

State of South Dakota

SEVENTY-NINTH SESSION
LEGISLATIVE ASSEMBLY, 2004

455J0120

HOUSE BILL NO. 1145

Introduced by: Representatives Dykstra, Haverly, McCaulley, and Van Gerpen and Senators Dempster, Duenwald, Kelly, Knudson, Koskan, and Symens

1 FOR AN ACT ENTITLED, An Act to establish the South Dakota entrepreneur support subfund
2 and to 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 South Dakota entrepreneur support subfund. The purpose of the
8 subfund is to make loans to South Dakota entrepreneurs and South Dakota start-up businesses
9 to develop and promote new business activity and to create employment in the state.

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

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

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



1 The Board of Economic Development shall designate five million dollars of the money in
2 the revolving economic development and initiative fund for the purposes of the South Dakota
3 entrepreneur support subfund.

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

6 The Board of Economic Development shall administer the South Dakota entrepreneur
7 support subfund and make loans under the following terms:

8 (1) No loan may be for less than thirty thousand dollars or for more than fifty thousand
9 dollars;

10 (2) Each loan applicant shall provide for a matching amount of financing available from
11 non-state sources equal to the amount of the loan. No in-kind amounts or services
12 may be included in the matching funds;

13 (3) Each loan shall be made on an unsecured basis for an initial period of three years,
14 interest free; and

15 (4) Following the initial three-year period, the board shall adjudicate each applicant
16 business as being either successful or failed:

17 (a) If the applicant's business fails, the loan shall be converted to a grant and no
18 repayment is due; or

19 (b) If the applicant's business is successful, the loan shall be set up for repayment
20 on a twenty-year amortization at three percent interest with a five-year balloon
21 payment. However, the board may grant a further two-year extension before
22 repayment begins.

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

1 An applicant for a loan pursuant to this Act shall meet the following criteria:

- 2 (1) An innovative business concept with a reasonable probability of creating a new
3 market or filling an existing market need;
- 4 (2) A five-year strategic plan for developing the business, creating jobs, and sourcing
5 qualified employees to execute the plan with sufficient justification to support the
6 amount of the request; and
- 7 (3) Demonstrable support from economic development and academic professionals or
8 business consultants who can provide advice and guidance to the applicant.

9 Section 6. 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 South Dakota entrepreneur support subfund,
12 the Board of 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 subfund;
- 14 (2) Establish criteria to determine how loan funds shall be awarded and distributed to
15 applicants;
- 16 (3) Standards to determine success or failure pursuant to subdivision (4) of section 4 of
17 this Act;
- 18 (4) Govern the use of proceeds of the loans; and
- 19 (5) Establish criteria for the terms and conditions upon which the loans shall be made,
20 including the basis for giving consideration to geographic diversity among the
21 approved applications.

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

23 1-16G-24. Earnings on the revolving economic development and initiative fund, the South
24 Dakota entrepreneur 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.