



Bond Monitoring: SteelCorr/SeverCorr
November 29, 2005

In 2005, the Legislature took an important step in raising accountability and ensuring successful State involvement in economic development bond projects. Placing specific requirements in House Bill 1668 has helped protect the State's investment in a new steel mill venture.

SeverCorr, formerly called SteelCorr Inc., broke ground October 27, 2005 on a TVA Mega-Site in the Golden Triangle Industrial Park in Columbus, Mississippi. SeverCorr, a minimill that plans to produce high quality flat-rolled steel for use in the auto industry, is set to receive multiple State and local incentives for the site. The State will provide a direct grant of twenty-five million dollars (\$25,000,000) for real estate improvements, a contingent loan of up to ten million dollars (\$10,000,000) to cover half of the cost overruns during site preparation, and a contingent loan of up to sixty million dollars (\$60,000,000) after five years for miscellaneous purposes. They will also receive job credits of five thousand dollars (\$5,000) per net full-time job for a period of ten (10) years, as long as they employ 450 people.



Because of the incentives that the State offers for economic development, in January 2005, the Office of the State Auditor (OSA) submitted, to the Legislature, recommendations that would set a higher standard of review prior to funding speculative projects for any individual or corporation. During the 2005 Regular Legislative Session, the Legislature chose to include these recommendations as part of House Bill 1668, which authorized bonding for SeverCorr and was signed on March 14, 2005 by Governor Haley Barbour.

Section 57-75-11(II), Mississippi Code, Annotated, (1972) as set forth in House Bill 1668 states that:

“(i) In addition to any other requirements or conditions under this chapter, the authority shall require that any application for assistance regarding a project under this chapter include, at a minimum:

1. *A two-year business plan (which shall include proforma balance sheets, income statements and monthly cash flow statements);*
2. *Financial statements or tax returns for the three (3) years immediately prior to the application (if the project is a new company or enterprise, personal financial statements or tax returns will be required);*
3. *Credit reports on all persons or entities with a twenty percent (20%) or greater interest in the project;*
4. *Data supporting the expertise of the project's principals;*
5. *A cost benefit analysis of the project performed by a state institution of higher learning or other entity selected by the authority; and*
6. *Any other information required by the authority.*

(ii) The authority shall require that binding commitments be entered

into requiring that:

1. *The applicable minimum requirements of this chapter and such other requirements as the authority considers proper shall be met; and*
2. *If the agreed upon commitments are not met, all or a portion of the funds provided under this chapter as determined by the authority shall be repaid.*

(iii) Where appropriate, in the discretion of the authority, the authority shall acquire a security interest in or other lien upon any applicable collateral.”

In accordance with these requirements, OSA reviewed the Mississippi Development Authority's (MDA) file on SeverCorr. After careful examination, it was determined that MDA obtained the above required information and is in substantial compliance with this statute.

OSA recommends these same elements be required for all large-scale economic development bond projects in the future and that these recommendations be placed in general law to ensure continuity and consistency in future projects.