

2010 -- H 8158 AS AMENDED

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LC02677
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STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2010

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A N A C T

RELATING TO ECONOMIC DEVELOPMENT

Introduced By: Representatives Costantino, Melo, and Brien

Date Introduced: May 19, 2010

Referred To: Placed on House Calendar

It is enacted by the General Assembly as follows:

1 SECTION 1. WHEREAS, The Rhode Island Economic Development Corporation was
2 created by the general assembly pursuant to chapter 64 of title 42 of the general laws in order to,
3 among other things, promote the retention and expansion of businesses and the creation of jobs in
4 Rhode Island; and

5 WHEREAS, One of the methods utilized by the Rhode Island Economic Development
6 Corporation to help promote and expand businesses in Rhode Island is the use of its quasi-public
7 corporation powers to issue bonds and debt and guarantees of debt; and

8 WHEREAS, Rhode Island continues to suffer from continuing high unemployment and
9 other ill effects from the most recent national recession; and

10 WHEREAS, One of Rhode Island's economic development's strategies of continuing to
11 optimize its knowledge economy assets such, as the sciences, technology, digital media,
12 innovative manufacturing and other technologies, requires adequate access to capital; and

13 WHEREAS, Rhode Island companies in growth phases are limited in their ability to
14 obtain reasonable credit without access to credit enhancement; and

15 WHEREAS, The Rhode Island Economic Development Corporation desires to create a
16 loan guarantee and bond program pursuant to which it will be able to guarantee loan repayments
17 either directly or through the issuance of its bonds in order to induce lending to companies
18 growing their employment in Rhode Island;

19 WHEREAS, The Rhode Island Economic Development Corporation seeks to have

1 authority pursuant to chapter 18 of title 35 of the general laws to guarantee debts or otherwise
2 issue its bonds for this purpose not to exceed one hundred twenty five million dollars
3 (\$125,000,000) in the aggregate of unpaid principal, thereby limiting the contingent long-term
4 cost of such program to the state; and

5 WHEREAS, The Rhode Island Economic Development Corporation requests the
6 approval of the general assembly prior to undertaking such program; now, therefore be it

7 RESOLVED, That the Rhode Island Economic Development Corporation (the
8 "corporation") is hereby empowered and authorized pursuant to chapter 18, title 35 of the general
9 laws, and notwithstanding any provisions of chapter 64, title 42 of the general laws to the
10 contrary, to create the corporation's Job Creation Guaranty Program (the "program"). Under the
11 program, the corporation may from time to time issue its bonds, guaranty debt service thereon or
12 on bonds issued by the Rhode Island industrial facilities corporation, or guaranty the debt service
13 of another provided that the principal amount of bonds or other obligations guaranteed pursuant
14 to the program shall not at any time exceed one hundred twenty-five million dollars
15 (\$125,000,000). The guaranty of any bond or other obligation may extend to repayment of the
16 principal thereof, sinking payments therefore, interest thereon, and payment of any redemption
17 price or premium in connection with the redemption thereof prior to maturity;

18 RESOLVED, That guaranties or bonds issued by the corporation shall be approved by its
19 board of directors, or a committee of the board as so designated by the board, and shall be
20 executed by its executive director or any authorized officer of the corporation as authorized in a
21 resolution approved by the board of directors of the corporation from time to time in a form the
22 corporation may prescribe. The board of directors of the corporation in authorizing any such
23 guaranty or bond obligations shall consider and be guided by the following objectives:

24 (a) Priority will be given to projects that promptly create permanent, full-time jobs with
25 annual wages in excess of two hundred fifty percent (250%) of the then current minimum wage
26 earned annually with industry comparable benefits. A full-time job shall mean one in which the
27 employee works a minimum of thirty (30) hours per week within this state.

28 (b) Any guaranty or bond obligations hereby authorized should leverage capital
29 formation to facilitate business development with new and existing companies that will create or
30 retain jobs in this state. The documentation reflecting guaranty and bond obligations authorized
31 hereby shall contain adequate legal provisions for assuring performance by the borrower of
32 creating and retaining new jobs within this state.

33 (c) Priority shall be given to guarantees that align with the State's economic development
34 strategy to expand high-wage jobs in knowledge industry growth clusters or with respect to assets

1 related thereto.

2 (d) Guarantees or loan obligations from the program's borrower will be collateralized by
3 any and all available assets of the borrower and guarantors, where applicable, including
4 subordinate collateral positions, cross collateralization with other lenders and collateralized
5 guarantees as appropriate.

6 (e) Insurances, including hazard and key person life, may be required where appropriate.

7 (f) The corporation may utilize such data and retain experts as necessary to assess and
8 validate associated guaranty risk, and the corporation may charge borrower reasonable fees for
9 the corporation's guaranty and reimbursement of expenses;

10 RESOLVED, that in order assure any payments due on guarantees or bond obligations
11 issued by the corporation in connection with the program pursuant to this authorization are made,
12 to assure the continued operation and solvency of the corporation for the carrying out of its
13 corporate purposes, and except as otherwise set forth in these authorizing resolutions in
14 accordance with the provisions of chapter 64, title 42 of the general laws: (i) The corporation
15 shall create a reserve fund from which shall be charged any and all expenses of the corporation
16 with respect to guarantee or bond obligations of the corporation pursuant to these resolutions
17 resulting from a program borrower's default; and (ii) The corporation shall credit to the reserve
18 fund no less than fifty percent (50%) of all program receipts of the corporation including guaranty
19 fees, premiums and any other receipts or recoveries from collections received pursuant to the
20 corporation's rights to recover payments as a guarantor; and (iii) To the extent the corporation's
21 obligations as a guarantor or pursuant to its program bond obligations are not satisfied by
22 amounts in its guaranty reserve fund, the executive director of the corporation shall annually, on
23 or before December 1st, make and deliver to the governor a certificate stating the minimum
24 amount, if any, required for the corporation to make payments due on such guarantees. During
25 each January session of the general assembly, the governor shall submit to the general assembly,
26 as part of the governor's budget, the total of such sums, if any, required to pay any and all
27 obligations of the corporation under such guarantees or bond obligations pursuant to the terms of
28 this authorization. All sums appropriated by the general assembly for that purpose, and paid to the
29 corporation, if any, shall be utilized by the corporation to make payments due on such guarantees
30 or bond obligations. Any recoveries by the corporation of guarantee payments are to be returned
31 to the guarantee reserve fund and utilized to reduce any obligation of the state pursuant to any
32 guarantees entered into by the corporation;

33 RESOLVED, on or before January 1 of each year, the corporation shall issue a report on
34 all guarantees issued by the corporation pursuant to this authorization. The report shall include at

1 a minimum: a list of each guarantee issued; a description of the borrower on behalf of which the
2 guarantee was issued; the lender or lenders that made the loan, and the amount of such loan, to
3 such borrower; the amount of principal and interest on each such loan outstanding as of the date
4 of such report; a summary of the collateral securing the repayment of such loan for which the
5 guarantee was issued; and a summary of the economic impacts made by such borrower as a result
6 of the guaranteed loan, including but not limited to the number, type and wages of jobs created by
7 such borrower, any impacts on the industry in which the borrower operates and an estimate of
8 income taxes for the state of Rhode Island generated by the employees of such borrower and the
9 borrower itself.

10 SECTION 2. Chapter 42-64 of the General Laws entitled "Rhode Island Economic
11 Development Corporation" is hereby amended by adding thereto the following section:

12 **42-64-35. Government contract procurement assistance.** -- (a) The general assembly
13 recognizes that:

14 (1) Many Rhode Island companies provide products and services which are routinely
15 procured by a myriad of governmental entities. However, attempting to understand and comply
16 with the numerous certification, registration, opportunity identification, proposal, and contract
17 requirements associated with government procurement often raises significant barriers for those
18 companies with no government contracting experience;

19 (2) The costs associated with obtaining a government contract for products or services
20 often prevents most small businesses from working in the governmental procurement market;

21 (3) Currently many of the federal procurement opportunities are contracted to businesses
22 located outside of the state;

23 (4) The economic development corporation currently administers programs and
24 initiatives that help create and grow companies in Rhode Island and recruit companies to Rhode
25 Island through the use of state employees, public-private partnerships, and contractual services;
26 and

27 (5) There exists a significant opportunity for Rhode Island companies to secure new
28 business with federal, state, and local governments.

29 (b) The corporation through its director:

30 (1) Shall manage and direct the administration of state programs and initiatives whose
31 purpose is to procure federal, state, and local governmental contracts;

32 (2) May require program accountability measures; and

33 (3) May receive and distribute legislative appropriations and public and private grants for
34 projects and programs that:

1 (i) Are focused on growing Rhode Island companies and positively impacting statewide
2 revenues by expanding current services to help these companies secure new business with federal,
3 state, and local governments;

4 (ii) Provide guidance to Rhode Island companies interested in obtaining new business
5 with federal, state, and local governmental entities;

6 (iii) Would facilitate marketing, business development, and expansion opportunities for
7 Rhode Island companies in cooperation with other state and local agencies and departments and
8 with public, non-profit, or private sector partners such as local chambers of commerce, trade
9 associations, or private contractors as determined by the corporation's director to successfully
10 match Rhode Island businesses with government procurement opportunities.

11 Any supplemental appropriation to the corporation is to be utilized on specialized
12 consulting service providers qualified and experienced in helping businesses increase their win
13 rate of federal contracts. These services may include, but are not limited to:

14 (A) Assistance for the EDC in screening companies ("qualified businesses") who have
15 the products, services, basic skills, and resources to effectively compete for and win federal
16 business;

17 (B) Training and support for the qualified businesses in sales strategies prior to answering
18 formal federal solicitations ("RFPs") and/or winning subcontracting business from major prime
19 contractors;

20 (C) Proposal development support and training to improve the written responses to
21 federal RFPs, and the oral presentations which follow;

22 (D) Training and support for negotiation and;

23 (E) Support services and subject matter experts to ensure contract performance and
24 compliance.

25 (c) A recipient of monies distributed under this section shall provide the office with a set
26 of standard monthly reports, the content of which shall be determined by the office to include at
27 least the following information:

28 (i) Consultative meetings with Rhode Island companies;

29 (ii) Seminars or training meetings held;

30 (iii) Government contracts awarded to Rhode Island companies;

31 (iv) Jobs created/retained; and

32 (v) Salary ranges of jobs created/retained.

33 (3) The return on investment/cost per job.

34 (4) The return on investment/cost per job.

1 SECTION 3. This act shall take effect upon passage.

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EXPLANATION
BY THE LEGISLATIVE COUNCIL
OF
A N A C T
RELATING TO ECONOMIC DEVELOPMENT

1 This act would authorize the creation of the corporation's Job Creation Guaranty Program
2 (the "program") and guarantee annual debt service or issue bonds up to an aggregate guaranty or
3 bond obligations of the corporation with respect to the program not to exceed one hundred twenty
4 five million dollars (\$125,000,000) in the aggregate. This act would also create the Procurement
5 Assistance Program.

6 This act would take effect upon passage.

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