

**Joint Legislative Committee on Performance  
Evaluation and Expenditure Review (PEER)**

Report to  
the Mississippi Legislature



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# **A Review of the Utilization of the Mississippi Development Authority's Business Development Loan Funds**

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In general, the purpose of the Mississippi Development Authority's business development loans is to help to stimulate Mississippi's economy by fostering the growth of businesses and jobs. These incentive programs are typically offered to the private sector to assist in obtaining the necessary capital to create or expand operations. In some cases, the programs are geared toward providing assistance to governmental entities in order to stimulate economic development in their respective areas.

PEER reviewed seven business development loan programs of the Mississippi Development Authority. Of the loan programs PEER reviewed, four had annual utilization rates of approximately 28% or less between FY 2006 and FY 2010, with some years of no utilization reported. As of June 30, 2010, those four business development loan programs carried a total loan fund balance of approximately \$47.7 million.

For those underutilized programs in which state general obligation debt remains outstanding, the debt used to create these programs has become a financial burden to the state without the intended benefits. In programs for which no further debt exists and the state's obligation to the bond holder has expired, the Legislature could utilize unspent proceeds for whatever purposes it deems prudent.

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The Mississippi Legislature created the Joint Legislative Committee on Performance Evaluation and Expenditure Review (PEER Committee) by statute in 1973. A joint committee, the PEER Committee is composed of seven members of the House of Representatives appointed by the Speaker and seven members of the Senate appointed by the Lieutenant Governor. Appointments are made for four-year terms, with one Senator and one Representative appointed from each of the U. S. Congressional Districts and three at-large members appointed from each house. Committee officers are elected by the membership, with officers alternating annually between the two houses. All Committee actions by statute require a majority vote of four Representatives and four Senators voting in the affirmative.

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The Committee assigns top priority to written requests from individual legislators and legislative committees. The Committee also considers PEER staff proposals and written requests from state officials and others.

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November 30, 2010

Honorable Haley Barbour, Governor  
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Honorable Billy McCoy, Speaker of the House  
Members of the Mississippi State Legislature

On November 30, 2010, the PEER Committee authorized release of the report entitled **A Review of the Utilization of the Mississippi Development Authority's Business Development Loan Funds.**

  
Senator Nolan Mettetal, Chair

**This report does not recommend increased funding or additional staff.**



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# A Review of the Utilization of the Mississippi Development Authority's Business Development Loan Funds

## Executive Summary

### Introduction

In general, the purpose of the Mississippi Development Authority's business development loans is to help to stimulate Mississippi's economy by fostering the growth of businesses and jobs. These incentive programs are typically offered to the private sector to assist in obtaining the necessary capital to create or expand operations. In some cases, the programs are geared toward providing assistance to governmental entities in order to stimulate economic development in their respective areas.

### Conclusions

PEER reviewed seven business development loan programs of the Mississippi Development Authority (MDA). Of the loan programs PEER reviewed, four had annual utilization rates of approximately 28% or less between FY 2006 and FY 2010, with some years of no utilization reported. As of June 30, 2010, those four business development loan programs carried a total loan fund balance of approximately \$47.7 million.

For those underutilized programs in which state general obligation debt remains outstanding, the debt used to create these programs has become a financial burden to the state without the intended benefits. In programs for which no further debt exists and the state's obligation to the bond holder has expired, the Legislature could utilize unspent proceeds for whatever purposes it deems prudent.

### Recommendations

1. The Mississippi Development Authority should annually review the utilization of its loan/incentive programs and present an annual assessment to the Legislature detailing historical program usage and recommendations for changes in either program

administration or legislation that would increase program activity and/or eliminate programs with low activity. The Legislature should consider placing a moratorium on bonds issued to fund business development loan programs administered by MDA until such assessment is completed.

2. The House and Senate appropriations committees should meet with MDA officials to determine which business development loan funds must be retained to cover obligations. The Legislature should then consider reclaiming unspent proceeds for other options, such as crediting funds to the State Treasury for retirement of debt.
3. The Legislature should enact legislation that changes the interest rate requirement for the Small Business Assistance Loan Program to eliminate the possibility of the program being inoperable as a result of statute if/when the federal discount rate falls where the maximum interest rate that can be applied to loans in this program is lower than the statutory minimum.

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# A Review of the Utilization of the Mississippi Development Authority's Business Development Loan Funds

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## Introduction

### Authority

The PEER Committee reviewed the utilization of loan funds of business development loan programs available through the Mississippi Development Authority (MDA). PEER conducted the review pursuant to the authority granted by MISS. CODE ANN. Section 5-3-57 et seq. (1972).

### Problem Statement

In conducting a recent legislative assistance project on the Southwest Mississippi Planning and Development District's administration of the Minority Business Enterprise Loan Program (one of the loan programs available through MDA), PEER became aware that statewide, this loan program was carrying an uncommitted loan balance of approximately \$10.4 million as of December 2009.

Given the state's general fund revenue shortfalls in recent years, resulting in significant cuts to state agencies' budgets, PEER thought it timely to determine whether any other business development loan programs available through MDA might be carrying similarly large unused loan fund balances that could be put to better use, either through actions taken to increase loan activity or diversion of the funds to more productive state government functions.

## Purpose and Scope

The purpose of PEER's review was to analyze the utilization of loan funds by business development loan programs available through MDA during the period of FY 2006 through FY 2010. PEER reviewed loan fund utilization in seven MDA loan programs.

In its review, PEER relied on self-reported loan fund utilization information provided by MDA for each loan program.

## Scope Limitation

PEER excluded the following categories of MDA programs from its review because they are not programs for which the state is acting as the lender of public funds:

- federally funded loan programs;
- loan guaranty programs (i. e., programs in which the borrower secures loan funds from private lenders); and,
- combination loan/grant programs.

It should also be noted that PEER's review is limited to an analysis of the utilization of loan funds. The review did not include a determination of the reasons for relatively low rates of loan fund utilization in certain MDA loan programs because a definitive determination of the reasons for low rates of loan fund utilization would require a detailed review of each loan program. While MDA staff was unable to explain the low levels of loan fund utilization to PEER, possible reasons for low rates of utilization include the following:

- a lack of adequate loan program publicity;
- an insufficient number of individuals who qualify for the loans;
- a temporary lack of demand for the loan funds due to the current state of the economy; or,
- the infusion of too much money into the loan programs relative to program demand.

## Method

In conducting this review, PEER:

- reviewed state laws and regulations governing the loan programs;
- reviewed and analyzed MDA loan fund utilization data; and,
- interviewed MDA loan program staff.

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## Background

PEER reviewed the following business development loan programs of the Mississippi Development Authority:

- the Research and Development Loan/Business Incubator Loan Programs;
- the Airport and Port Revitalization Revolving Loan Programs;
- the Small Business Assistance Loan Program;
- the Minority Business Enterprise/Micro Loan Programs;
- the Milk Producers Transportation Cost Assistance Fund Loan Program;
- the Existing Industry Productivity Revolving Loan Program; and,
- the Agribusiness Enterprise Revolving Loan Program.

The Appendix, page 17, contains a brief description of the purpose of each program, the statutory authority, the source of loan funds, the terms of the loans, including minimum and maximum dollar amounts of the loans, the allowable uses of loan proceeds, and borrower qualification requirements.

In general, the purpose of these loan programs is to help to stimulate the state's economy by fostering the growth of businesses and jobs. These incentive programs are typically offered to the private sector to assist in obtaining the necessary capital to create or expand operations. In some cases, the programs are geared toward providing assistance to governmental entities in order to stimulate economic development in their respective areas.

Planning and development districts and various other qualifying entities administer two of the seven business development loan programs included in this review: the Minority Business Enterprise Loan Program and the Small Business Assistance Loan Program. For those programs not administered by planning and development districts or other qualifying entities, potential applicants originate the application process through MDA.

**Exhibit 1: MDA Business Development Loan Programs and Their Fund Balances as of June 30, 2010**

<b>Loan Programs with an Annual Utilization Rate &lt; 50% in FY 2006-FY 2010</b>	<b>Fund Balance as of 6/30/10</b>	<b>Range of Utilization (FY 2006-FY 2010)</b>
Research and Development Revolving Loan/Business Incubator Loan Programs	\$ 7,310,057	0%-7.3%
Airport and Port Revitalization Revolving Loan Programs	9,625,369	0%-15.8%
Small Business Assistance Loan Program	20,323,883	13.1%-28.4%
Minority Business Enterprise/Micro Loan Programs	10,443,983	19.8%-28.4%
Total	\$47,703,292	
<b>Loan Programs with an Annual Utilization Rate &gt; or = 50% in FY 2006-FY 2010</b>	<b>Fund Balance as of 6/30/10</b>	<b>Range of Utilization (FY 2006-FY 2010)</b>
Milk Producers Transportation Cost Assistance Fund Loan Program	\$ 1,435,522	0%-50.3%*
Existing Industry Productivity Revolving Loan Program	22,012,902	0%-53.5%**
Agribusiness Enterprise Revolving Loan Program	10,678,635	38.4%-96.1%
Total	\$34,127,059	
<b>TOTAL OF ALL LOAN PROGRAM FUND BALANCES</b>	<b>\$81,830,351</b>	

\*This program began in FY 2007 and ended on December 31, 2008, with a utilization rate of 50.3% in FY 2008. The Legislature reauthorized the program to begin again on July 1, 2009, but it has not yet issued any loans since restarting, thus accounting for the 0% utilization rate year (FY 2010).

\*\*Although this program began in FY 2007, no bonds were issued until FY 2009, thus accounting for the 0% utilization rate years (FY 2007-FY 2008).

SOURCE: Mississippi Development Authority's Financial Resources Division.

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## History of the Utilization of MDA Business Development Loan Programs, FY 2006 through FY 2010

**Of the seven loan programs PEER reviewed, four had annual utilization rates of less than 50% between FY 2006 and FY 2010, with some years of no utilization reported. As of June 30, 2010, those four business development loan programs carried a total loan fund balance of approximately \$47.7 million.**

As shown in Exhibit 1, page 5, MDA business development loan programs included in this review carried a total loan fund balance of approximately \$81.8 million as of June 30, 2010. Loan fund balances for individual loan programs ranged from approximately \$1.4 million for the Milk Producers Transportation Cost Assistance Fund Loan Program to approximately \$22 million for the Existing Industry Productivity Revolving Loan Program.

A discussion of the loan fund utilization rates for each of these programs for the period of FY 2006 through FY 2010 follows. PEER categorized these programs into one of two groups:

- those with utilization rates of less than 50% for FY 2006 through FY 2010; and,
- those with utilization rates of 50% or more for FY 2006 through FY 2010.

Exhibit 1 shows PEER's categorization of the seven loan programs into these two categories.



**Loan Programs with an Annual Utilization Rate of Less Than 50%, FY 2006 through FY 2010**

*Four of the seven business development loan programs had utilization rates of approximately 28% or less during the five-year period.*

**Research and Development Revolving Loan/Business Incubator Loan Programs**

Since 1992, MDA has made eighteen research and development loans through the Research and Development Revolving Loan/Business Incubator Loan Programs. However, MDA has made no loans from these programs since October 2006. As of June 30, 2010, the loan fund balance was approximately \$7.3 million.

As shown in Exhibit 2, below, despite a sizeable loan fund balance, one loan, totaling \$500,000, has been made during the five past fiscal years.

**Exhibit 2: Research and Development Revolving Loan/Business Incubator Loan Programs Utilization, FY 2006 through FY 2010**

Fiscal Year	Beginning Fund Balance	Bonds Issued	Total Amount Disbursed	Ending Fund Balance	Annual Utilization Percentage
2006	\$4,663,109	\$2,000,000	\$ 0	\$6,863,511	0.0%
2007	6,863,511	0	500,000	6,529,636	7.3%
2008	6,529,636	0	0	6,667,184	0.0%
2009	6,667,184	0	0	7,231,032	0.0%
2010	7,231,032	0	0	7,310,057	0.0%

SOURCE: MDA Financial Resources Division, PEER analysis.

## Airport and Port Revitalization Revolving Loan Programs

Since its inception in 1992, the Airport and Port Revitalization Revolving Loan Programs have made forty loans totaling approximately \$13.4 million, with eight loans (totaling approximately \$2.9 million) made during fiscal years 2006 through 2010. During the five-year period ending June 30, 2010, the programs maintained an average end of fiscal year loan fund balance of approximately \$8.8 million. As of June 30, 2010, there were four loan applications not yet approved for these programs that totaled \$4.5 million, but the projected loan fund utilization dates had passed and the loans had yet to be closed and executed.

As shown in Exhibit 3, below, the annual percentage of loan funds utilized in these programs during the past five fiscal years ranged from 0% (in FY 2008) to 15.8% (in FY 2009).

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### Exhibit 3: Airport/Port Revitalization Revolving Loan Fund Programs Utilization, FY 2006 through FY 2010

Fiscal Year	Beginning Fund Balance	Bonds Issued	Total Amount Disbursed	Ending Fund Balance	Annual Utilization Percentage
2006	\$7,823,996	\$0	\$821,014	\$7,856,917	10.5%
2007	7,856,917	0	242,500	8,487,697	3.1%
2008	8,487,697	0	0	9,323,887	0.0%
2009	9,323,887	0	1,473,134	8,743,874	15.8%
2010	8,743,874	0	400,000	9,625,369	4.6%

SOURCE: MDA Financial Resources Division, PEER analysis.

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## Small Business Assistance Loan Program

The Small Business Assistance Loan Program has maintained an average uncommitted revolving loan fund balance of approximately \$18.9 million since FY 2006, while making an average of approximately \$3.6 million in new loans annually over the same period.

As shown in Exhibit 4, below, the annual utilization of loan funds in this loan program during FY 2006 through FY 2010 ranged from 13.1% (in FY 2010) to 28.4% (in FY 2007).

PEER notes that although loans have been made under this program in each of these fiscal years, since 2008 lending entities have been unable to comply with the statute governing the interest rates allowable on loans made under this program. Specifically, MISS. CODE ANN. Section 57-10-513 (1972) mandates that the interest rate on loans made under this program shall not be less than 5% per annum or more than 4% above the federal discount rate. Since December 2008, the federal discount rate has been .75 %, which means that the statutory minimum interest rate of 5% exceeds the statutory maximum interest rate of 4.75%.

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### Exhibit 4: Small Business Assistance Loan Program Utilization, FY 2006 through FY 2010

Fiscal Year	Available Revolving Loan Funds	Bonds Issued	Total Amount Disbursed	Ending Fund Balance	Annual Utilization Percentage
2006	\$19,162,682	\$0	\$4,387,265	\$18,151,389	22.9%
2007	18,151,389	0	5,156,238	18,108,390	28.4%
2008	18,108,390	0	2,589,865	19,269,220	14.3%
2009	19,269,220	0	3,541,768	19,055,206	18.4%
2010	19,055,206	0	2,488,750	20,323,883	13.1%

SOURCE: MDA Financial Resources Division, PEER analysis.

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## Minority Business Enterprise/Micro Loan Programs

As shown in Exhibit 5, below, the Minority Business Enterprise/Micro Loan Programs have built a sizeable loan fund balance of approximately \$10.4 million, with annual loan fund utilization rates ranging from 19.8% (in FY 2006) to 28.4% (in FY 2008). PEER also notes that six of the nineteen entities qualified to make loans through these programs have made no loans since June 2003.

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### Exhibit 5: Minority Business Enterprise/Micro Loan Programs Utilization, FY 2006 through FY 2010

Fiscal Year	Available Revolving Loan Funds	Bonds Issued	Total Amount Disbursed	Ending Fund Balance	Annual Utilization Percentage
2006	\$ 8,261,417	\$1,000,000	\$1,632,770	\$9,747,103	19.8%
2007	9,747,103	0	2,011,355	10,322,678	20.6%
2008	10,322,678	0	2,928,804	11,421,061	28.4%
2009	11,421,061	1,000,000	2,443,423	*11,115,129	21.4%
2010	11,115,129	1,000,000	2,509,603	*10,443,983	22.6%

\*This balance excludes amounts unreported by one of the qualifying entities.

Note: Annual percentage of utilization is calculated here by dividing total amount of funds disbursed by available revolving loan funds, which is money held by planning and development districts and qualified entities. This calculation is used solely as a point of comparison and does not take into account the amount of money disbursed solely from MDA that is included in the total amount disbursed.

SOURCE: MDA Financial Resources Division, PEER analysis.

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## Loan Programs with an Annual Utilization Rate of 50% or More, FY 2006 through FY 2010

*Of the business development loan programs with at least a 50% utilization rate during the five-year period, the Existing Industry Productivity Revolving Loan Program shows promise as an active loan program, with a FY 2010 loan fund utilization rate of 53.5%. The Agribusiness Enterprise Revolving Loan Program has loaned approximately \$67 million over the last five years, with utilization rates ranging from 38.4% to 96.1%.*

### Milk Producers Transportation Cost Assistance Loan Program

As shown in Exhibit 6, below, the Milk Producers Transportation Cost Assistance Loan Program has disbursed approximately \$2 million in loans to milk producers since the program's inception in FY 2007. PEER notes that this program is different from other business development or assistance programs MDA administers in that it is a reimbursement program that offers its loans at 0% interest and the first payments were deferred until July 2010. MDA has administered 152 loans through this program, with the highest utilization rate being 99.7% between September 2007 and January 2008.

PEER notes that the Milk Producers Transportation Cost Assistance Loan Program ended on December 31, 2008, but was reauthorized by the Legislature in the 2009 Regular Session. The program restarted on July 1, 2009, but has not issued any loans since its reauthorization.

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#### Exhibit 6: Milk Producers Transportation Cost Assistance Loan Program Utilization, FY 2008 through FY 2010

Fiscal Year	Beginning Fund Balance	Total Amount Disbursed	Ending Fund Balance	Annual Utilization Percentage
2008	\$3,500,000	\$1,762,158	\$1,737,842	50.3%
2009	1,737,842	302,320	1,435,522	17.4%
2010	1,435,522	0	1,435,522	0.0%*

\*This program ended on December 31, 2008, but was reauthorized by the Legislature to begin again effective July 1, 2009. Since its reauthorization, the program has issued no additional loans.

SOURCE: MDA Financial Resources Division, PEER analysis.

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## Existing Industry Productivity Revolving Loan Program

Since program inception in 2005, MDA has made five loans from the Existing Industry Productivity Revolving Loan Program totaling approximately \$9.6 million (see Exhibit 7, below). The program currently carries a fund balance of approximately \$22 million. According to MDA, as of October 1, 2010, there were four loans totaling \$7.8 million that had been approved but not closed and \$7.7 million had been committed for loans that had not yet been approved.

As shown in Exhibit 7, MDA issued \$25 million in bonds in fiscal years 2009 and 2010 to provide additional loan funds for the Existing Industry Productivity Revolving Loan Program. According to MDA staff, while this program carries the largest loan fund balance (approximately \$22 million) of the loan programs included in PEER's review, the program is in the early stages of implementation and shows promise as an active loan program, with a FY 2010 loan fund utilization rate of 53.5%.

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### Exhibit 7: Existing Industry Productivity Revolving Loan Program Utilization, FY 2007 through FY 2010

Fiscal Year	Beginning Fund Balance	Bonds Issued	Total Amount Disbursed	Ending Fund Balance	Annual Utilization Percentage
2007	\$ 3,498,247	\$ 0	\$ 0	\$ 3,498,247	0.0%
2008	3,498,247	0	0	2,998,247	0.0%
2009	2,998,247	15,000,000	0	18,003,341	0.0%
2010	18,003,341	10,000,000	9,632,097	22,012,902	53.5%

SOURCE: MDA Financial Resources Division, PEER analysis.

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## Agribusiness Enterprise Revolving Loan Fund Program

The Agribusiness Enterprise Revolving Loan Program has loaned approximately \$67 million over the past five fiscal years. The program maintained an average end of fiscal year loan fund balance of approximately \$5.4 million.

As shown in Exhibit 8, below, the annual percentage of loan funds utilized in this program during the past five fiscal years ranged from 38.4 % (in FY 2010) to 96.1% (in FY 2008).

### Exhibit 8: Agribusiness Enterprise Revolving Loan Fund Program Utilization, FY 2006 through FY 2010

Fiscal Year	Total Amount Disbursed	Repayments	Ending Fund Balance	Annual Utilization Percentage
2006	\$12,707,446	\$15,768,893	\$ 6,555,546	71.5%
2007	15,546,655	15,131,559	5,999,936	71.7%
2008	19,357,274	14,148,551	1,310,150	96.1%
2009	12,736,949	12,959,190	2,357,829	89.3%
2010	6,679,920	15,025,350	10,678,635	38.4%

NOTE: The fund balances in this exhibit are as of June 30 of each fiscal year and do not reflect transactions that transpired late in the fiscal year that were completed in July. MDA did not provide a final figure that would reflect an accurate fund balance on each July 1. Therefore, no beginning balances are listed in this exhibit.

SOURCE: MDA Financial Resources Division, PEER analysis.

### Implications for Change

*According to information obtained from MDA, approximately \$47.7 million in idle funds is being held in loan programs administered through MDA. For those underutilized programs in which state general obligation debt remains outstanding, the debt used to create these programs has become a financial burden to the state without the intended benefits. In programs for which no further debt exists and the state's obligation to the bond holder has expired, the Legislature could utilize unspent proceeds for whatever purposes it deems prudent.*

The Mississippi Development Authority can play an important role in creating new jobs by attracting new industries and businesses to the state, as well as encouraging existing business expansion and further investment. Because Mississippi, like other states,

has experienced a significant decrease in revenues and it is predicted that similar shortfalls will occur in the future, the state should be prudent with the resources it does have available to ensure that the state remains viable even in a struggling economic atmosphere.

As this report demonstrates, according to information obtained from MDA, approximately \$47.7 million in idle funds is being held in loan programs administered through MDA. These funds were purposed to assist businesses in development and expansion in order to solidify the state as a competitor in the global market. It is imperative that the programs are utilized effectively; otherwise, the debt used to create these programs becomes a financial burden to the state without the intended benefits.

Taxable bonds were issued to fund the majority of MDA business development loans, including the programs listed in this report where the utilization rate has been below 50% of funds available for use since FY 2006. Programs that have outstanding bond debt are dictated by the agreement between the state and the bondholder and therefore funds are only to be used for the specific purpose for which they were intended. Any unspent proceeds are to be used for program purposes or credited to the State Treasury for the retirement of bonds.

There still remains \$1,905,000 of outstanding debt on bonds used to fund the Research and Development Revolving Loan/Business Incubator Loan Programs and \$5,830,000 on the Mississippi Farm Reform Act. The Minority Business Enterprise Program is a subsidiary program established within this larger act. As of June 30, 2010, the two programs had unspent proceeds in the amounts of \$7.3 million and \$10.4 million, respectively.

However, if no further debt exists and the state's obligation to the bond holder has expired, then the Legislature could utilize unspent proceeds for whatever purposes it deems prudent, although the standard practice would be to credit the proceeds to the State Treasury for the retirement of debt. No outstanding debt remains for the Airport/Port Revitalization Program or the Small Business Assistance Loan Program. Those programs, as of June 30, 2010, had \$9.6 million and \$20.3 million in unspent proceeds, respectively.



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## Recommendations

1. The Mississippi Development Authority should annually review the utilization of its loan/incentive programs and present an annual assessment to the Legislature detailing historical program usage and recommendations for changes in either program administration or legislation that would increase program activity and/or eliminate programs with low activity. The Legislature should consider placing a moratorium on bonds issued to fund business development loan programs administered by MDA until such assessment is completed.
2. The House and Senate appropriations committees should meet with MDA officials to determine which business development loan funds must be retained to cover obligations. The Legislature should then consider reclaiming unspent proceeds for other options, such as crediting funds to the State Treasury for retirement of debt.
3. The Legislature should enact legislation that changes the interest rate requirement for the Small Business Assistance Loan Program to eliminate the possibility of the program being inoperable as a result of statute if/when the federal discount rate falls where the maximum interest rate that can be applied to loans in this program is lower than the statutory minimum.



## Appendix: MDA Business Development Loan Programs as of June 30, 2010

Program*	Program Objectives	Statutory Authority (MISS. CODE Reference)	Funding Source	Eligible Borrowers	Min/Max Loan Amount	Eligible Projects
<b>Research and Development Loan/Business Incubator Loan Programs</b>	R&D-Designed for making loans to private companies to aid in the creation of new and expanding research and development and technology-based businesses and industries. Business Incubator-Designed to assist local governments in the establishment of business incubator facilities.	57-61-34	Issuance of state general obligation bonds	R&D-Private companies that meet the requirements of a research and development or technology-intensive enterprise may qualify for this program. Business Incubator-Municipalities or private companies, local governments (defined as any county, incorporated city, or town).	R&D-\$250,000/50% of total project cost up to \$750,000 per project. Business Incubator-Maximum loan amount \$500,000.	R&D-Proceeds may be used to finance land, building and depreciable fixed assets. Loan proceeds may not be used for working capital, debt refinancing or rolling stock. Other state finance programs including Community Development Block Grants may not be used to finance the remaining cost of the R&D Project. Business Incubator-All project costs associated with the development of an incubator.
<b>Airport and Port Revitalization Revolving Loan Programs</b>	Airport Revitalization-Designed for making loans to airport authorities for the construction and/or the improvement of airport facilities located in the state of Mississippi.  Port Revitalization-Designed for making loans to state, county, or municipal port authorities for the improvement of port facilities to promote commerce and economic growth in the state of Mississippi.	57-61-41	State bonds or notes	Airport revitalization-County and municipal airports.  Port revitalization-State, county, and municipal ports authorized to operate in the state.	Maximum loan amount \$750,000	Airport revitalization-Projects must be directly related to the airport facility and are limited to construction, expansion, improvements, rehabilitation, and repair.  Port revitalization-Projects must be directly related to the port facility and are limited to construction, expansion, improvements, and repair.

\*Exhibit 1, page 5, contains loan program fund balances as of June 30, 2010.

SOURCE: Mississippi Development Authority's Financial Resources Division.

Program*	Program Objectives	Statutory Authority (MISS. CODE Reference)	Funding Source	Eligible Borrowers	Min/Max Loan Amount	Eligible Projects
<i>Small Business Assistance Loan Program</i>	Established for the purpose of providing funds to qualified entities to establish revolving loan funds to assist small businesses.	57-10-507; 57-10-511	Issuance of state general obligation bonds	Small for-profit commercial enterprise with fewer than 100 full time employees, less than \$2 million in net worth or less than \$350.	Maximum Loan Amount: 50% of total project cost or \$250,000, whichever is less	Qualified entities may provide loans to finance land, buildings, machinery, equipment, working capital, inventory, or other needs as negotiated with the borrower.
<i>Minority Business Enterprise/Micro Loan Programs</i>	Combines state and private lending sources to assist new and existing minority businesses in gaining access to needed capital in the form of direct low-interest loans. The program is designed to provide loans to socially and economically disadvantaged minority and women-owned businesses.	69-2-13 (4)	Issuance of state general obligation bonds	A minority business enterprise means a socially and economically disadvantaged small business concern, organized for profit, performing a commercially useful function which is owned and controlled by one or more minorities or minority business enterprises certified by MDA	Enterprise- \$25,001/50% of total project or \$250,000, whichever is less.  Micro- \$2,000/\$35,000.	Enterprise- May be used for working capital, machinery, equipment, land, and/or building to be used in minority business.  Micro- Purchase of fixed assets such as machinery and equipment, working capital, inventory purchase.
<i>Milk Producers Transportation Cost Assistance Fund Loan Program</i>	Designed to provide no-interest loans to residents of this state to defray transportation costs incurred by milk producers. The MDA will provide interest-free loans to qualified borrowers engaged in the production and selling of milk.	69-34-1	Issuance of state general obligation bonds	A milk producer must provide evidence of producing 300,000 pounds of milk produced and sold on her/his farm(s) in a calendar year (i. e., amount of milk produced by 15-20 cows per year)	The amount of the loan (not to exceed \$20,000) will be the cumulative total of hauling or shipping charges found and specified on milk producers' milk checks (annual summary).	Hauling and shipping charges paid for transporting milk from his/her farm(s).

\*Exhibit 1, page 5, contains loan program fund balances as of June 30, 2010.

SOURCE: Mississippi Development Authority's Financial Resources Division.

Program*	Program Objectives	Statutory Authority (MISS. CODE Reference)	Funding Source	Eligible Borrowers	Min/Max Loan Amount	Eligible Projects
<i>Existing Industry Productivity Revolving Loan Program</i>	Designed for making loans to existing industries or to local government entities to assist existing industries to deploy long-term fixed assets through new technology, which will improve productivity and competitiveness and for purchasing or refinancing land, buildings, or equipment.	57-93-1	State general obligation bonds	Companies- must be a manufacturing enterprise that has operated in the state for not less than two consecutive years.  Local Government Entities- counties or incorporated municipalities may apply for a loan to assist a manufacturing enterprise in deploying long-term fixed assets.	\$250,000 /\$2,000,000	Financing of long-term fixed assets or refinancing of land, buildings and equipment, provided that the company can demonstrate that refinancing is necessary to maintain or expand the facility.
<i>Agribusiness Enterprise Revolving Loan Program</i>	Designed to encourage the extension of conventional financing and the issuance of letters of credit by private lending institutions to agribusiness enterprises in the state of Mississippi	69-2-13	Issuance of state general obligation bonds	Agribusiness means any aquacultural, horticultural, or agricultural related industrial, manufacturing, research and development or processing enterprise located in the state and owned by a resident of the state.	Maximum loan amount: 20% of total project cost or \$200,000, whichever is less, excluding purchase of land	Agribusiness loans can be used to finance buildings and equipment, as well as costs associated with the purchase of land (appraisals, title searches, etc.). Proceeds cannot be used to purchase land, pay off existing debt, or to provide working capital.

\*Exhibit 1, page 5, contains loan program fund balances as of June 30, 2010.

SOURCE: Mississippi Development Authority's Financial Resources Division.

# Agency Response

**STATE OF MISSISSIPPI**  
HALEY BARBOUR, GOVERNOR  
**MISSISSIPPI DEVELOPMENT AUTHORITY**  
GRAY SWOOPE  
EXECUTIVE DIRECTOR

December 8, 2010

Dr. Max Arinder  
Joint Committee on Performance Evaluation and Expenditure Review  
P.O. Box 1204  
Jackson, MS 39215-1204

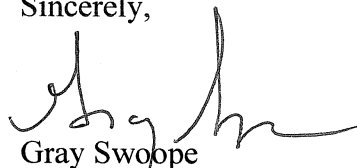


Dear Mr. Arinder:

The Mississippi Development Authority has reviewed the report submitted by PEER of MDA's loan programs. We are in agreement with the report. We appreciate the professionalism of Mr. Kevin Mayes during this review.

Please let me know if I can be of any further assistance.

Sincerely,



Gray Swoope  
Executive Director

GS:KG:sw

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James Barber, Deputy Director  
Ted Booth, General Counsel

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