



# SENATE BILL 223: North Carolina Rural Job Creation Fund.

2017-2018 General Assembly

<b>Committee:</b>	House Rules, Calendar, and Operations of the House	<b>Date:</b>	June 27, 2017
<b>Introduced by:</b>	Sens. J. Jackson, Britt, Newton	<b>Prepared by:</b>	Howard Marsilio Staff Attorney
<b>Analysis of:</b>	PCS to Third Edition S223-CSBG-28		

**OVERVIEW:** *The Proposed Committee Substitute (PCS) for Senate Bill 223 would create the North Carolina Rural Job Creation Fund, which would authorize the Department of Commerce (Department) to make allocations of funds as grants to rural business investment companies or small business investment companies (licensed in accord with federal laws) for investing in businesses in primarily tier one and tier two areas.*

### CURRENT LAW:

The General Assembly has created new economic development tools for new and expanding businesses in North Carolina, such as the Job Development Investment Grant (JDIG) Program. There is no current program providing grants to rural business investment or small business investment companies.

### BILL ANALYSIS:

**Section 1** would create the North Carolina Rural Job Creation Fund through the creation of a new Part 23, of Article 10 in Chapter 143B of the General Statutes. This new part would do the following:

- Define terms related to the North Carolina Rural Job Creation Fund.
- Outline the application process, and application criteria necessary, for applications submitted to the Department of Commerce for approving rural funds, which require:
  - The total investment authority requested by the rural fund.
  - A copy of the applicant's rural investment company or small business investment company license under applicable federal laws.
  - Evidence that the applicant has invested at least \$100,000,000 in non-public companies throughout the United States in areas with fewer than 50,000 residents.
  - A signed affidavit from each investor stating the amounts of private contributions to the rural fund.
- Require the Department to make application determinations by November 30, 2018, and cap total allocated investment authority to \$100,000,000. In the case of simultaneous applications, the Department may proportionally allot investment authority. The Department shall provide a grant certificates for approved rural funds upon application approval.
- Outline grounds for denying applications, and the process for requesting review and reconsideration of the application with the possibility of submitting additional information.

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- Outline grounds for approval forfeiture if private contributions are not collected timely, and sufficient documentation is not received by the Department.
- Create the North Carolina Rural Job Creation Fund as a special revenue fund in the Department, and requires the Department to allocate a dollar-for-dollar grant, up to 50% of the investment authority.
- Require the execution of a binding agreement between the Department and the rural funds stating the terms and conditions.
- Requires the Department to demand repayment of a grant, when a violation is not corrected after notice by the Department, if:
  - The rural fund does not invest all of its investment authority in growth investments of this State within 3 years, at least 70% of which are in tier one or tier two areas.
  - The rural fund does not maintain growth investment benchmarks.
  - Improper distribution or payments prior to exiting the program.
  - Investing more than the \$5,000,000 cap into a single business concern.
  - Investing in a business concern that also invests in the rural fund directly or indirectly.
- Allow the Department to issue written opinions, upon request from a rural fund, as to whether a business concern meets Department guidelines.
- Outline the reporting requirements to the Department, which includes:
  - An annual report documenting the rural fund's growth investments and outlines required information for the report.
  - A report after 3 years to the Department documenting compliance with the investment requirements.
  - An annual report to the Joint Legislative Economic Development Oversight Committee.
- Outline an annual fee associated with the program to be paid by each rural fund.
- Outline the program exit requirements.

**Section 2** would require the Department to adopt rules providing for the administration of the Rural Job Creation Fund prior to the convening of the 2018 Regular Session of the 2017 General Assembly.

**EFFECTIVE DATE:** This act would be effective when it becomes law.