

## **STATE OF MISSISSIPPI FINANCE PROGRAMS**

The Mississippi Business Finance Corporation (MBFC), an entity of the Mississippi Development Authority (MDA), administers a variety of finance programs designed to assist businesses in locating or expanding in the State. MBFC provides companies an opportunity to review all financial information through one source.

MBFC works with other public entities and the private sector to coordinate efforts to stimulate both commercial and industrial development. The following information is provided as an overview of the finance programs available through MBFC, MDA, and local units of government.

### **Programs available through the Mississippi Business Finance Corporation:**

- Loan Guaranty Program
- Industrial Development Revenue Bond Program
- Small Enterprise Development Finance Program
- Rural Economic Development Assistance Program

### **Programs available through the Mississippi Development Authority:**

- Mississippi Business Investment Act Program
- Development Infrastructure Program
- Mississippi Small Business Assistance Program
- Mississippi Access Road Program
- Energy Investment Program

### **Programs available through local units of government:**

- Local Industrial Development Revenue Bonds
- General Obligation Bonds
- Capital Improvements Revolving Loan Program (CAP)

## **PROGRAMS AVAILABLE THROUGH THE MISSISSIPPI BUSINESS FINANCE CORPORATION**

### **LOAN GUARANTY PROGRAM**

This program provides guarantees to private lenders on loans made to small businesses. Loan proceeds may be used for all project costs including fixed assets, working capital, start-up costs, rental payments, interest expense during construction, and professional fees.

The maximum guarantee is 75% of the total loan or \$375,000, whichever is less. The loan is restricted to a maximum term of 20 years with an interest rate limited to the current legal rate.

The borrower must have equity in the business, no matter how small, and pay a guaranty fee of 2% of the guaranteed portion of the loan.

The lender will require the necessary collateral to secure the loan. Loans cannot exceed 90% of the fair market value of this collateral.

### **INDUSTRIAL DEVELOPMENT REVENUE BOND PROGRAM**

The Industrial Development Revenue Bond Program reduces the interest costs of financing projects for companies through the issuance of both taxable and tax-exempt bonds. Additionally, ad valorem and sales tax exemptions are granted in conjunction with this type of public financing.

The bonds must be secured by an irrevocable, direct-pay letter of credit or other credit enhancement acceptable to MBFC.

The proceeds of a bond issue may be used for the acquisition and construction of real property, machinery and equipment, capitalized interest, reserve funds, and a limited amount of the cost of issuance in accordance with provisions of the Internal Revenue Code.

Although there is no restriction on the amount of taxable debt which may be incurred, there is a \$10 million cap on tax-exempt financing. The maximum term of a bond issue will be equal to 120% of the average life of the financed assets or 30 years, whichever is less. The effective rate of a loan to a company will be determined by using a combination of the interest rate on the bonds, the cost of issuance, and any applicable fees.

## **SMALL ENTERPRISE DEVELOPMENT FINANCE PROGRAM (SED)**

The issuance of State General Obligation Bonds provides funds for manufacturing and processing companies to finance fixed assets, including land, buildings, new machinery, and new equipment at below market interest rates for terms of up to 15 years.

Although a company may qualify for more than one loan under this program, the aggregate amount loaned to any company cannot exceed \$2 million. Interest rates on these loans are equal to the net interest rate on the bonds issued by the State plus 1/8 of 1 percent.

A proposed project must create a minimum of 10 jobs, and loans cannot exceed 90% of the market value of the financed assets. Companies participating in the program will be required to obtain a letter of credit guaranteeing the loan.

## **RURAL ECONOMIC DEVELOPMENT ASSISTANCE PROGRAM (RED)**

Companies financing projects through the Small Enterprise Development or Industrial Revenue Bond Programs which are administered by MBFC may be eligible to participate in the Rural Economic Development Assistance Program. The program allows these companies to receive credits on Mississippi corporate income taxes and assess new employees job development fees to offset annual debt service on the bonds.

Mississippi corporate income tax credits will be granted at the end of a company's fiscal year and will be based on the Mississippi tax liability at that time. The amount a company will be required to pay in Mississippi income tax will be reduced by the amount of debt service paid during the tax year.

Employees whose gross wages are \$5.00 or more per hour may be assessed a certain percentage of gross wages per hour up to a maximum of 6%. These employees will receive credits on their Mississippi personal income taxes in an amount equal to the assessment.

The total amount of tax credits and assessments may not exceed the annual debt service on the bond issue. Only employees whose jobs are created as a direct result of the project may be assessed.

## **MISSISSIPPI DEVELOPMENT AUTHORITY FINANCE PROGRAMS**

### **MISSISSIPPI BUSINESS INVESTMENT ACT PROGRAM**

Through the issuance of State General Obligation Bonds, low interest loans are provided to counties or incorporated cities or towns to finance improvements which complement investments by private companies.

To be eligible for financing under this program, a private company must invest at least

\$3.00 for every \$1.00 it receives in state assistance and must create and maintain new jobs as required by state statute and MDA. The project to be financed must be necessary for the operation of the company, and it must be determined that other financing options are unavailable.

The minimum loan amount for a project is generally limited to \$500,000 for a term of 10 years or the estimated useful life of the project to be financed, whichever is greater. Rates of interest are set by MDA on a scale based on the number and quality of jobs created. Loan proceeds may be used for the acquisition, expansion, or improvement of land, buildings, and infrastructure.

## **DEVELOPMENT INFRASTRUCTURE PROGRAM**

Through the issuance of state bonds, counties or municipalities may receive grants under the Development Infrastructure Program to finance small infrastructure projects. Counties and municipalities are encouraged to use these grants in connection with other state and federal programs.

Eligible projects must be directly related to the construction, renovation, or expansion of economic development projects. A public match of at least \$2.00 for every \$1.00 of Development Infrastructure assistance is required. The maximum amount which may be granted for any one project is \$250,000.

## **MISSISSIPPI SMALL BUSINESS ASSISTANCE PROGRAM**

The Mississippi Small Business Assistance Program was established for the purpose of providing funds to qualified entities to establish revolving loan funds to assist in financing small businesses.

Qualified entities must be approved by MBFC and are defined as Mississippi Planning and Development Districts (PDDs), Small Business Investment Corporations, Community Development Corporations, and other appropriate entities.

A small business is defined as any for-profit commercial enterprise with fewer than 100 full-time employees; less than \$2 million in net worth; or less than \$350,000 in net annual profit, after taxes, during two of the last three years. A company meeting any of the above criteria is eligible to seek assistance under this program. No small business shall receive funding under this program in excess of \$100,000 or more than 50% of the total project cost.

Maximum terms of the loans shall be 15 years for land and buildings, 10 years for equipment, 5 years for working capital, and 3 years for inventory.

Interest rates cannot be less than 5% per annum or more than 2% above the rate of any bonds issued to provide Small Business Assistance funds plus servicing fees.

Entities must apply to MBFC for admission into the program, and small businesses should contact a qualified entity in their area for application forms and loan information.

### **MISSISSIPPI ACCESS ROAD PROGRAM**

Under this program, MDA and the Mississippi Department of Transportation assist local entities in the construction of links of highways or roads necessary to connect new and existing industrial sites to adequate road facilities.

### **ENERGY INVESTMENT PROGRAM**

Through the Energy Investment Program, MDA provides financial assistance to individuals, partnerships, or corporations making energy-conserving capital improvements or designing and developing energy conservation processes.

This program offers low-interest loans of up to \$200,000, with maximum terms of seven years. Each loan may be secured by a lien on the measures installed, other business assets, personal guarantees of the owners or officers, performance bonds, or a combination of these.

## **FINANCE PROGRAMS AVAILABLE THROUGH LOCAL UNITS OF GOVERNMENT**

### **LOCAL INDUSTRIAL DEVELOPMENT REVENUE BONDS**

Local political entities in Mississippi, including counties, supervisors' districts, incorporated cities, and towns, have the authority to issue tax-exempt and taxable industrial development revenue bonds to finance new or expanding industrial enterprises. Election approval is not required unless 20 percent or more of the entity's electors object to the bond issuance in writing. Ownership of a bond-financed facility is retained by the issuing political entity, which leases it to a company for rent sufficient to pay the annual principal and interest on bonds.

Industrial development revenue bonds can finance up to 100 percent of total project costs, including land, buildings, fixtures, new equipment, new machinery, and professional fees.

Facilities financed by such bonds are allowed up to a 10-year property tax exemption, in addition to being exempt from most sales and use taxes on project-related purchases during construction.

## **GENERAL OBLIGATION BONDS**

Local political entities have the authority to issue general obligation bonds for the purpose of acquiring sites and constructing facilities for lease to new or expanding industries with rentals sufficient to amortize the debt service on the bonds.

General obligation bonds carry the full faith and credit of the issuing political entity. As title to the property remains with the political entity issuing the bonds, no taxes, except school taxes, are assessed on the improvements made with the proceeds of such bonds. An agreement is negotiated between the industry and the political entity covering the details of the issuance of the bonds and the lease.

## **THE CAPITAL IMPROVEMENTS REVOLVING LOAN PROGRAM (CAP)**

Under the guidelines of the CAP loan program counties and municipalities can borrow monies from the state of Mississippi (by leveraging sales tax dollars) to purchase existing or construct new facilities and then lease the facility to a company locating into the State of Mississippi.

### **LOAN**

The county or municipality is eligible for up to a \$500,000 per calendar year depending on the financial stability of the governmental entity to repay the loan. The term of the loan shall not exceed 15 years. The rate of interest on a CAP loan shall be 1% below the Federal Discount Rate at time of loan approval.

### **LOCAL (BOLIVAR COUNTY) REQUIREMENTS**

The local unit of government will enter into a long-term lease agreement with the company for the duration of the CAP loan. At the end of the lease agreement the company will have the option of acquiring the facility for a nominal fee. In addition to requiring some type of security from the company to cover the loan amount (such as a letter of credit) the local unit of government adds 1% to the interest rate for loan administration fees.

### **LIMITING FACTORS TO CAP**

The process will take 90 to 120 day for loan approval.  
The local unit of government is limited to \$500,000 per calendar year.  
Loan money cannot be used for equipment or land purchase.  
Local unit of government will have to follow public bidding procedures to build a facility or complete expansions.