
DIGEST

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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)