

2021 Regular Session

HOUSE BILL NO. 651

BY REPRESENTATIVES WILLARD AND DAVIS AND SENATOR FOIL

Prefiled pursuant to Article III, Section 2(A)(4)(b)(i) of the Constitution of Louisiana.

ECONOMIC DEVELOPMENT: Provides for dedication of federal funds if received to certain Louisiana seed capital programs

1 AN ACT

2 To enact Part VI-C of Chapter 39 of Title 51 of the Louisiana Revised Statutes of 1950, to
3 be comprised of R.S. 51:2370.1 through 2370.5, relative to the dedication of federal
4 funds from the American Rescue Plan for use by certain state seed capital programs;
5 to provide for the creation of the Seed Louisiana Initiative; to provide for
6 rulemaking; to provide for the creation of the Seed Louisiana Fund; to provide for
7 the creation of various seed capital programs; to provide for the allocation of funds
8 to such programs; to provide for the administration of such programs; to provide for
9 eligibility criteria; to provide for an effective date; and to provide for related matters.

10 Be it enacted by the Legislature of Louisiana:

11 Section 1. Part VI-C of Chapter 39 of Title 51 of the Louisiana Revised Statutes of
12 1950, comprised of R.S. 51:2370.1 through 2370.5, is hereby enacted to read as follows:

13 PART VI-C. SEED LOUISIANA INITIATIVE

14 §2370.1. Seed Louisiana Initiative; creation; purpose

15 A. The Seed Louisiana Initiative, hereinafter referred to as "Seed LA", is
16 hereby established and shall have the express purpose of providing investment
17 capital in order to increase funding and growth for small businesses by using funding
18 received by the state through the reauthorization of the State Small Business Credit
19 Initiative in the American Rescue Plan Act of 2021, P.L. 117-2.

1 B. The Louisiana Economic Development Corporation shall promulgate
2 rules in accordance with the Administrative Procedure Act as are necessary to
3 implement the provisions of this Part.

4 §2370.2. Seed Louisiana Fund

5 A. There is hereby created, as a special fund within the state treasury, the
6 Seed Louisiana Fund, hereinafter referred to as the "fund".

7 B. The treasurer shall deposit in and credit to the fund all funds received by
8 the state from the State Small Business Credit Initiative reauthorized in the American
9 Rescue Plan Act of 2021, P.L. 117-2. All unexpended and unencumbered monies
10 in the fund at the end of the fiscal year shall remain in the fund. Monies in the fund
11 shall be invested by the treasurer in the same manner as those in the state general
12 fund.

13 C. Monies in the fund shall be used solely for the purpose of providing
14 investment capital to increase funding and growth opportunities for small businesses.

15 D. Funding shall be distributed by the Louisiana Economic Development
16 Corporation in accordance with the programs established pursuant to this Part.

17 §2370.3. Venture Capital Match Program; allocation of funds; eligibility

18 A. The Venture Capital Match Program is hereby established in and shall be
19 administered by the Louisiana Economic Development Corporation for the purpose
20 of emphasizing equity funding for small business ventures by increasing capital
21 capacity to for-profit and not-for-profit venture capital funds.

22 B. The corporation shall allocate fifty percent of the money deposited into
23 the Seed LA fund to the Venture Capital Match Program, which shall use the funds
24 as follows:

25 (1) The corporation shall provide capital funds up to five million dollars to
26 venture capital funds participating in the program by matching the venture capital
27 funds' investments in the following manner:

1 (a) For for-profit venture capital funds, the corporation shall provide one
2 dollar of program funds for every two dollars of investment funds provided by the
3 participating venture capital fund.

4 (b) For not-for-profit venture capital funds, the corporation shall provide two
5 dollars of program funds for every one dollar of investment funds provided by the
6 participating venture capital fund.

7 (2) Match investment funds provided by this program shall only and fully
8 be invested into Louisiana-based small businesses within three years of the venture
9 capital funds receiving the funds from the corporation.

10 (3) Any annual fund management fee charged by the venture capital fund
11 shall not exceed two and one-half percent of the assets under management, and long-
12 term returns shall not exceed twenty percent of the profits. Any profits in excess of
13 twenty percent shall remain in the participating fund for additional business
14 investments.

15 (4) The corporation and venture capital funds shall not invest more than
16 twenty percent of the program's funds into any one business.

17 (5) Venture capital investments shall meet the qualifications of the Angel
18 Investor Tax Credit Program as set forth in R.S. 47:6020, or alternate eligibility as
19 determined by the corporation.

20 §2370.4. Minority, Woman, and Veteran-Owned Business Micro Loans Program;
21 allocation of funds; eligibility

22 A. The Minority, Woman, and Veteran-Owned Business Micro Loans
23 Program is hereby established in and shall be administered by the Louisiana
24 Economic Development Corporation for the purpose of directing funding to
25 underserved business populations.

26 B. The corporation shall allocate twenty-five percent of the money deposited
27 into the Seed LA fund to the program to provide small businesses with micro loans
28 not less than twenty-five thousand dollars and not more than fifty thousand dollars
29 if the business meets the following requirements:

1 (1) Is a minority, woman, or veteran-owned business or a small business
2 located in an opportunity zone as designated by 26 U.S.C. 1400Z-1.

3 (2) Is less than five years old.

4 (3) Has less than ten employees.

5 (4) Has less than one million dollars in annual revenue at the time of the
6 application.

7 C. The corporation may forgive the loans provided pursuant to this Section
8 if the loan recipient's use of the funds is verified and the employment and sales
9 growth performance metrics, as set by the corporation, have been met.

10 §2370.5. Early Stage and Growth Stage Innovation Program; allocation of funds;
11 eligibility

12 A. The Early Stage and Growth Stage Innovation Program is hereby
13 established and shall be administered by the Louisiana Technology Transfer Office,
14 through rules promulgated by the Louisiana Economic Development Corporation in
15 accordance with R.S. 51:2370.1, for the purpose of promoting entrepreneurship and
16 innovation by small businesses.

17 B. The corporation shall allocate twenty-five percent of the money deposited
18 into the Seed LA fund to the Early Stage and Growth Stage Innovation Program,
19 which shall use the funds as follows:

20 (1) Provide proof-of-concept grants equal to fifty thousand dollars that are
21 allocated to applicant businesses that meet objective intake criteria to be set by the
22 corporation.

23 (2) Use a portion of the funds to enhance Phase 0 support of the state's Small
24 Business Innovation Research Program, hereinafter referred to as "SBIR",
25 established pursuant to the National Defense Authorization Act for Fiscal Year 2012,
26 P.L. 112-81, and administered in this state by the Louisiana Technology Transfer
27 Office, in order to promote successful participation in the federal SBIR innovation
28 grants.

1 (3) Provide awards of up to two hundred fifty thousand dollars to prior SBIR
 2 grant recipients for use toward Phase III SBIR commercialization initiatives as
 3 provided in the National Defense Authorization Act for Fiscal Year 2012, P.L. 112-
 4 81, in order to help successful innovation companies commercialize their proven
 5 technologies.

6 Section 2. This Act shall become effective upon signature by the governor or, if not
 7 signed by the governor, upon expiration of the time for bills to become law without signature
 8 by the governor, as provided by Article III, Section 18 of the Constitution of Louisiana. If
 9 vetoed by the governor and subsequently approved by the legislature, this Act shall become
 10 effective on the day following such approval.

DIGEST

The digest printed below was prepared by House Legislative Services. It constitutes no part of the legislative instrument. The keyword, one-liner, abstract, and digest do not constitute part of the law or proof or indicia of legislative intent. [R.S. 1:13(B) and 24:177(E)]

HB 651 Original

2021 Regular Session

Willard

Abstract: Creates the Seed Louisiana Initiative and provides for dedication of certain federal funds for seed capital programs.

Proposed law creates the Seed Louisiana Initiative to provide investment capital to increase funding and growth for small businesses by using funding from the reauthorization of the State Small Business Credit Initiative in the American Rescue Plan Act of 2021.

Proposed law charges the Louisiana Economic Development Corporation with promulgating rules as necessary to implement the provisions of proposed law.

Proposed law creates the Seed Louisiana Fund to retain all funds received by the state from the State Small Business Credit initiative.

Proposed law requires monies in the fund to be used solely for providing investment capital to increase funding and growth opportunities for small businesses.

Proposed law requires that funding be distributed by the Louisiana Economic Development corporation in accordance with proposed law.

Proposed law creates the Venture Capital Match Program for the purpose of emphasizing equity funding for small businesses through increased capital capacity to for-profit and not-for-profit venture capital funds. Further, proposed law requires that the program be administered by the Louisiana Economic Development Corporation.

Proposed law allocates 50% of the money deposited into the Seed LA fund to the Venture Capital Match Program by providing for-profit venture capital funds' investments with \$1 in matching funds for every \$2 provided by the venture capital fund. The program is required to provide not-for-profit venture capital funds' investments with \$2 in matching funds for every \$1 provided by the venture capital fund.

Proposed law requires matching investment funds only and fully be invested into LA small businesses within 3 years of the venture capital funds receiving the matching funds from the corporation.

Proposed law prohibits an annual fund management fee charged by the venture capital fund from exceeding 2.5% of the assets under management and prohibits long-term returns from exceeding 20% of the profits. Further, proposed law requires that profits in excess of 20% remain in the participating fund for additional business investments.

Proposed law prohibits the corporation and venture capital funds from investing more than 20% of the program's funds into any one business.

Proposed law requires that venture capital investments under the program meet the qualifications of the Angel Investor Tax Credit Program or an alternate eligibility as determined by the corporation.

Proposed law creates the Minority, Woman, and Veteran-Owned Business Micro Loans Program for the purpose of directing funding to underserved business populations and requires the Louisiana Economic Development Corporation to administer the program.

Proposed law requires the corporation to allocate 25% of the money deposited into the Seed LA fund into the program to provide small businesses with micro loans of \$25,000 or more, not to exceed \$50,000, if the business meets the following requirements:

- (1) Is a minority, woman, or veteran-owned business or a small business located in a federally designated opportunity zone.
- (2) Is less than five years old.
- (3) Has less than ten employees.
- (4) Has less than \$1 million in annual revenue at the time of the application.

Proposed law authorizes the corporation to forgive loans provided pursuant to proposed law if the loan recipient's use of the funds is verified and the employment and sales growth performance metrics set by the corporation are met.

Proposed law creates the Early State and Growth State Innovation Program for the purpose of promoting entrepreneurship and innovation by small businesses.

Proposed law requires the program to be administered by the Louisiana Technology Transfer Office through rules promulgated by the Louisiana Economic Development Corporation.

Proposed law requires the corporation to allocate 25% of the funds deposited into the Seed LA fund to the program.

Proposed law requires the program to use the funds as follows:

- (1) Provide proof-of-concept grants of \$50,000 to applicant businesses that meet objective criteria set by the corporation.
- (2) Use a portion of the funds to enhance Phase 0 support of the state's Small Business Innovation Research Program, administered in this state by the Louisiana Technology Transfer Office.
- (3) Provide awards up to \$50,000 to prior Small Business Innovation Research Program grant recipients to use in Phase III Small Business Innovation Research Program

commercialization initiatives to assist successful innovation companies with their proven technologies.

Effective upon signature of governor or lapse of time for gubernatorial action.

(Adds R.S. 51:2370.1-2370.5)