. Treasurer of State, Commissioner of Administrative and
Financial Services and Chief Executive Officer of the Finance Authority of
Maine to make recommendations. No later than January 15, 2018, the Treasurer of
State, the Commissioner of Administrative and Financial Services and the Chief
Executive Officer of the Finance Authority of Maine, in consultation with the Attorney
General, shall submit a report to the Joint Standing Committee on Appropriations and
Financial Affairs with recommendations for implementing the Maine Street Bank, as
established in the Maine Revised Statutes, Title 9-B, chapter 125 and referred to in this
section as "the bank." The report must include:

1. A draft of any legislation needed to amend the Constitution of Maine to authorize
   the State to establish the bank;

2. A recommendation on the amount of money needed to adequately capitalize the
   bank;

3. A draft of any legislation needed to transfer funds to the bank;

4. A description and draft of statutory changes needed to fully use the resources and
   powers of the bank, to eliminate any duplication of efforts or conflict with the authority
   or responsibilities of the Maine Municipal Bond Bank and any other state agencies and to
   merge the Finance Authority of Maine into the bank. The statutory changes must provide
   that programs and services offered by the Finance Authority of Maine must continue to
   be offered by the bank and rights and obligations of the Finance Authority of Maine must
   be assigned to the bank;

5. Recommendations for guaranteeing funds deposited in the bank;

6. Recommendations pertaining to the liability of the State and the bank in civil
   actions; and

7. Recommendations regarding the confidentiality of certain
   records held by the
   bank.

Sec. 6. Initial appointments. Notwithstanding the Maine Revised Statutes, Title
9-B, section 1254, subsection 3, of the initial appointments to the Maine Street Bank
Advisory Committee, one member must be appointed for a one-year term, 2 members
must be appointed for a 2-year term, 2 members must be appointed for a 3-year term and
2 members must be appointed for a 4-year term.
Sec. 7. Authority to report out a bill. The Joint Standing Committee on Appropriations and Financial Affairs may report out a bill to the Second Regular Session of the 128th Legislature pertaining to the establishment, oversight and operation of the Maine Street Bank established in the Maine Revised Statutes, Title 9-B, chapter 125.

Sec. 8. Effective date. Those sections of this Act that enact the Maine Revised Statutes, Title 5, section 12004-F, subsection 19; Title 5, section 12004-I, subsection 2-H; and Title 9-B, chapters 125 and 127 take effect July 1, 2019 except that the Maine Street Bank may not make, purchase, guarantee, modify or hold loans until the bank has capital of at least $20,000,000.

SUMMARY

This bill establishes the Maine Street Bank effective July 1, 2019, except that the bank may not make, purchase, guarantee, modify or hold loans until the bank has capital of at least $20,000,000. It specifies the purposes of the bank, establishes a board of directors and creates an advisory committee. It allows the bank to accept deposits of public funds, to make, purchase, guarantee, modify or hold certain loans and to serve as a custodian bank. It directs the Treasurer of State to deposit money into the bank. Excess income of the bank is deposited in the Maine Budget Stabilization Fund.

The bill provides for a quarterly examination of the bank by the Department of Professional and Financial Regulation, Bureau of Financial Institutions and an audit by the State Auditor every 2 years.

The bill allows counties and municipalities to establish public banks.

The bill directs the Treasurer of State, the Commissioner of Administrative and Financial Services and the Chief Executive Officer of the Finance Authority of Maine to consult with the Attorney General and report to the Joint Standing Committee on Appropriations and Financial Affairs by January 15, 2018 with recommendations to fully implement the bank, including recommendations regarding the merger of the Finance Authority of Maine into the bank. It authorizes the joint standing committee to report out a bill to the Second Regular Session of the 128th Legislature.