

State of South Dakota

SEVENTY-EIGHTH SESSION
LEGISLATIVE ASSEMBLY, 2003

816I0518

HOUSE STATE AFFAIRS COMMITTEE ENGROSSED

NO. **HB 1135** - 02/07/2003

This bill has been extensively amended (hoghoused) and may no longer be consistent with the original intention of the sponsor.

Introduced by: Representatives McCaulley and Williamson and Senator Abdallah

1 FOR AN ACT ENTITLED, An Act to establish the jump start South Dakota subfund and to
2 provide for its funding and disbursement.

3 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF SOUTH DAKOTA:

4 Section 1. That chapter 1-16G be amended by adding thereto a NEW SECTION to read as
5 follows:

6 There is hereby created within the revolving economic development and initiative fund,
7 created in § 1-16G-3, the jump start South Dakota subfund. The purpose of the subfund is to
8 make forgivable loans to start-up businesses to stimulate employment and business growth.

9 Section 2. That chapter 1-16G be amended by adding thereto a NEW SECTION to read as
10 follows:

11 For purposes of this Act, the term, start-up business, means any new business venture in the
12 technology, communications, service, or manufacturing sector.

13 Section 3. That chapter 1-16G be amended by adding thereto a NEW SECTION to read as
14 follows:

15 The Board of Economic Development shall designate five million dollars of the money in the



1 revolving economic development and initiative fund for the purposes of the jump start South
2 Dakota subfund. Application for a loan from the subfund shall be submitted to the Board of
3 Economic Development by September 1, 2003, and awards shall be announced by the Board of
4 Economic Development on or before December 15, 2003. If the total request for funding by
5 qualified applicants is less than five million dollars, all qualified applications shall be approved
6 by the Board of Economic Development and the balance of the fund shall be carried over to the
7 subsequent calendar year and offered in a second round. The applications for the second round
8 shall be submitted to the Board of Economic Development by March 1, 2004, and awards shall
9 be announced on or before June 15, 2004. If the total request for funding by qualified applicants
10 exceeds five million dollars, the Board of Economic Development shall prioritize the applications
11 and fund the applications with the highest priority.

12 Section 4. That chapter 1-16G be amended by adding thereto a NEW SECTION to read as
13 follows:

14 The Board of Economic Development shall administer the jump start South Dakota subfund
15 and make loans under the following terms:

- 16 (1) No loan may exceed eighty percent of the funds required to complete the business
17 plan. No less than twenty percent of the funds required to complete the business plan
18 shall be verified owner equity, not to include any in-kind services;
- 19 (2) The minimum loan amount that may be applied for is fifty thousand dollars;
- 20 (3) Each loan shall be made on an unsecured basis for an initial period of five years
21 interest free; and
- 22 (4) Following the initial five-year period the applicant business shall be adjudged to be
23 successful or failed:
 - 24 (a) If the applicant's business fails, the loan shall be converted to a grant and no

1 repayment is due; and

2 (b) If the applicant's business succeeds, the loan shall be set up for repayment on
3 a twenty-year amortization at three percent interest with a ten-year balloon
4 payment.

5 Section 5. That chapter 1-16G be amended by adding thereto a NEW SECTION to read as
6 follows:

7 The jump start South Dakota subfund shall be used to develop and promote new start-up
8 business activity and create employment in South Dakota. The Board of Economic Development
9 shall recognize that each venture is inherently high risk, and give priority to business concepts
10 that demonstrate significant growth potential or potential to generate substantial returns, or both,
11 if successful. An applicant for funds shall meet the following criteria:

- 12 (1) An innovative business concept with a reasonable probability of creating a new market
13 or filling an existing market need; and
- 14 (2) A five-year strategic plan for developing the business, creating jobs, and sourcing
15 qualified employees to execute the plan with sufficient justification to support the
16 amount of the request.

17 Section 6. That chapter 1-16G be amended by adding thereto a NEW SECTION to read as
18 follows:

19 In connection with the administration of the jump start South Dakota subfund, the Board of
20 Economic Development may, pursuant to chapter 1-26, promulgate rules to:

- 21 (1) Set the application procedures for those who apply for loans from the jump start
22 South Dakota subfund;
- 23 (2) Establish criteria to determine how loan funds shall be awarded and distributed to
24 applicants;

1 (3) Govern the use of proceeds of such loans; and

2 (4) Establish criteria for the terms and conditions upon which such loans shall be made,
3 including the basis for giving consideration to geographic diversity among the
4 approved applications.

5 Section 7. That § 1-16G-24 be amended to read as follows:

6 1-16G-24. Earnings on the revolving economic development and initiative fund, the jump
7 start South Dakota subfund, and the value added agriculture subfund may be used for the
8 administrative costs of the Division of Finance of the Governor's Office of Economic
9 Development. Such earnings shall be expended in accordance with the provisions of Title 4 on
10 warrants drawn by the state auditor on vouchers approved by the commissioner of the
11 Governor's Office of Economic Development. Eligible expenses may not exceed total interest
12 earnings during the previous fiscal year prior to the deduction of loan losses for the same fiscal
13 year.