

2010 -- H 8158

LC02677

STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2010

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 WHEREAS, The State and its small businesses face unprecedented
11 unemployment and challenging economic conditions that continue to stifle economic growth and
12 job creation;

13 WHEREAS, The Rhode Island Economic Development Corporation's (RIECD) primary
14 mission is to accelerate job creation, and traditional economic development programs are
15 insufficient in these unprecedented times;

16 WHEREAS, The opportunities for growth by bidding and winning government contracts
17 is at an historic high, and winning new contracts offers major opportunities, including retaining
18 existing jobs, creating new jobs, gaining access to financing, and plant expansion, among other
19 things. However, many companies offer competitive products and services, but they often do not
20 know how to win business from federal and state contracts.

21 WHEREAS, Many small businesses could compete and win such contracts and create
22 jobs if they were provided more in-depth and substantive assistance and support throughout the
23 procurement process; specifically in the phases before, during, and after the RFP release, and
24 there are programs in other states that are proven in achieving these goals;

25 WHEREAS, Such programs in other states, which are generally referred to as
26 Procurement Assistance Programs, are specialized public-private partnerships that are successful
27 in accelerating small business growth by providing the business development "know how" for
28 augmenting current state economic development services, from identifying the right sales
29 strategies and developing a winning proposal to gaining access to government customers
30 nationally; and

31 WHEREAS, The RIEDC has studied other innovative economic development programs
32 that are proven to accelerate business growth and job creation and believes that a Procurement
33 Assistance Program can help it achieve this goal.

34 SECTION 3. The State of Rhode Island shall create the Procurement Assistance Program,

1 subject to appropriation, under the management of the RIEDC, as follows:

2 (A) The RIEDC, through the appropriate procurement process, shall engage in an
3 agreement with a Contractor with experience in such programs to assist the RIEDC in
4 augmenting the scope, range and quality of business development services that go beyond the
5 basis level of services currently offered by the RIEDC. The Contractor will provide specialized
6 business development services and/or products, assistance and support to businesses throughout
7 the State in procuring federal, state, and local government contracts, as well as certain
8 commercial opportunities. These new services are intended to augment, extend and build upon
9 the current RIEDC services for small businesses, including the basic training services of the
10 State’s Procurement Technical Assistance Center program (“PTAC program”) and other state
11 economic initiatives and services.

12 The RIEDC shall take all steps necessary to ensure the Procurement Assistance Program
13 is rapidly deployed, properly organized, integrated and seamlessly delivered in conjunction with
14 its other services. To the extent the RIEDC needs to reorganize or eliminate current programs or
15 activities in order to achieve the full benefits of the Procurement Assistance Program, such
16 actions shall be taken as soon as possible. In order to maximize the value and return on
17 investment of this program, the RIEDC, in cooperation with the Contractor, should develop and
18 implement plans and strategies to:

19 (1) Ensure efficient integration of services, from baseline orientation and training through
20 detailed strategy, procurement representation, and related customized services;

21 (2) Avoid duplication of services or delivery of services to poorly or unqualified
22 companies; and

23 (3) Prioritize the most valuable set of services and capabilities for the highest potential
24 companies (speed of growth, number of jobs, residual and longer-term associated economic
25 benefits such as in-state manufacturing, etc).

26 (B) The Procurement Assistance Program is intended to be a model public-private
27 partnership that will take qualified Rhode Island businesses to the next level of knowledge,
28 competency, and readiness to win government and commercial contracts. As such, the Contractor,
29 shall provide a suite of business development consulting services that will include, but not be
30 limited to, strategy consulting, organizational and business development process
31 recommendations, capture strategies, local, regional and national representation to potential
32 customers, marketing/proposal development support and services, and other related services as
33 required to deliver on the objectives of this program.

34 (C) The RIEDC shall provide regular reports on:

- 1 (1) The number of Rhode Island companies identified, qualified and supported;
- 2 (2) The total contract dollars awarded to supported businesses;
- 3 (3) The jobs created/retained, and the average annual salary; and
- 4 (4) The return on investment/cost per job.
- 5 SECTION 4. 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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