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SENATE BILL NO. 319

Offered January 13, 2016

Prefiled January 8, 2016

A BILL to amend and reenact §§ 2.2-1605 and 2.2-1616 of the Code of Virginia, relating to the Small Business Investment Grant Fund; administration; qualifications.

 Patron—Lucas

 Referred to Committee on General Laws and Technology

Be it enacted by the General Assembly of Virginia:

- 1. That §§ 2.2-1605 and 2.2-1616 of the Code of Virginia are amended and reenacted as follows:
§ 2.2-1605. Powers and duties of Department.**

A. The Department shall have the following powers and duties:

1. Coordinate as consistent with prevailing law the plans, programs, and operations of the state government that affect or may contribute to the establishment, preservation, and strengthening of small, women-owned, and minority-owned businesses;

2. Promote the mobilization of activities and resources of state and local governments, businesses and trade associations, universities, foundations, professional organizations, and volunteer and other groups towards the growth of small businesses and businesses owned by women and minorities, and facilitate the coordination of the efforts of these groups with those of state departments and agencies;

3. Establish a center for the development, collection, summarization, and dissemination of information that will be helpful to persons and organizations throughout the nation in undertaking or promoting procurement from small, women-owned, and minority-owned businesses;

4. Consistent with prevailing law and availability of funds, and according to the Director's discretion, provide technical and management assistance to small, women-owned, and minority-owned businesses and defray all or part of the costs of pilot or demonstration projects that are designed to overcome the special problems of small, women-owned, and minority-owned businesses;

5. Advise the Small Business Financing Authority on the management and administration of the Small, Women-owned, and Minority-owned Business Loan Fund created pursuant to § 2.2-2311.1;

6. Implement any remediation or enhancement measure for small, women-owned, or minority-owned businesses as may be authorized by the Governor pursuant to subsection C of § 2.2-4310 and develop regulations, consistent with prevailing law, for program implementation. Such regulations shall be developed in consultation with the state agencies with procurement responsibility and promulgated by those agencies in accordance with applicable law; and

7. Receive and coordinate, with the appropriate state agency, the investigation of complaints that a business certified pursuant to this chapter has failed to comply with its subcontracting plan under subsection D of § 2.2-4310. If the Department determines that a business certified pursuant to this chapter has failed to comply with the subcontracting plan, the business shall provide a written explanation.

B. In addition, the Department shall serve as the liaison between the Commonwealth's existing businesses and state government in order to promote the development of Virginia's economy. To that end, the Department shall:

1. Encourage the training or retraining of individuals for specific employment opportunities at new or expanding business facilities in the Commonwealth;

2. Develop and implement programs to assist small businesses in the Commonwealth in order to promote their growth and the creation and retention of jobs for Virginians;

3. Establish an industry program that is the principal point of communication between basic employers in the Commonwealth and the state government that will address issues of significance to business;

4. Make available to existing businesses, in conjunction and cooperation with localities, chambers of commerce, and other public and private groups, basic information and pertinent factors of interest and concern to such businesses;

5. Develop statistical reports on job creation and the general economic conditions in the Commonwealth; and

6. Administer the Small Business Jobs Grant Fund Program and the Small Business Investment Grant Fund described in Article 2 (§ 2.2-1611 et seq.).

C. All agencies of the Commonwealth shall assist the Department upon request and furnish such information and assistance as the Department may require in the discharge of its duties.

INTRODUCED

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59 § 2.2-1616. Creation, administration, and management of the Small Business Investment Grant
60 Fund.

61 A. As used in this section:

62 "Authority" means the Virginia Small Business Financing Authority.

63 "Eligible investor" means an individual subject to the tax imposed by § 58.1-320. The term shall not
64 include an individual who engages in the business of making debt or equity investments in private
65 businesses, or to any person that would be allocated a portion of the grant under this section as a
66 partner, shareholder, member, or owner of an entity that engages in such business.

67 "Fund" means the Small Business Investment Grant Fund.

68 "Pass-through entity" means the same as that term is defined in § 58.1-390.1.

69 "Qualified investment" means a cash investment in a qualified business in the form of equity or
70 subordinated debt. However, an investment shall not be qualified if the taxpayer who holds such
71 investment, or any of the taxpayer's family members, or any entity affiliated with such taxpayer, receives
72 or has received compensation from the qualified business in exchange for services provided to such
73 business as an employee, officer, director, manager, independent contractor, or otherwise in connection
74 with or within one year before or after the date of such investment. For the purposes hereof,
75 reimbursement of reasonable expenses incurred shall not be deemed to be compensation.

76 "Small business" means a corporation, pass-through entity, or other entity that (i) has annual gross
77 revenues of no more than \$3 \$5 million in its most recent fiscal year; (ii) has its principal office or
78 facility in the Commonwealth; (iii) is engaged in business primarily in or does substantially all of its
79 production in the Commonwealth; (iv) has not obtained during its existence more than \$3 million in
80 aggregate gross cash proceeds from the issuance of its equity or debt investments, not including
81 commercial loans from national or state-chartered banking or savings and loan institutions; (v) has no
82 more than 50 employees who are employed within the Commonwealth; and (vi) has been designated as
83 such by the Department Authority pursuant to the provisions of this section.

84 "Subordinated debt" means indebtedness of a corporation, general or limited partnership, or limited
85 liability company that (i) by its terms required no repayment of principal for the first three years after
86 issuance, (ii) is not guaranteed by any other person or secured by any assets of the issuer or any other
87 person, and (iii) is subordinated to all indebtedness and obligations of the issuer to national or
88 state-chartered banking or savings and loan institutions.

89 B. From such funds as may be appropriated by the General Assembly and any gifts, grants, or
90 donations from public or private sources, there is hereby created in the state treasury a special
91 nonreverting, permanent fund to be known as the Small Business Investment Grant Fund, to be
92 administered by the Department. The Fund shall be established on the books of the Comptroller. Interest
93 earned on moneys in the Fund shall remain in the Fund and be credited to it. Any moneys remaining in
94 the Fund at the end of each fiscal year, including interest thereon, shall not revert to the general fund
95 but shall remain in the Fund. Expenditures and disbursements from the Fund, which shall be in the form
96 of grants pursuant to this section, shall be made by the State Treasurer on warrants issued by the
97 Comptroller upon written request bearing the signature of the Director. Grants from the Fund shall only
98 be made to applications pursuant to this section.

99 C. An eligible investor that makes a qualified investment in a small business on or after July 1,
100 2012, but prior to January 1, 2015 2019, that has been certified by the Department Authority pursuant to
101 subsection D shall be eligible for a grant in an amount equal to 10 percent of the qualified investment.
102 An eligible investor may apply for a grant for each qualified investment that is made to one or more
103 small businesses *not to exceed a total grant allocation from the Fund of \$250,000 per eligible investor.*

104 D. A small business shall apply with the Department to be certified as a small business in order
105 Authority to receive qualified investments eligible for the grant pursuant to this section and shall provide
106 to the Department Authority such information as the Department Authority deems necessary to
107 demonstrate that it meets the qualifications set forth in subsection A. A small business shall apply each
108 year in order to be certified as a small business. No grant application shall be approved for an otherwise
109 qualified investment in a small business not first certified by the Department.

110 E. Any eligible investor applying for a grant pursuant to this section shall submit an application to
111 the Department Authority. Alternatively, a small business may apply to the Department Authority on
112 behalf of an eligible investor. The Department Authority shall determine the amount of the grant
113 allowable to the eligible investor for the year.

114 F. Unless the eligible investor transfers the equity received in connection with a qualified investment
115 as a result of (i) the liquidation of the small business issuing such equity; (ii) the merger, consolidation,
116 or other acquisition of such business with or by a party not affiliated with such business; or (iii) the
117 death of the eligible investor, any eligible investor that fails to hold such equity for at least two years
118 shall forfeit the grant and shall pay the Department Authority interest on the total allowed grant at the
119 rate of one percent per month, compounded monthly, from the date the grant was awarded to the
120 taxpayer. The Department Authority shall deposit any amounts received under this subsection into the

121 general fund of the Commonwealth.

122 G. Grants shall be issued in the order that each completed eligible application is received by the
123 ~~Department~~ Authority. In the event that the amount of eligible grants requested in a fiscal year exceeds
124 the funds available in the Fund, such grants shall be paid in the next fiscal year in which funds are
125 available.

126 H. An eligible investor shall not be awarded a grant pursuant to this section for any investment in a
127 small business for which the eligible investor has been allowed a tax credit pursuant to § 58.1-339.4.

128 I. The ~~Department~~ Authority shall establish policies and procedures relating to (i) the certification of
129 small businesses, (ii) the application for grants, and (iii) the recapture of grant awards claimed with
130 interest in the event that the qualified investment is not held for the requisite period set forth in
131 subsection F. Such policies and procedures shall be exempt from the Administrative Process Act
132 (§ 2.2-4000 et seq.).