

SECOND REGULAR SESSION

SENATE BILL NO. 1037

99TH GENERAL ASSEMBLY

INTRODUCED BY SENATOR WASSON.

Read 1st time February 26, 2018, and ordered printed.

ADRIANE D. CROUSE, Secretary.

6575S.011

AN ACT

To amend chapter 348, RSMo, by adding thereto nine new sections relating to an innovation fund to promote economic growth in the state of Missouri.

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

Section A. Chapter 348, RSMo, is amended by adding thereto nine new sections, to be known as sections 348.550, 348.555, 348.560, 348.565, 348.570, 348.575, 348.580, 348.585, and 348.590, to read as follows:

348.550. Sections 348.550 to 348.590 shall be known and may be cited as the "Missouri Innovation Fund Act".

348.555. As used in sections 348.550 to 348.590, the following terms shall mean:

(1) "Bond proceeds", the moneys raised from the sale of bonds issued under section 348.575;

(2) "Innovation fund", the Missouri innovation fund established under section 348.570;

(3) "Missouri innovation fund corporation", the Missouri innovation fund corporation established under section 348.560;

(4) "Missouri technology corporation", the Missouri technology corporation established under sections 348.251;

(5) "Proceeds", all interest, dividends, and other moneys or property derived from the Missouri innovation fund corporation's securities obtained by direct seed capital and venture capital investments in qualified companies and qualified funds, including all moneys derived from the sale of such investments, whether such investments constitute debt or equity. "Proceeds" shall not include bond proceeds as defined in this section;

(6) "Project facility", a building or buildings within the state of

19 Missouri used by a qualified company at which new or retained jobs are
20 or will be located;

21 (7) "Qualified company", a firm, partnership, joint venture,
22 association, or private or public for-profit corporation that:

23 (a) Is headquartered in this state;

24 (b) Has at least fifty-one percent of its employees employed in
25 this state;

26 (c) Is any of the following:

27 a. Engaged in or has committed to engage in innovation within
28 a business sector with high potential for economic growth as
29 determined by the Missouri innovation fund corporation, including, but
30 not limited to:

31 (i) Manufacturing, biotechnology, nanotechnology,
32 communications, agriculture, clean energy creation or storage
33 technology, or transportation and logistics;

34 (ii) Processing or assembling products, including medical
35 devices, pharmaceuticals, computer software, computer hardware,
36 semiconductors, any other innovative technology products, or other
37 products that are produced using manufacturing methods that are
38 enabled by applying technology; or

39 (iii) Services that are enabled by applying technology;

40 b. Undertaking pre-commercialization activity related to
41 technology that includes conducting research, developing a new
42 product or business process, or developing a service that is principally
43 reliant on applying technology;

44 (d) Is not primarily engaged in real estate development,
45 insurance, banking, lending, lobbying, political consulting, professional
46 services provided by attorneys, accountants, business consultants,
47 physicians, or health care consultants, wholesale or retail trade,
48 leisure, or hospitality. Notwithstanding the foregoing, a company that
49 develops software, online marketplaces or platforms, or other
50 technological innovation related to the sectors listed in this paragraph
51 may constitute a qualified company if it satisfies the other criteria
52 required under this subdivision;

53 (e) At the time of investment, has less than one hundred
54 employees;

55 (f) At the time it is initially certified under this subdivision, has

56 **been in operation in this state for not more than ten consecutive years;**

57 **(g) Agrees that it will not relocate any portion of its operations**
58 **outside the state during the three years immediately after it receives**
59 **an investment from the innovation fund, and further agrees to repay**
60 **the Missouri innovation fund corporation the amount of such**
61 **investment received from the innovation fund, including investment**
62 **through a qualified fund, if any portion of the business relocates**
63 **outside the state during such three year period. For the purposes of**
64 **this paragraph, except as provided in policies and procedures**
65 **established by the department of economic development, a business**
66 **relocates outside this state when the business locates more than ten**
67 **percent of any of the following outside the state:**

68 **a. The company's employees;**
69 **b. The company's total payroll; or**
70 **c. The activities of the company's headquarters, as determined**
71 **by the Missouri innovation fund corporation; and**

72 **(h) At the time of investment, has lawfully registered with the**
73 **commissioner of securities, or is exempt from registration under the**
74 **provisions of chapter 409;**

75 **(8) "Qualified fund", a fund consisting entirely of investments in**
76 **qualified companies, established by any corporation, partnership, joint**
77 **venture, unincorporated association, trust, or other organization**
78 **registered to do business in the state, and which is certified by the**
79 **Missouri innovation fund corporation under section 348.560.**

348.560. 1. The Missouri technology corporation is hereby
2 **granted all powers necessary to create a wholly-owned subsidiary**
3 **nonprofit corporation to promote economic growth and job creation**
4 **within the state of Missouri. The nonprofit corporation shall be known**
5 **as the "Missouri Innovation Fund Corporation".**

6 **2. The purpose of the Missouri innovation fund corporation,**
7 **which shall be deemed to provide a public benefit, shall be to promote**
8 **economic growth and job creation throughout the state of Missouri**
9 **under sections 348.550 to 348.590.**

10 **3. The Missouri innovation fund corporation shall implement a**
11 **program to certify investment fund managers for the purposes of**
12 **sections 348.550 to 348.590. An investment fund manager desiring**
13 **certification as a qualified fund shall submit an application to the**

14 Missouri innovation fund corporation. The investment fund manager
15 shall specify in the application the investment amount that the
16 manager wishes to raise and the Missouri innovation fund corporation
17 may certify the manager and determine the amount of innovation fund
18 investment in such manager's qualified fund. In determining whether
19 to certify an investment fund manager, the Missouri innovation fund
20 corporation shall consider the investment fund manager's experience
21 in managing venture capital funds, the past performance of investment
22 funds managed by the applicant, the expected level of investment in the
23 investment fund to be managed by the applicant, and any other
24 relevant factors. The Missouri innovation fund corporation may certify
25 only investment fund managers that commit to consider placing
26 investments in qualified companies.

27 4. The Missouri innovation fund corporation shall publish an
28 annual report which shall include, but not be limited to, a description
29 of its efforts in establishing and maintaining the operation of the
30 innovation fund, the qualified companies and qualified funds in which
31 the Missouri innovation fund corporation has invested, and fund
32 expenditures made by the innovation fund. Copies of such annual
33 report shall be submitted to the governor and members of the general
34 assembly on or before November first of each year.

348.565. 1. The Missouri innovation fund corporation shall have
2 the power to:

3 (1) Make direct seed capital or venture capital investments in
4 qualified companies and qualified funds which demonstrate the
5 promise of growth and job creation. Investments from the Missouri
6 innovation fund corporation may be in the form of debt or equity,
7 provided that such investments shall require the approval of a majority
8 of the board of directors of the Missouri technology corporation;

9 (2) Contract with private persons, including, but not limited to,
10 for-profit corporations, nonprofit corporations, limited liability
11 companies, and partnerships to carry out the provisions of sections
12 348.550 to 348.590 on terms and conditions acceptable to the Missouri
13 technology corporation; and

14 (3) Engage in and contract for any and all types of services,
15 actions, or endeavors not prohibited by law, and which are necessary
16 to the successful and efficient operation and continuation of the

17 Missouri innovation fund corporation and the purposes for which it is
18 created.

19 2. The debt and equity securities held by the Missouri innovation
20 fund corporation and all proceeds derived therefrom shall be held by
21 it on behalf of and for the sole benefit of the state. Such debt and
22 equity securities held by the Missouri innovation fund corporation
23 shall be deemed to be owned by the state. However, any voting rights
24 associated with such securities may be exercised by such proxies or
25 designees as appointed by the Missouri technology corporation board
26 of directors.

27 3. The Missouri innovation fund corporation may sell or
28 otherwise divest debt and equity securities at the discretion of the
29 executive director of the Missouri technology corporation.

30 4. The Missouri innovation fund corporation shall allocate
31 proceeds within thirty days following the date that the Missouri
32 innovation fund corporation receives such proceeds as follows:

33 (1) Fifty percent of proceeds shall be allocated to the Missouri
34 innovation fund for reinvestment under sections 348.550 to 348.590; and

35 (2) Fifty percent of proceeds shall be allocated to the general
36 revenue fund.

37 5. Neither the Missouri innovation fund corporation nor any
38 qualified fund shall make investments in or on behalf of qualified
39 companies involved in abortion services, human cloning, or prohibited
40 human research as defined under section 196.1127. For the purposes
41 of this subsection, a qualified company's involvement in such
42 prohibited activities shall include, but is not limited to, research,
43 development, or engagement in any such prohibited activity provided
44 under this subsection.

348.570. 1. There is hereby established in the state treasury a
2 fund to be known as the "Missouri Innovation Fund", which shall consist
3 of all moneys which may be appropriated by the general assembly,
4 along with any bond proceeds, gifts, contributions, transfers of funds
5 or assets, or grants or bequests received from federal, private, or other
6 sources. Money in the innovation fund shall be used to carry out the
7 provisions of sections 348.550 to 348.590. Notwithstanding the
8 provisions of section 33.080 to the contrary, any moneys remaining in
9 the innovation fund at the end of any fiscal year shall not lapse to the

10 general revenue fund, but shall remain in the Missouri innovation fund.

11 2. The purpose of the Missouri innovation fund shall be to
12 receive bond proceeds, proceeds, and capital investments, to invest
13 such moneys in qualified companies and qualified funds, and to allocate
14 proceeds under subsection 4 of section 348.565.

15 3. Funds from the innovation fund shall not be expended, paid,
16 or granted to or on behalf of qualified companies involved in abortion
17 services, human cloning, or prohibited human research as defined
18 under section 196.1127. For the purposes of this subsection, a qualified
19 company's involvement in such prohibited activities shall include, but
20 is not limited to, research, development, or engagement in any such
21 prohibited activity provided under this subsection.

 348.575. 1. The Missouri innovation fund corporation may issue
2 negotiable revenue bonds or notes in such principal amount as, in the
3 opinion of the Missouri technology corporation board of directors, shall
4 be necessary to provide sufficient funds for the raising of capital to
5 invest in qualified companies and qualified funds, for the establishment
6 of reserves to secure such bonds and notes, and for all other
7 expenditures of the Missouri innovation fund corporation incident to
8 and necessary to carry out its purposes and powers.

9 2. The Missouri innovation fund corporation may issue renewal
10 notes, issue bonds to pay such notes, and, whenever it deems refunding
11 expedient, to refund any bonds by the issuance of new bonds, whether
12 the bonds to be refunded have or have not matured, and to issue bonds
13 partly to refund bonds then outstanding and partly for any other
14 purpose. The refunding bonds shall be sold and the proceeds applied
15 to the purchase, redemption, or payment of the bonds to be refunded.

16 3. The notes and bonds issued under sections 348.550 to 348.590
17 shall be authorized by resolution of the Missouri technology
18 corporation board of directors, shall bear such date or dates, and shall
19 mature at such time or times, in the case of any note, or any renewal
20 thereof, not exceeding twenty years from the date of issuance of such
21 original note, and in the case of any bond not exceeding fifty years
22 from the date of original issuance as the resolution may provide. The
23 notes and bonds shall bear interest at such rate, be in such
24 denominations, be in such form, either coupon or registered, carry such
25 registration privileges, be executed in such manner, be payable in such

26 method of payment, at such place or places, and be subject to such
27 terms of redemption as the resolution may provide. The notes and
28 bonds of the Missouri innovation fund corporation may be sold at
29 public or private sale at such price or prices as the Missouri innovation
30 fund corporation shall determine.

31 4. Bond proceeds shall be placed solely in the Missouri
32 innovation fund and shall not revert to the general revenue fund except
33 as provided in section 348.565.

34 5. Neither the state nor the Missouri technology corporation
35 shall be liable on notes or bonds of the Missouri innovation fund
36 corporation, and such notes and bonds shall not constitute a debt of the
37 state or the Missouri technology corporation, and such notes and bonds
38 shall contain on the face thereof a statement to such effect.

348.580. 1. The Missouri technology corporation board of
2 directors shall serve as the board of directors of the Missouri
3 innovation fund corporation with terms and offices identical to their
4 respective terms and offices in their capacities as directors of the
5 Missouri technology corporation.

6 2. Board members of the Missouri innovation fund corporation
7 shall not be compensated for their services while serving on the
8 board. However, board members may receive reimbursement for their
9 actual and necessary expenses incurred in the performance of their
10 duties.

348.585. The articles of incorporation and bylaws of the Missouri
2 innovation fund corporation shall provide that:

3 (1) The purpose of the Missouri innovation fund corporation is
4 to promote economic growth and job creation throughout the state of
5 Missouri under sections 348.550 to 348.590;

6 (2) The board of directors of the Missouri innovation fund
7 corporation is composed of fifteen persons who shall be the directors
8 of the Missouri technology corporation. Each director shall serve on
9 the board of the Missouri innovation fund corporation with terms and
10 offices identical to their respective terms and offices as directors of the
11 Missouri technology corporation;

12 (3) The Missouri innovation fund corporation may receive money
13 from any source, may borrow money, may enter into contracts, and may
14 expend money for any activities appropriate to its purpose;

15 **(4) The Missouri innovation fund corporation may appoint staff**
16 **and take all other actions necessary or incidental to carrying out the**
17 **functions under sections 348.550 to 348.590;**

18 **(5) Any changes in the articles of incorporation or bylaws shall**
19 **be approved by the governor;**

20 **(6) The Missouri innovation fund corporation shall publish an**
21 **annual report which shall include but not be limited to, a description**
22 **of its efforts in establishing and maintaining the operation of the**
23 **innovation fund, the qualified companies and qualified funds in which**
24 **the Missouri innovation fund corporation has invested, and fund**
25 **expenditures made by the innovation fund. Copies of such annual**
26 **report shall be submitted to the governor and members of the general**
27 **assembly on or before November first of each year; and**

28 **(7) The Missouri innovation fund corporation shall be subject to**
29 **an annual audit by the state auditor and that the Missouri innovation**
30 **fund corporation shall bear the full cost of such audit.**

348.590. 1. The department of economic development may
2 **promulgate rules and regulations necessary to administer the**
3 **provisions of sections 348.550 to 348.590. Any rule or portion of a rule,**
4 **as that term is defined in section 536.010 that is created under the**
5 **authority delegated in this section shall become effective only if it**
6 **complies with and is subject to all of the provisions of chapter 536, and,**
7 **if applicable, section 536.028. This section and chapter 536 are**
8 **nonseverable and if any of the powers vested with the general assembly**
9 **pursuant to chapter 536, to review, to delay the effective date, or to**
10 **disapprove and annul a rule are subsequently held unconstitutional,**
11 **then the grant of rulemaking authority and any rule proposed or**
12 **adopted after August 28, 2018, shall be invalid and void.**

13 **2. Pursuant to section 23.253 of the Missouri sunset act:**

14 **(1) The provisions of the new program authorized under sections**
15 **348.550 to 348.590 shall sunset automatically on June 30, 2024, unless**
16 **reauthorized by an act of the general assembly; and**

17 **(2) If such program is reauthorized, the program authorized**
18 **under sections 348.550 to 348.590 shall sunset automatically six years**
19 **after the effective date of the reauthorization; and**

20 **(3) Sections 348.550 to 348.590 shall terminate on September first**
21 **of the calendar year immediately following the calendar year in which**

22 **the program authorized under sections 348.550 to 348.590 is sunset.**

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