

AN ACT relating to job creation and small business development.

Be it enacted by the General Assembly of the Commonwealth of Kentucky:

SECTION 1. A NEW SECTION OF SUBCHAPTER 10 OF KRS CHAPTER 154 IS CREATED TO READ AS FOLLOWS:

The purposes of Sections 1 to 3 of this Act are to:

- (1) Assign responsibility to the Kentucky Economic Development Partnership Board to achieve and maintain unemployment rates of three percent (3%) or less in each Kentucky county by 2016;*
- (2) Establish a small business development and financing program which is funded with legislative appropriations, with proceeds from the sale of zero-coupon discount bonds, and with loan guarantees for zero coupon discount bonds issued by others; and*
- (3) Authorize the Cabinet for Economic Development to establish a distribution system which invests in new businesses, start-up businesses, and other small businesses located within Kentucky through privately owned and managed venture capital funds.*

SECTION 2. A NEW SECTION OF SUBCHAPTER 10 OF KRS CHAPTER 154 IS CREATED TO READ AS FOLLOWS:

- (1) The Kentucky Economic Development Partnership Board is authorized to issue, in accordance with KRS 154.10-035 and other provisions of this chapter, and subject to KRS 42.420, zero-coupon discount bonds and to provide loan guarantees to master venture funds, as described in Sections 1 to 3 of this Act, for investment in new businesses, in start-up companies, and in other small businesses located within the Commonwealth.*
- (2) Subject to authorization of and appropriations for bonds to support the small business development and financing program by the Kentucky General Assembly, the bonds shall be managed by the Cabinet for Economic Development, with the*

following guiding provisions:

- (a) The cumulative face value amount of discount bonds and bonds guaranteed shall not exceed two billion dollars (\$2,000,000,000);
- (b) The maturity on bonds issued pursuant to this section shall be for at least ten (10) years but not longer than twenty (20) years;
- (c) The bond issues shall permit early redemption;
- (d) Payment of principal and interest on these bonds shall constitute a first charge and lien against all revenues made available to the Cabinet for Economic Development for bond purposes before any such revenues are used, applied, and disbursed for any other valid purposes of the cabinet, including the payment of operation and maintenance costs incident to the cabinet's operation of this and other agency programs;
- (e) The Cabinet for Economic Development shall establish a restricted agency fund, known as the small business venture capital fund, as a trust and agency account, which shall not lapse to:
1. Receive moneys allocated by the Kentucky General Assembly, raised by the issuance of zero-coupon discount bonds and guarantees of bonds issued by others, repaid on loans to master venture funds, and distributed from the master funds; and
 2. Reinvest proceeds earned through the account for the cabinet's small business financing program established through Sections 1 to 3 of this Act, including the retirement of program bonds, on a long-term and continuing basis;
- (f) The cumulative amount of appropriations from the General assembly, together with proceeds from the issuance of zero-coupon discount bonds and proceeds from guarantees of zero-coupon discount bonds issued by others, in total, shall not exceed four billion two hundred million dollars

(\$4,200,000,000);

(g) In establishing this program, it is the policy of the Kentucky General Assembly to fund this program with appropriations sufficient to achieve a total investment of four billion two hundred million dollars (\$4,200,000,000); and

(h) The Kentucky Economic Development Partnership Board may incur short-term indebtedness such as a line of credit or zero-coupon discount bonds with one (1) year maturity or less to operate this program prior to the issuance of a large bond issue.

(3) Prior to the issuance of bonds or loan guarantees for the purposes of Sections 1 to 3 of this Act, the following provisions shall be applicable:

(a) The cabinet shall submit any proposed issue to the Capital Projects and Bond Oversight Committee for its review and determination in accordance with KRS 45.810;

(b) The cabinet is authorized to raise up to one hundred million dollars (\$100,000,000) by issuing zero-coupon discount bonds or by guaranteeing zero-coupon discount bonds issued by others in fiscal year 2007-2008;

(c) The cabinet is further authorized to raise up to three hundred million dollars (\$300,000,000) by issuing zero-coupon discount bonds or guaranteeing zero-coupon discount bonds issued by others in fiscal year 2008-2009; and

(d) Future bond authorizations may be proposed by the cabinet for consideration of the Capital Projects and Bond Oversight Committee for the continued implementation of this program.

SECTION 3. A NEW SECTION OF SUBCHAPTER 10 OF KRS CHAPTER 154 IS CREATED TO READ AS FOLLOWS:

The Cabinet for Economic Development shall establish a distribution system to achieve

the purposes of Sections 1 to 3 of this Act, which shall operate as follows:

- (1) The cabinet shall invest bond proceeds and venture capital funding appropriated by Kentucky's General Assembly into not more than eight (8) master venture funds.*
- (2) Each master venture fund shall be organized under KRS Chapter 271B and shall state in its articles of incorporation that a portion of the final distribution of the corporation shall be distributed to the Kentucky State Treasurer.*
- (3) The investment in each master venture fund shall be in the form of zero-coupon discount indebtedness which matures in at least ten (10) years but not more than twelve (12) years.*
- (4) Each master venture fund shall distribute funds to smaller venture funds and may invest in any business activity permitted within the Commonwealth.*
- (5) At least fifty (50) small venture funds shall be created to promote business activity throughout the Commonwealth and may invest in any business venture permitted within the state.*