

**ALABAMA DEPARTMENT OF
ECONOMIC AND COMMUNITY AFFAIRS
PLANNING AND ECONOMIC DEVELOPMENT DIVISION
ADMINISTRATIVE CODE**

**CHAPTER 305-5-4
ALABAMA ECONOMIC DEVELOPMENT REVOLVING LOAN FUND**

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305-5-4-.01 Purpose.

Act 90-650 of the 1990 Legislative Session of the State of Alabama provides for the appropriation of \$500,000 to the Alabama Department of Economic and Community Affairs for grants to the regional planning and development commissions. The primary purposes of the Act are to establish several economic development revolving loan funds from which several existing regional planning and development commissions may draw upon to facilitate access to base funds, which include any monies (federal, local, private, foundation grants or funds derived from any legal source) not appropriated pursuant to the purpose of this Act that are used to match the state funds, appropriated pursuant to this Act; to provide for a permanent Regional Revolving Loan Policy Committee to review and approve allocations from the Alabama Department of Economic and Community Affairs to these revolving loan funds of several regional planning and development commissions throughout the state; and to authorize the Alabama Department of Economic and Community Affairs to promulgate and implement administrative rules and procedures for the administration of such revolving loan funds, from which these regional planning and development commissions may disperse monies from time to time to finance local economic development projects.

Author: David S. Barley, Jr.; Dr. Don C. Hines.

Statutory Authority: Act 90-650, Legislature of the State of Alabama.

History: Filed November 19, 1990; effective December 24, 1990.

305-5-4-.02 Definitions.

(1) "ACT" means Act 90-650 as approved by the General Session of the Legislature of the State of Alabama, and amendments thereto.

(2) "Committee" means the Regional Revolving Loan Policy Committee. The Committee shall consist of the Director of the Alabama Department of Economic and Community Affairs, the Director of the Alabama Development Office, the Chairperson of the Senate Economic Affairs Committee, the Chairperson of the House Commerce and Industrial Development Committee, two (2) Senators appointed by the Lieutenant Governor, two (2) House members appointed by the Speaker of the House and four (4) members appointed by the Governor. The Directors of each Regional Planning and Development Commission are ex officio, nonvoting members.

(3) "Department" means the Department of Economic and Community Affairs.

(4) "Regional Planning and Development Commission" means one of several multicounty authorities established pursuant to §§ 11-85-50 through 11-85-73 of the Code of Alabama.

(5) "Regional RLF" means a new or existing revolving loan fund operated by a Regional Planning and Development Commission or organized by a Regional Planning and Development Commission to serve as a source of loan financing within the Region's jurisdiction.

(6) "Base funds" means any monies not appropriated, pursuant to the purpose of this ACT, that are used to match the state funds, as defined in (7) below. These "base funds" may be federal, local, private, foundation grants or monies derived from any legal source.

(7) "State Funds" means state funding appropriated by the Legislature for the purposes of this ACT to establish the necessary monies to start up and maintain an economic revolving loan fund, referred to in (5) above as "Regional RLF." This term includes all funds appropriated pursuant to the purposes of this ACT and all recaptured funds, unless specified otherwise.

Author: David S. Barley, Jr.; Dr. Don C. Hines.

Statutory Authority: Act 90-650, Legislature of the State of Alabama.

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305-5-4-.03 Powers And Duties Of The Committee.

The Committee shall:

(a) Review and approve the policies and procedures developed by the Department.

(b) Review and approve allocations made by the Department to Regional RLFs.

(c) Meet at least four (4) times each year at the call of the committee chairperson.

Author: David S. Barley, Jr.; Dr. Don C. Hines.

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305-5-4-.04 Powers And Duties Of The Department.

The Department shall:

(a) Accept appropriations from the General Fund to be utilized in establishing or recapitalizing Regional RLFs.

(b) Develop policies and procedures to ensure accountability of funds distributed to regions to ensure that said funds are loaned according to state statutes and federal program guidelines.

(c) Develop rules and regulations and oversight procedures for Regional RLF policies and set procedures for making loans, for the repayment of loans and for administrative costs.

(d) Develop an allocation process for distribution of \$500,000 from the 1990-91 General Fund and any future appropriations from this or other sources.

Author: David S. Barley, Jr.; Dr. Don C. Hines.

Statutory Authority: Act 90-650, Legislature of the State of Alabama.

History: Filed November 19, 1990; effective December 24, 1990.

305-5-4-.05 Powers And Duties Of The Regional RLFs.

The Regions shall:

(a) Establish or recapitalize base funds and use it to access federal base funds, foundation grants or loans or to leverage private sector financing for local economic development projects.

(b) Develop rules and regulations to establish Regional RLFs to be used as initial or "seed" capital, long or short term fixed assets, equipment, or working capital in order to improve, develop or finance existing or expanding business or industry which will preserve or create employment.

(c) Develop rules and procedures for utilization of the principal and interest payments which will accrue to the Regional RLFs.

(d) Develop reasonable administrative cost procedures for servicing loans and for the administration of each regional RLF. Costs may be paid from fees, charges, interest or fund balances.

Author: David S. Barley, Jr.; Dr. Don C. Hines.

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305-5-4-.06 Rules And Procedures.

(1) Release of Funds

(a) The Department may obligate a portion of the grant funds as directed by the committee when the regional planning and development commission designated to receive these funds demonstrates that the following criteria have been met:

1. The regional planning and development commission has established a regional RLF committee, or related entity, to oversee the loan approval and recapture process;

2. The regional planning and development commission, and/or its committee, has developed and properly adopted its operational rules and procedures for making, servicing, and/or conducting other related revolving loan fund activities under the purposes of this ACT;

3. The regional planning and development commission, and/or its committee, if so designated, has employed and/or secured contract personnel with sufficient training or skill in business loan processing and analysis including conducting all preliminary assessments necessary to make recommendations for loan approval or denial to its committee, close and service the loans upon regional RLF

committee approval, and manage recaptured funds until such time as the funds are reissued;

4. The regional planning and development commission has developed, for distribution, its revolving loan fund application review and approval process; and

5. The regional planning and development commission has, or has applied for base funds to augment the state fund grants wherein the base funds will provide at least a 1:1 ratio with the state funds. The Department may issue a conditional letter of commitment to facilitate this process.

(b) The revolving loan fund grants appropriated by the State of Alabama to the Department for the purposes of this ACT are not sufficient to fund the establishment of all regional planning and development commission's revolving loan fund programs. The Committee shall determine which regional planning and development commissions shall receive the conditional letter of commitment, and the state funds from the Department.

(c) The state funds shall be released to the regional planning and development commissions upon receipt of an invoice along with certification that the regional planning and development commission, and/or its committee, has base funds available to match the state funds; or a grant award, or binding agreement of commitment to match the state funds; and is prepared to issue a loan to a specific business entity. However, after the regional planning and development commission has received a commitment for its match, the Department may, with Committee approval, release the state funds for use in the Regional RLF in the absence of an impending loan to a specific business entity.

(2) Revolving Loan Fund Policies

(a) The regional planning and development commissions shall develop rules and procedures that are consistent with the Department's rules and procedures as provided below:

1. Regional RLFs shall be used for loans and/or loan guarantees in cooperation with private sector lending institutions. Regional RLFs used to finance a project wherein the primary funding is provided by a private institution shall not exceed a ratio of 1:1 (regional RLF vs. private funds).

2. Regional RLFs appropriated by the state may be used as a gap financing with other revolving loan fund programs as well. However, when used with such base funds or programs, the regional RLFs shall take a lateral position

with respect to collateral and repayment requirements. In the event the regional RLF committee jointly funds a project with another federal agency, foundation, or other entity, the ratio shall be at least 1:1 (federal or foundation funds vs. regional RLFs).

3. The relocation of jobs from one intrastate labor market to another will be prohibited. A job cost ratio of one job (created or retained) to \$15,000 of regional RLF monies (1:15,000) shall be maintained.

4. Any and all rules and procedures of the regional RLF committees, or related entities, shall be subject to the approval of the Department and the Committee.

5. Within 10 days after the closing of an initial loan, and within 30 days after the closing of subsequent loans, the regional planning and development commission shall provide the Department with a basic description of the transaction. In addition, the regional planning and development commissions shall provide the Department with a semiannual report on the status of recaptured funds.

(3) APPEALS. The regional planning and development commissions may appeal a decision or ruling pertaining to the rules and/or procedures herein established by the Department, and as approved by the Committee. The appeal shall be made to the Committee. However, such appeal must be submitted to the executive secretary of the Committee within 15 days from the receipt of an adverse finding by the Department.

Author: David S. Barley, Jr.; Dr. Don C. Hines; Regional Revolving Loan Policy Committee.

Statutory Authority: Act 90-650, Legislature of the State of Alabama.

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305-5-4-.07 Administrative Funding.

The regional planning development commissions, in cooperation with its regional RLF committees shall develop a reasonable administrative cost structure that will protect the principle of the state funds and enhance the purposes of this ACT.

Author: David S. Barley, Jr.; Dr. Don C. Hines

Statutory Authority: Act 90-650, Legislature of the State of Alabama.

History: Filed November 19, 1990; effective December 24, 1990.

305-5-4-.08 Annual Report.

The Department shall report annually to the Committee, Legislature and the Governor on the activities of the regional RLFs and make recommendations concerning the program.

Author: David S. Barley, Jr.; Dr. Don C. Hines; Regional Revolving Loan Policy Committee.

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