

2011 -- H 5438

LC01050

STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2011

JOINT RESOLUTION

RELATING TO ECONOMIC DEVELOPMENT

Introduced By: Representatives Ehrhardt, Gallison, Newberry, Savage, and Naughton

Date Introduced: February 16, 2011

Referred To: House Finance

It is resolved by the General Assembly as follows:

1 WHEREAS, The Rhode Island Economic Development Corporation was created by the
2 general assembly pursuant to chapter 64 of title 42 of the general laws in order to, among other
3 things, promote the retention and expansion of businesses and the creation of jobs in Rhode
4 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) of which no more than ten million dollars (\$10,000,000) shall in the future be
16 issued to any individual or entity or such entity's affiliates. The guaranty of any bond or other
17 obligation may extend to repayment of the principal thereof, sinking payments therefore, interest
18 thereon, and payment of any redemption price or premium in connection with the redemption
19 thereof prior to maturity;

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

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

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

1 (3) Priority shall be given to guarantees that align with the State’s economic development
2 strategy to expand high-wage jobs in knowledge industry growth clusters or with respect to assets
3 related thereto.

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

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

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

12 RESOLVED, That in order assure any payments due on guarantees or bond obligations
13 issued by the corporation in connection with the program pursuant to this authorization are made,
14 to assure the continued operation and solvency of the corporation for the carrying out of its
15 corporate purposes, and except as otherwise set forth in these authorizing resolutions in
16 accordance with the provisions of chapter 64, title 42 of the general laws: (1) The corporation
17 shall create a reserve fund from which shall be charged any and all expenses of the corporation
18 with respect to guarantee or bond obligations of the corporation pursuant to these resolutions
19 resulting from a program borrower’s default; and (2) The corporation shall credit to the reserve
20 fund no less than fifty percent (50%) of all program receipts of the corporation including guaranty
21 fees, premiums and any other receipts or recoveries from collections received pursuant to the
22 corporation’s rights to recover payments as a guarantor; and (3) To the extent the corporation’s
23 obligations as a guarantor or pursuant to its program bond obligations are not satisfied by
24 amounts in its guaranty reserve fund, the executive director of the corporation shall annually, on
25 or before December 1st, make and deliver to the governor a certificate stating the minimum
26 amount, if any, required for the corporation to make payments due on such guarantees. During
27 each January session of the general assembly, the governor shall submit to the general assembly,
28 as part of the governor’s budget, the total of such sums, if any, required to pay any and all
29 obligations of the corporation under such guarantees or bond obligations pursuant to the terms of
30 this authorization. All sums appropriated by the general assembly for that purpose, and paid to the
31 corporation, if any, shall be utilized by the corporation to make payments due on such guarantees
32 or bond obligations. Any recoveries by the corporation of guarantee payments are to be returned
33 to the guarantee reserve fund and utilized to reduce any obligation of the state pursuant to any
34 guarantees entered into by the corporation;

1 RESOLVED, On or before January 1 of each year, the corporation shall issue a report on
2 all guarantees issued by the corporation pursuant to this authorization. The report shall include at
3 a minimum: a list of each guarantee issued; a description of the borrower on behalf of which the
4 guarantee was issued; the lender or lenders that made the loan, and the amount of such loan, to
5 such borrower; the amount of principal and interest on each such loan outstanding as of the date
6 of such report; a summary of the collateral securing the repayment of such loan for which the
7 guarantee was issued; and a summary of the economic impacts made by such borrower as a result
8 of the guaranteed loan, including, but not limited to, the number, type and wages of jobs created
9 by such borrower, any impacts on the industry in which the borrower operates and an estimate of
10 income taxes for the State of Rhode Island generated by the employees of such borrower and the
11 borrower itself.

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EXPLANATION
BY THE LEGISLATIVE COUNCIL
OF
JOINT RESOLUTION
RELATING TO ECONOMIC DEVELOPMENT

- 1 This resolution would limit any future Rhode Island Economic Development Corporation
- 2 guarantee to any one entity to ten million dollars (\$10,000,000).

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