

# HOUSE BILL NO. 2201

## 99TH GENERAL ASSEMBLY

---

INTRODUCED BY REPRESENTATIVE REDMON.

5150H.011

D. ADAM CRUMBLISS, Chief Clerk

---

### AN ACT

To amend chapter 620, RSMo, by adding thereto nine new sections relating to the show me rural jobs fund.

---

*Be it enacted by the General Assembly of the state of Missouri, as follows:*

Section A. Chapter 620, RSMo, is amended by adding thereto nine new sections, to be  
2 known as sections 620.1960, 620.1961, 620.1962, 620.1963, 620.1964, 620.1965, 620.1966,  
3 620.1967, and 620.1968 to read as follows:

**620.1960. Sections 620.1960 to 620.1968 shall be known and may be cited as the**  
2 **"Show Me Rural Jobs Fund".**

**620.1961. As used in sections 620.1960 to 620.1968, the following terms mean:**

2 (1) **"Affiliate", an entity that, directly or indirectly, through one or more**  
3 **intermediaries controls, is controlled by, or is under common control with another entity.**  
4 **An entity is "controlled by" another entity if the controlling entity holds, directly or**  
5 **indirectly, the majority voting or ownership interest in the controlled entity or has control**  
6 **over the day-to-day operations of the controlled entity by contract or law;**

7 (2) **"Business concern", an operating company that, at the time of the initial**  
8 **investment in the company by a rural fund, has fewer than one hundred fifty employees**  
9 **and whose principal place of business is located in this state but not located in a county**  
10 **with a charter form of government or a county of the first classification;**

11 (3) **"Closing date", the date on which a rural fund has collected all of the amounts**  
12 **specified under section 620.1962;**

13 (4) **"Department", the department of economic development;**

EXPLANATION — Matter enclosed in bold-faced brackets [thus] in the above bill is not enacted and is intended to be omitted from the law. Matter in **bold-face** type in the above bill is proposed language.

14           (5) "Earned job factor", an amount equal to seven thousand five hundred dollars  
15 per year per full-time employee employed by a business concern located in a rural area;

16           (6) "Full-time employee", an employee who is employed by a business concern for  
17 at least thirty-five hours per week or who renders any other standard of service generally  
18 accepted by custom or practice as full-time employment;

19           (7) "Growth investment", any capital or equity investment in a business concern  
20 or any loan to a business concern with a stated maturity at least one year after the date of  
21 issuance;

22           (8) "Investment authority", the amount stated on the notice issued under  
23 subsection 2 of section 620.1962 certifying the rural fund. A rural fund's investment  
24 authority shall be composed of equal amounts of repayable grant contributions and private  
25 contributions at the closing date;

26           (9) "Net full-time employee", the difference between:

27           (a) The number of full-time employees at the business concern on the date of the  
28 initial growth investment; and

29           (b) The quarterly average of full-time employees at the business concern for the  
30 preceding year, annualized from the date of the initial growth investment;

31           (10) "Principal place of business", for a business concern, the location or locations  
32 where at least eighty percent of its employees work or where employees who are paid at  
33 least eighty percent of its payroll work. An out-of-state business that has agreed to relocate  
34 employees using the proceeds of a growth investment to establish its principal place of  
35 business in this state shall be deemed to have its principal place of business in such new  
36 location, provided it satisfies this definition within one hundred eighty days of receiving  
37 the growth investment or, if agreed to by the department, a later date;

38           (11) "Private contributions", an investment of cash in a rural fund to match dollar-  
39 for-dollar the repayable grant amount up to the investment authority of the rural fund.  
40 A rural fund's private contributions shall be composed as follows:

41           (a) At least ten percent shall be equity investments contributed by affiliates of the  
42 rural fund, including employees, officers, and directors of such affiliates; and

43           (b) The remainder shall be comprised of equity investments contributed by  
44 nonaffiliates of the rural fund;

45           (12) "Repayment amount", the amount for a rural fund that is fifty percent of its  
46 investment authority issued under subsection 2 of section 620.1962 minus the sum of:

47           (a) The product of net full-time employees reported to the state in each of the rural  
48 fund's annual reports submitted under subdivision (3) of subsection 1 of section 620.1966  
49 and the earned job factor; and

50 (b) The product of full-time employees at the time of the initial growth investment  
51 in a business concern and twenty-five percent of the business concern's applicable earned  
52 job factor.

53

54 The amount of the repayable grant that is available for repayment shall be reduced by  
55 fifteen percent upon meeting the one hundred percent investment requirement under  
56 subdivision (1) of subsection 1 of section 620.1964;

57 (13) "Repayable grant", an investment of cash by the department into a rural fund  
58 that will be matched dollar-for-dollar with private contributions up to the investment  
59 authority of the rural fund;

60 (14) "Rural area", any county with a population less than seventy-five thousand  
61 or that does not contain an individual city with a population greater than fifty thousand  
62 according to the most recent federal decennial census;

63 (15) "Rural fund", an entity certified by the department under 620.1962.

620.1962. 1. Beginning October 1, 2018, the department shall accept applications  
2 for approval as a rural fund. The application shall include all of the following:

3 (1) The total investment authority sought by the applicant;

4 (2) A copy of the applicant's license or the license of an affiliate of the applicant as  
5 a rural business investment company under 7 U.S.C. Section 2009cc or as a small business  
6 investment company under 15 U.S.C. Section 681 et seq.;

7 (3) Evidence that, as of the date of the application, the applicant or the affiliate has  
8 invested at least fifty million dollars in nonpublic companies located in counties throughout  
9 the United States with fewer than eighty thousand residents; and

10 (4) A signed affidavit from each investor stating the investor's amount of private  
11 contributions to the rural fund.

12 2. The department shall make application determinations by November 30, 2018,  
13 in the order in which the applications are received. The department shall deem  
14 applications received on the same day to have been received simultaneously. The  
15 department shall not approve more than one hundred million dollars in investment  
16 authority. If requests for investment authority received simultaneously would result in  
17 exceeding such limitation, the department shall proportionally allot the investment  
18 authority among the approved applications. Upon approving an application, the  
19 department shall provide a grant certificate to the applicant designating the applicant as  
20 a rural fund and specifying the amount of the rural fund's investment authority.

21 3. The department may deny an application submitted under this section only for  
22 the following reasons:

23 (1) The applicant does not satisfy all the criteria under subsection 1 of this section;

24 (2) The signed affidavits of investors indicate private contributions of less than fifty  
25 percent of the total amount of investment authority sought by the applicant; or

26 (3) The department has already approved the maximum amount of investment  
27 authority allowed under subsection 2 of this section.

28 4. If the department denies an application, the applicant may provide additional  
29 information to the department within five days of the notice of denial. The department  
30 shall review and reconsider the application and additional information within ten days but  
31 not after November 30, 2018. A reconsidered application shall retain its original date of  
32 receipt under subsection 2 of this section for purposes of priority.

33 5. A rural fund shall:

34 (1) Within sixty days after receiving the approval issued under subsection 2 of this  
35 section, collect the private contributions from each investor that, when added to the  
36 repayable grant, equal the rural fund's investment authority; and

37 (2) Within sixty-five days after receiving the approval issued under subsection 2 of  
38 this section, send to the department documentation sufficient to prove that the amounts  
39 under subdivision (1) of this subsection have been collected.

40 6. If the rural fund fails to fully comply with subsection 5 of this section, the rural  
41 fund's approval is forfeited, and the department may award the corresponding investment  
42 authority to existing applicants who received an investment authority lower than the  
43 amount requested due to the maximum limit under subsection 2 of this section or to new  
44 applicants.

620.1963. 1. There is hereby created in the state treasury the "Show Me Rural Jobs  
2 Fund", which shall consist of moneys appropriated by the general assembly. The state  
3 treasurer shall be custodian of the fund. In accordance with sections 30.170 and 30.180,  
4 the state treasurer may approve disbursements. The fund shall be a dedicated fund, and,  
5 upon appropriation, moneys in the fund shall be used solely for the administration of  
6 sections 620.1960 to 620.1968. Notwithstanding the provisions of section 33.080 to the  
7 contrary, any moneys remaining in the fund at the end of the biennium shall not revert to  
8 the credit of the general revenue fund. The state treasurer shall invest moneys in the fund  
9 in the same manner as other funds are invested. Any interest and moneys earned on such  
10 investments shall be credited to the fund.

11 2. The department shall provide allocations from the fund to a rural fund as of the  
12 closing date in an amount equal to one-half of the investment authority specified on the  
13 grant certificate under subsection 2 of section 620.1962.

14           **3. The rural fund and the department shall execute a binding agreement stating the**  
15 **duties of the department, including the right of the rural fund to receive allocations as**  
16 **provided in subsection 2 of this section; the duties of the rural fund to invest in business**  
17 **concerns; and the terms of grant repayment, consistent with the provisions of the show me**  
18 **rural jobs fund.**

**620.1964. 1. The department shall demand immediate repayment of the grant**  
2 **issued under section 620.1963 if any of the following occurs with respect to the rural fund**  
3 **before it is certified to exit the program under 620.1968:**

4           **(1) The rural fund does not invest all of its investment authority in growth**  
5 **investments in this state within three years of the closing date and does not invest at least**  
6 **seventy percent of its investment authority in growth investments in rural areas;**

7           **(2) The rural fund, after satisfying subdivision (1) of this subsection, fails to**  
8 **maintain growth investments equal to one hundred percent of its investment authority in**  
9 **growth investments in this state until the sixth anniversary of the closing date. For the**  
10 **purposes of this subsection, an investment is "maintained" even if the investment is sold**  
11 **or repaid so long as the rural fund reinvests an amount equal to the capital returned or**  
12 **recovered by the rural fund from the original investment, exclusive of any profits realized,**  
13 **in other growth investments in this state within twelve months of the receipt of such**  
14 **capital. Amounts received periodically by a rural fund shall be treated as continually**  
15 **invested in growth investments if the amounts are reinvested in one or more growth**  
16 **investments by the end of the following calendar year. A rural fund is not required to**  
17 **reinvest capital returned from growth investments during the six months preceding the**  
18 **sixth anniversary of the closing date, and such growth investments shall be considered held**  
19 **continuously by the rural fund through the sixth anniversary of the closing date;**

20           **(3) The rural fund, before exiting the program under section 620.1968, makes a**  
21 **distribution or payment that results in the rural fund having less than one hundred percent**  
22 **of its investment authority invested in growth investments in this state or available for**  
23 **investment in growth investments and held in cash and other marketable securities;**

24           **(4) The rural fund provides greater than five million dollars in growth investments**  
25 **in a single business concern, including growth investments in affiliates of the business**  
26 **concern; or**

27           **(5) The rural fund makes a growth investment in a business concern that directly**  
28 **or indirectly through an affiliate owns, has the right to acquire an ownership interest,**  
29 **makes a loan to, or makes an investment in the rural fund, an affiliate of the rural fund,**  
30 **or an investor in the rural fund. For purposes of this subdivision, a rural fund shall not**  
31 **be considered an affiliate of a business concern solely as a result of its growth investment.**

32           **2. Before demanding repayment under this subsection, the department shall notify**  
33 **the rural fund of the reasons for the pending repayment. The rural fund shall have ninety**  
34 **days from the date the notice was dispatched to correct any violation outlined in the notice**  
35 **to the satisfaction of the department and avoid repayment of the grant.**

**620.1965. A rural fund, before making a growth investment, may request from the**  
2 **department a written opinion as to whether the business in which it proposes to invest is**  
3 **a business concern under the show me rural jobs fund. The department, not later than the**  
4 **fifteenth business day after the date of receipt of the request, shall notify the rural fund of**  
5 **its determination. If the department fails to notify the rural fund of its determination by**  
6 **the fifteenth business day, the business in which the rural fund proposes to invest shall be**  
7 **deemed to not be a business concern.**

**620.1966. 1. A rural fund shall submit an annual report to the department on or**  
2 **before the last day of February of each year until the rural fund has exited the program**  
3 **under section 620.1968. The annual report shall provide documentation as to the rural**  
4 **fund's growth investments and include:**

5           **(1) A bank statement evidencing each growth investment;**

6           **(2) The name, location, and industry of each business concern receiving a growth**  
7 **investment, including either the determination letter set forth under section 620.1965 or**  
8 **evidence that the business qualified as a business concern at the time the investment was**  
9 **made;**

10          **(3) The annualized number of net full-time employees and the number of full-time**  
11 **employees at the business concern on the date of the initial growth investment at each**  
12 **business concern; and**

13          **(4) Any other information required by the department.**

14           **2. Within sixty days of receipt of an annual report, the department shall provide**  
15 **written confirmation to the rural fund of the net full-time employees the rural fund has**  
16 **been credited for that year.**

17           **3. By the fifth business day after the third anniversary of the closing date, a rural**  
18 **fund shall submit a report to the department evidencing its compliance with the investment**  
19 **requirements of subdivision (1) of subsection 1 of section 620.1964.**

20           **4. The department may promulgate rules to implement the provisions of the show**  
21 **me rural jobs fund. Any rule or portion of a rule, as that term is defined in section**  
22 **536.010, that is created under the authority delegated in this section shall become effective**  
23 **only if it complies with and is subject to all of the provisions of chapter 536 and, if**  
24 **applicable, section 536.028. This section and chapter 536 are nonseverable, and if any of**  
25 **the powers vested with the general assembly pursuant to chapter 536 to review, to delay**

26 the effective date, or to disapprove and annul a rule are subsequently held  
27 unconstitutional, then the grant of rulemaking authority and any rule proposed or adopted  
28 after August 28, 2018, shall be invalid and void.

29 5. The department shall submit an annual report to the general assembly on or  
30 before April 1, 2020. The annual report shall include:

31 (1) The rural funds certified to participate in the program;

32 (2) The amount of investment authority awarded to each rural fund;

33 (3) Any investments made by the rural funds, including the location of the  
34 investments;

35 (4) Whether the rural funds are in compliance with the statute and rules and  
36 regulations; and

37 (5) Any other information deemed pertinent by the department.

620.1967. 1. The department shall calculate an annual fee to be paid by each rural  
2 fund certified under section 620.1962 by dividing twenty-five thousand dollars by the  
3 number of applications certified under section 620.1968 and notify each rural fund of the  
4 amount of the annual fee.

5 2. The initial annual fee shall be due and payable to the department with evidence  
6 of receipt of a cash investment as set forth under subdivision (2) of subsection 5 of section  
7 620.1962. After the initial annual fee, an annual fee shall be due and payable to the  
8 department on or before that last day of February of each year.

9 3. An annual fee shall not be required once a rural fund has exited the program  
10 under 620.1968.

11 4. To maintain an aggregate annual fee of twenty-five thousand dollars for all rural  
12 funds, the department shall recalculate the annual fee as needed upon the lapse of any  
13 certification under subsection 6 of section 620.1962, the demand of repayment under  
14 subsection 1 of section 620.1964, or a rural fund's exit from the program under section  
15 620.1968.

620.1968. 1. On or after the sixth anniversary of the closing date, a rural fund may  
2 exit the program and no longer be subject to the provisions of the show me rural jobs fund.  
3 The department shall respond to the application within thirty days of receipt and include  
4 a calculation of any repayment amount due.

5 2. No distributions shall be made with respect to the equity interests of the rural  
6 fund in excess of the sum of the amount of equity capital invested with respect to such  
7 interests and an amount equal to any projected increase in the federal or state tax liability  
8 of holders of such interests related to the ownership, management, or operation of the rural  
9 fund until the rural fund has made payments to the state equal to the repayment amount.