

State of South Dakota

SEVENTY-EIGHTH SESSION
LEGISLATIVE ASSEMBLY, 2003

816I0518

HOUSE BILL NO. 1135

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 that
12 plans to employ one or more employees in the retail, 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
16 revolving economic development and initiative fund for the purposes of the jump start South



1 Dakota subfund. Application for a loan from the subfund shall be submitted to the Governor's
2 Office of Economic Development by September 1, 2003. If the total request for funding by
3 qualified applicants is less than five million dollars, all qualified applications shall be approved
4 by the Board of Economic Development. If the total request for funding by qualified applicants
5 exceeds five million dollars, the Board of Economic Development shall prioritize the applications
6 and fund the applications with the highest priority.

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

9 The Board of Economic Development shall administer the jump start South Dakota subfund
10 and make loans with a forgiveness provision. The jump start South Dakota subfund shall be used
11 to develop and promote new start-up business activity and employment in South Dakota. An
12 applicant for funds shall meet the following criteria:

- 13 (1) The applicant shall be a start-up business that will provide new employment
14 opportunities. No more than one immediate family member, excluding the applicant,
15 may be counted towards the employment objective. Immediate family member include
16 the spouse, children, parents, brothers, sisters, sister-in laws, and brother-in laws. The
17 amount of funds that may be borrowed for from the subfund per application may not
18 exceed more the ten thousand dollars per full-time equivalent position created;
- 19 (2) Loan proceeds from the subfund may only be used for equipment or capital assets and
20 the state shall take a first or second position on such assets as determined by the
21 Board of Economic Development;
- 22 (3) The applicant shall match or exceed the request from the subfund with owner equity
23 on a dollar for dollar basis;
- 24 (4) The applicant shall match or exceed the request from the subfund with a loan from a

1 bank or other lending agency. The bank or other lending agency shall monitor the
2 business activity of the applicant;

3 (5) The amount of the loan request from the subfund may not exceed the amount of the
4 loan from the bank at any time during the term of the loan; and

5 (6) The loan funds shall be loaned at an annual rate of two percent for a period of time
6 not to exceed six years. No loan payments are due in the first twelve months and an
7 amount equal to ten thousand dollars may be forgiven over the term of the loan for
8 each full-time equivalent position that is created.

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

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

13 (1) Set the application procedures for those who apply for loans from the jump start
14 South Dakota subfund;

15 (2) Establish criteria to determine which applicants will receive such loans;

16 (3) Govern the use of proceeds of such loans;

17 (4) Establish criteria for the terms and conditions upon which such loans shall be made,
18 including the terms of security given to secure such loans; and

19 (5) Govern the use of proceeds by lenders of funds advanced to the lenders by the board
20 including the terms and conditions upon which the proceeds shall be loaned to
21 borrowers for the purposes described in this Act.

22 Section 6. That § 1-16G-24 be amended to read as follows:

23 1-16G-24. Earnings on the revolving economic development and initiative fund, the jump
24 start South Dakota subfund, and the value added agriculture subfund may be used for the

1 administrative costs of the Division of Finance of the Governor's Office of Economic
2 Development. Such earnings shall be expended in accordance with the provisions of Title 4 on
3 warrants drawn by the state auditor on vouchers approved by the commissioner of the
4 Governor's Office of Economic Development. Eligible expenses may not exceed total interest
5 earnings during the previous fiscal year prior to the deduction of loan losses for the same fiscal
6 year.