

8/5/91

6/25/91

Statement of Need and Reasonableness

Energy Conservation Investment Loan Program

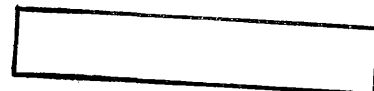
I. The Minnesota Public Facilities Authority presents herein facts and justifications establishing the need for and reasonableness of the proposed amendment to rules governing the Energy Conservation Investment Loan Program. Minnesota Statutes, section 446A.11, subdivision 2 empowers the authority to adopt rules necessary to implement this program. The present rule was adopted at 13 S.R. 1922.

II. Impact on small business

The proposed rule amendment affects a voluntary program of financial assistance to Minnesota public schools and units of local government to implement energy conservation improvements. As such, it has no direct effect on small business. Rules covering programs such as this are exempted from Minnesota Statutes, section 14.115 (1990) by subd. 7 (2) which exempts rules which do not directly affect small businesses.

The Legislative Commission to
Review Administrative Rules

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III. Need and reasonableness of each rule amendment

A. The authority proposes to amend part 7380.0720 to raise the maximum loan amount for each municipality to \$1,500,000. This change is necessary to expedite the use of loan funds. When first adopted, the present loan limits were intended to ensure that loan funds were not monopolized by a few large applicants. After seven years of operation with over 275 loans made, this intent has been realized, yet over seven million dollars of the original bonding authority for this program has not been used. The authority believes it is now reasonable to put the remaining bond funds to work as quickly as possible. A limit of \$1,500,000 will allow further participation by borrowers that have reached their existing loan limits and will stimulate participation by large cities and counties, which have not been active in the program.

B. The authority proposes to amend part 7380.0750, subpart 2, to change the entity to which an applicant returns a signed contract from the authority to the Department of Finance. Because the loan contracts are between the borrower and the Department of Finance, the authority's role at this point in the contracting process has been to merely pass on contracts received to Finance. It is reasonable to amend the rule to eliminate this unnecessary role.

C. The authority proposes to amend part 7380.0750, subpart 2, to require that loans be disbursed on a reimbursement basis. This is necessary and reasonable to comply with federal law affecting tax-exempt bonds.

For the reasons stated above, the authority believes that the proposed rule amendments are reasonable and necessary to effect the purpose and intent of the statutory authorization.