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STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2012

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A N A C T

RELATING TO STATE AFFAIRS AND GOVERNMENT -- ECONOMIC DEVELOPMENT

Introduced By: Representatives Schadone, and Corvese

Date Introduced: February 01, 2012

Referred To: House Small Business

It is enacted by the General Assembly as follows:

1 SECTION 1. Title 42 of the General Laws entitled "STATE AFFAIRS AND
2 GOVERNMENT" is hereby amended by adding thereto the following chapter:

3 CHAPTER 64.15

4 SMALL BUSINESS REVOLVING LOAN AND CREDIT ENHANCEMENT FUND ACT

5 **42-64.15-1. Short title.** – This chapter shall be known and may be cited as the "Small
6 Business Revolving Loan and Credit Enhancement Fund Act."

7 **42-64.15-2. Legislative findings.** – The general assembly finds and declares:

8 (1) That small businesses in the state of Rhode Island are of vital significance to Rhode
9 Island's economic well-being and that small businesses provide the vast majority of jobs in the
10 state;

11 (2) That small businesses have a difficult time borrowing needed funds on a conventional
12 basis due to the high cost of these funds and the reluctance of banks to provide one hundred
13 percent (100%) financing; and

14 (3) That the Rhode Island economic development corporation shall use the small business
15 revolving loan and credit enhancement fund to assist small businesses in reducing the cost of loan
16 funds by offering partial, low-cost loans or by purchasing credit enhancements for small business'
17 sustenance and growth.

18 **42-64.15-3. Fund creation.** – (a) A special fund to be known as the "Small Business
19 Revolving Loan and Credit Enhancement Fund," hereinafter referred to as the "fund," shall be

1 created and administered by the Rhode Island economic development corporation, hereinafter
2 referred to as the "corporation."

3 (b) The fund shall be invested by the corporation in securities consistent with the policies
4 established by it. All interest on the fund's moneys and any repayment of loans shall be deposited
5 in the fund.

6 (c) Loans made by the corporation to small business under the fund shall be loaned at a
7 below-market rate.

8 **42-64.15-4. Fund purposes.** – (a) The moneys appropriated to the fund may be used by
9 the corporation for loans up to twenty-five percent (25%) of the total debt required, but not to
10 exceed one hundred thousand dollars (\$100,000) for working capital and fixed asset purposes.

11 (b) The moneys appropriated to the fund may also be used to purchase credit
12 enhancements on behalf of targeted businesses which shall support loans made by and/or through
13 financial institutions to such targeted businesses. Credit enhancements purchased shall not
14 exceed one hundred thousand dollars (\$100,000) and the credit enhancement amount purchased
15 shall be determined by the corporation.

16 (c) The moneys appropriated to the fund shall not be used for the following purposes:

17 (1) Grants;

18 (2) Restaurants and professional office buildings except in those distressed areas as
19 defined in chapter 42-64.3-1, et al;

20 (3) Projects which do not attract or retain employment opportunities;

21 (4) Private, nonprofit activities; and

22 (5) Private or public speculative real estate ventures.

23 **42-64.15-5. Fund eligibility.** – In order for a project to be eligible for the fund purposes
24 cited in section 42-64.14-4 of this chapter, the project must meet the following criteria:

25 (1) For the purpose of administering the fund, a small business shall be defined as a firm
26 having a full-time equivalent complement of one hundred (100) or fewer Rhode Island based
27 employees at the time of application;

28 (2) The firm to benefit from fund proceeds must create or retain direct, permanent,
29 quality, full-time jobs;

30 (3) The firm eligible for fund proceeds must be eligible for and have received
31 commitments for at least seventy-five percent (75%) of the debt amount needed;

32 (4) The firm eligible for fund proceeds must be able to collateralize the fund proceeds to
33 the satisfaction of the corporation which shall use to the greatest extent possible bank-like
34 underwriting procedures; and

1 (5) The firm eligible for fund proceeds must be able to repay the fund proceeds within a
2 time period and at an interest rate determined by the corporation.

3 SECTION 2. This act shall take effect upon passage.

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EXPLANATION
BY THE LEGISLATIVE COUNCIL
OF

A N A C T

RELATING TO STATE AFFAIRS AND GOVERNMENT -- ECONOMIC DEVELOPMENT

1 This act would create a small business revolving loan and credit enhancement fund to be
2 administered by the Rhode Island economic development corporation to help Rhode Island
3 employers with one hundred (100) or fewer employees.

4 This act would take effect upon passage.

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