

SECOND REGULAR SESSION

[PERFECTED]

HOUSE COMMITTEE SUBSTITUTE NO. 2 FOR

HOUSE BILL NO. 1503

99TH GENERAL ASSEMBLY

4511H.04P

D. ADAM CRUMBLISS, Chief Clerk

AN ACT

To repeal sections 30.750 and 30.756, RSMo, and to enact in lieu thereof three new sections relating to small business loans for veterans.

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

Section A. Sections 30.750 and 30.756, RSMo, are repealed and three new sections enacted in lieu thereof, to be known as sections 30.750, 30.756, and 620.3250, to read as follows: 30.750. As used in sections 30.750 to 30.765, the following terms mean:

(1) "Eligible agribusiness", a person engaged in the processing or adding of value to agricultural products produced in Missouri;

(2) "Eligible alternative energy consumer", an individual who wishes to borrow moneys for the purchase, installation, or construction of facilities or equipment related to the production of fuel or power primarily for the individual's own use from energy sources other than fossil fuels, including but not limited to solar, hydroelectric, wind, and qualified biomass;

(3) "Eligible alternative energy operation", a business enterprise engaged in the production of fuel or power from energy sources other than fossil fuels, including but not limited to solar, hydroelectric, wind, and qualified biomass. Such business enterprise shall conform to the characteristics of paragraphs (a), (b), and (d) of subdivision (6) of this section;

(4) "Eligible beginning farmer":

(a) For any beginning farmer who seeks to participate in the linked deposit program alone, a farmer who:

a. Is a Missouri resident;

b. Wishes to borrow for a farm operation located in Missouri;

c. Is at least eighteen years old; and

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.

18 d. In the preceding five years has not owned, either directly or indirectly, farm land
19 greater than fifty percent of the average size farm in the county where the proposed farm
20 operation is located or farm land with an appraised value greater than four hundred fifty thousand
21 dollars. A farmer who qualifies as an eligible farmer under this provision may utilize the
22 proceeds of a linked deposit loan to purchase agricultural land, farm buildings, new and used
23 farm equipment, livestock and working capital;

24 (b) For any beginning farmer who is participating in both the linked deposit program and
25 the beginning farmer loan program administered by the Missouri agriculture and small business
26 development authority, a farmer who:

27 a. Qualifies under the definition of a beginning farmer utilized for eligibility for federal
28 tax-exempt financing, including the limitations on the use of loan proceeds; and

29 b. Meets all other requirements established by the Missouri agriculture and small
30 business development authority;

31 (5) "Eligible facility borrower", a borrower qualified under section 30.860 to apply for
32 a reduced-rate loan under sections 30.750 to 30.765;

33 (6) "Eligible farming operation", any person engaged in farming in an authorized farm
34 corporation, family farm, or family farm corporation as defined in section 350.010 that has all
35 of the following characteristics:

36 (a) Is headquartered in this state;

37 (b) Maintains offices, operating facilities, or farming operations and transacts business
38 in this state;

39 (c) Employs less than ten employees;

40 (d) Is organized for profit;

41 (7) "Eligible governmental entity", any political subdivision of the state seeking to
42 finance capital improvements, capital outlay, or other significant programs through an eligible
43 lending institution;

44 (8) "Eligible higher education institution", any approved public or private institution as
45 defined in section 173.205;

46 (9) "Eligible job enhancement business", a new, existing, or expanding firm operating
47 in Missouri, or as a condition of accepting the linked deposit, will locate a facility or office in
48 Missouri associated with said linked deposit, which employs ten or more employees in Missouri
49 on a yearly average and which, as nearly as possible, is able to establish or retain at least one job
50 in Missouri for each fifty thousand dollars received from a linked deposit loan except when the
51 applicant can demonstrate significant costs for equipment, capital outlay, or capital
52 improvements associated with the physical expansion, renovation, or modernization of a facility
53 or equipment. In such cases, the maximum amount of the linked deposit shall not exceed fifty

54 thousand dollars per job created or retained plus the initial cost of the physical expansion,
55 renovation or capital outlay;

56 (10) "Eligible lending institution", a financial institution that is eligible to make
57 commercial or agricultural or student loans or discount or purchase such loans, is a public
58 depository of state funds or obtains its funds through the issuance of obligations, either directly
59 or through a related entity, eligible for the placement of state funds under the provisions of
60 Section 15, Article IV, Constitution of Missouri, and agrees to participate in the linked deposit
61 program;

62 (11) "Eligible livestock operation", any person engaged in production of livestock or
63 poultry in an authorized farm corporation, family farm, or family farm corporation as defined in
64 section 350.010;

65 (12) "Eligible locally owned business", any person seeking to establish a new firm,
66 partnership, cooperative company, or corporation that shall retain at least fifty-one percent
67 ownership by residents in a county in which the business is headquartered, that consists of the
68 following characteristics:

69 (a) The county has a median population of twelve thousand five hundred or less; and
70 (b) The median income of residents in the county are equal to or less than the state
71 median income; or

72 (c) The unemployment rate of the county is equal to or greater than the state's
73 unemployment rate;

74 (13) "Eligible marketing enterprise", a business enterprise operating in this state which
75 is in the process of marketing its goods, products or services within or outside of this state or
76 overseas, which marketing is designed to increase manufacturing, transportation, mining,
77 communications, or other enterprises in this state, which has proposed its marketing plan and
78 strategy to the department of economic development and which plan and strategy has been
79 approved by the department for purposes of eligibility pursuant to sections 30.750 to 30.765.
80 Such business enterprise shall conform to the characteristics of paragraphs (a), (b) and (d) of
81 subdivision (6) of this section and also employ less than twenty-five employees;

82 (14) "Eligible multitenant development enterprise", a new enterprise that develops
83 multitenant space for targeted industries as determined by the department of economic
84 development and approved by the department for the purposes of eligibility pursuant to sections
85 30.750 to 30.765;

86 (15) "Eligible residential property developer", an individual who purchases and develops
87 a residential structure of either two or four units, if such residential property developer uses and
88 agrees to continue to use, for at least the five years immediately following the date of issuance
89 of the linked deposit loan, one of the units as his principal residence or if such person's principal

90 residence is located within one-half mile from the developed structure and such person agrees
91 to maintain the principal residence within one-half mile of the developed structure for at least
92 the five years immediately following the date of issuance of the linked deposit loan;

93 (16) "Eligible residential property owner", a person, firm or corporation who purchases,
94 develops or rehabilitates a multifamily residential structure;

95 (17) "Eligible small business", a person engaged in an activity with the purpose of
96 obtaining, directly or indirectly, a gain, benefit or advantage and which conforms to the
97 characteristics of paragraphs (a), (b) and (d) of subdivision (6) of this section, and also employs
98 less than one hundred employees **or a veteran-owned small business as defined in subdivision**
99 **(19) of this section;**

100 (18) "Eligible student borrower", any person attending, or the parent of a dependent
101 undergraduate attending, an eligible higher education institution in Missouri who may or may
102 not qualify for need-based student financial aid calculated by the federal analysis called
103 Congressional Methodology Formula pursuant to 20 U.S.C. 1078, as amended (the Higher
104 Education Amendments of 1986);

105 (19) **"Eligible veteran-owned small business", any business owned by an honorably**
106 **discharged veteran and Missouri resident who has agreed to locate his or her business in**
107 **Missouri for a minimum of three years and employs less than one hundred employees, a**
108 **majority of whom are Missouri residents;**

109 (20) "Eligible water supply system", a water system which serves fewer than fifty
110 thousand persons and which is owned and operated by:

111 (a) A public water supply district established pursuant to chapter 247; or

112 (b) A municipality or other political subdivision; or

113 (c) A water corporation; and which is certified by the department of natural resources
114 in accordance with its rules and regulations to have suffered a significant decrease in its capacity
115 to meet its service needs as a result of drought;

116 [~~20~~] (21) "Farming", using or cultivating land for the production of agricultural crops,
117 livestock or livestock products, forest products, poultry or poultry products, milk or dairy
118 products, or fruit or other horticultural products;

119 [~~21~~] (22) "Linked deposit", a certificate of deposit, or in the case of production credit
120 associations, the subscription or purchase outright of obligations described in Section 15, Article
121 IV, Constitution of Missouri, placed by the state treasurer with an eligible lending institution at
122 rates otherwise provided by law in section 30.758, provided the institution agrees to lend the
123 value of such deposit, according to the deposit agreement provided in sections 30.750 to 30.765,
124 to eligible multitenant development enterprises, eligible small businesses, eligible alternative
125 energy operations, eligible alternative energy consumers, eligible locally owned businesses,

126 farming operations, eligible job enhancement businesses, eligible marketing enterprises, eligible
127 residential property developers, eligible residential property owners, eligible governmental
128 entities, eligible agribusinesses, eligible beginning farmers, eligible livestock operations, eligible
129 student borrowers, eligible facility borrowers, or eligible water supply systems at below the
130 present borrowing rate applicable to each multitenant development enterprise, small business,
131 alternative energy operation, alternative energy consumer, farming operation, eligible job
132 enhancement business, eligible marketing enterprise, eligible residential property developer,
133 eligible residential property owner, eligible governmental entity, eligible agribusiness, eligible
134 beginning farmer, eligible livestock operation, eligible student borrower, or supply system at the
135 time of the deposit of state funds in the institution;

136 ~~[(22)]~~ **(23)** "Market rate", the interest rate more specifically described in subsection 6 of
137 section 30.260;

138 ~~[(23)]~~ **(24)** "Professional forester", any individual who holds a bachelor of science degree
139 in forestry from a regionally accredited college or university with a minimum of two years of
140 professional forest management experience;

141 ~~[(24)]~~ **(25)** "Qualified biomass", any agriculture-derived organic material or any
142 wood-derived organic material harvested in accordance with a site-specific forest management
143 plan focused on long-term forest sustainability developed by a professional forester and
144 qualified, in consultation with the conservation commission, by the agriculture and small
145 business development authority;

146 ~~[(25)]~~ **(26)** "Water corporation", as such term is defined in section 386.020;

147 ~~[(26)]~~ **(27)** "Water system", as such term is defined in section 386.020.

30.756. 1. An eligible lending institution that desires to receive a linked deposit shall
2 accept and review applications for linked deposit loans from eligible multitenant enterprises,
3 eligible farming operations, eligible alternative energy consumers, eligible alternative energy
4 operations, eligible locally owned businesses, eligible small businesses, eligible job enhancement
5 businesses, eligible marketing enterprises, eligible agribusinesses, eligible beginning farmers,
6 eligible livestock operations, eligible residential property developers, eligible residential property
7 owners, eligible governmental entities, eligible student borrowers, eligible facility borrowers, and
8 eligible water supply systems. An eligible residential property owner shall certify on his or her
9 loan application that the reduced rate loan will be used exclusively to purchase, develop or
10 rehabilitate a multifamily residential property. The lending institution shall apply all usual
11 lending standards to determine the creditworthiness of each eligible multitenant enterprise,
12 eligible farming operation, eligible alternative energy operation, eligible alternative energy
13 consumer, eligible locally owned business, eligible small business, eligible job enhancement
14 business, eligible marketing enterprise, eligible residential property developer, eligible residential

15 property owner, eligible governmental entities, eligible agribusiness, eligible beginning farmer,
16 eligible livestock operation, eligible student borrower, eligible facility borrower, or eligible water
17 supply system. No linked deposit loan made to any eligible multitenant development enterprise,
18 eligible farming operation, eligible alternative energy operation, eligible alternative energy
19 consumer, eligible locally owned business, eligible livestock operation, eligible agribusiness,
20 eligible beginning farmer, eligible job enhancement business, eligible marketing enterprise,
21 eligible residential property developer, eligible residential property owner, eligible governmental
22 entity, eligible student borrower, eligible water supply system, or eligible small business shall
23 exceed a dollar limit determined by the state treasurer in the state treasurer's best judgment,
24 except as otherwise limited. Any link deposit loan made to an eligible facility borrower shall be
25 in accordance with the loan amount and loan term requirements in section 30.860.

26 2. An eligible farming operation, small business or job enhancement business shall
27 certify on its loan application that the reduced rate loan will be used exclusively for necessary
28 production expenses or the expenses listed in subsection 2 of section 30.753 or the refinancing
29 of an existing loan for production expenses or the expenses listed in subsection 2 of section
30 30.753 of an eligible farming operation, small business or job enhancement business. Whoever
31 knowingly makes a false statement concerning such application is guilty of a class A
32 misdemeanor. An eligible water supply system shall certify on its loan application that the
33 reduced rate loan shall be used exclusively to pay the costs of upgrading or repairing an existing
34 water system, constructing a new water system, or making other capital improvements to a water
35 system which are necessary to improve the service capacity of the system.

36 3. In considering which eligible farming operations should receive reduced-rate loans,
37 the eligible lending institution shall give priority to those farming operations which have suffered
38 reduced yields due to drought or other natural disasters and for which the receipt of a
39 reduced-rate loan will make a significant contribution to the continued operation of the recipient
40 farming operation.

41 **4. In considering which eligible small businesses should receive reduced-rate loans,**
42 **the eligible lending institution shall give priority to those small businesses that are owned**
43 **by veterans.**

44 5. The eligible financial institution shall forward to the state treasurer a linked deposit
45 loan package, in the form and manner as prescribed by the state treasurer. The package shall
46 include such information as required by the state treasurer, including the amount of each loan
47 requested. The institution shall certify that each applicant is an eligible multitenant development
48 enterprise, eligible farming operation, eligible alternative energy operation, eligible alternative
49 energy consumer, eligible locally owned business, eligible small business, eligible job
50 enhancement business, eligible marketing enterprise, eligible residential property developer,

51 eligible residential property owner, eligible governmental entity, eligible agribusiness, eligible
52 beginning farmer, eligible livestock operation, eligible student borrower, eligible facility
53 borrower, or eligible water supply system, and shall, for each eligible multitenant development
54 enterprise, eligible farming operation, eligible alternative energy operation, eligible alternative
55 energy consumer, eligible small business, eligible job enhancement business, eligible marketing
56 enterprise, eligible residential property developer, eligible residential property owner, eligible
57 governmental entity, eligible agribusiness, eligible beginning farmer, eligible livestock operation,
58 eligible student borrower, eligible facility borrower, or eligible water supply system, certify the
59 present borrowing rate applicable.

60 ~~[5-]~~ 6. The eligible lending institution shall be responsible for determining if a student
61 borrower is an eligible student borrower. A student borrower shall be eligible for an initial or
62 renewal reduced-rate loan only if, at the time of the application for the loan, the student is a
63 citizen or permanent resident of the United States, a resident of the state of Missouri as defined
64 by the coordinating board for higher education, is enrolled or has been accepted for enrollment
65 in an eligible higher education institution, and establishes that the student has financial need.
66 In considering which eligible student borrowers may receive reduced-rate loans, the eligible
67 lending institution may give priority to those eligible student borrowers whose income, or whose
68 family income, if the eligible student borrower is a dependent, is such that the eligible student
69 borrower does not qualify for need-based student financial aid pursuant to 20 U.S.C. 1078, as
70 amended (the Higher Education Amendments of 1986). The eligible lending institution shall
71 require the eligible student borrower to document that the student has applied for and has
72 obtained all need-based student financial aid for which the student is eligible prior to application
73 for a reduced-rate loan pursuant to this section. In no case shall the combination of all financial
74 aid awarded to any student in any particular enrollment period exceed the total cost of attendance
75 at the institution in which the student is enrolled. No eligible lending institution shall charge any
76 additional fees, including but not limited to an origination, service or insurance fee on any loan
77 agreement under the provisions of sections 30.750 to 30.765.

78 ~~[6-]~~ 7. The eligible lending institution making an initial loan to an eligible student
79 borrower may make a renewal loan or loans to the student. The total of such reduced-rate loans
80 from eligible lending institutions made pursuant to this section to any individual student shall
81 not exceed the cumulative totals established by 20 U.S.C. 1078, as amended. An eligible student
82 borrower shall certify on his or her loan application that the reduced-rate loan shall be used
83 exclusively to pay the costs of tuition, incidental fees, books and academic supplies, room and
84 board and other fees directly related to enrollment in an eligible higher education institution. The
85 eligible lending institution shall make the loan payable to the eligible student borrower and the

86 eligible higher education institution as co-payees. The method of repayment of the loan shall be
87 the same as for repayment of loans made pursuant to sections 173.095 to 173.186.

88 ~~[7-]~~ **8.** Beginning August 28, 2005, in considering which eligible multitenant enterprise,
89 eligible farming operation, eligible alternative energy operation, eligible alternative energy
90 consumer, eligible locally owned business, eligible small business, eligible job enhancement
91 business, eligible marketing enterprise, eligible residential property developer, eligible residential
92 property owner, eligible governmental entity, eligible agribusiness, eligible beginning farmer,
93 eligible livestock operation, eligible student borrower, eligible facility borrower, or eligible water
94 supply system should receive reduced-rate loans, the eligible lending institution shall give
95 priority to an eligible multitenant enterprise, eligible farming operation, eligible alternative
96 energy operation, eligible alternative energy consumer, eligible locally owned business, eligible
97 small business, eligible job enhancement business, eligible marketing enterprise, eligible
98 residential property developer, eligible residential property owner, eligible governmental entity,
99 eligible agribusiness, eligible beginning farmer, eligible livestock operation, eligible student
100 borrower, eligible facility borrower, or eligible water supply system that has not previously
101 received a reduced-rate loan through the linked deposit program. However, nothing shall
102 prohibit an eligible lending institution from making a reduced-rate loan to any entity that
103 previously has received such a loan, if such entity otherwise qualifies for such a reduced-rate
104 loan.

**620.3250. 1. Any veteran who receives a small business loan through the state
2 treasurer's linked deposit program set forth in sections 30.750 to 30.765 shall also be
3 subject to the provisions of this section.**

**4 2. After receiving a loan from an eligible lending institution, as that term is defined
5 in subdivision (10) of section 37.750, the owner of a veteran-owned small business shall
6 complete a boots-to-business program that is approved by the department.**

**7 3. After receiving a loan from an eligible lending institution, as that term is defined
8 in subdivision (10) of section 37.750, the owner of a veteran-owned small business will be
9 assigned a mentor for the three hundred sixty five days following the date of approval. The
10 owner shall meet with his or her mentor at least once every ninety days.**

**11 4. The department may adopt rules in establishing or approving boots-to-business
12 programs under subsection 2 of this section and mentor programs under subsection 3 of
13 this section.**

**14 5. Any rule or portion of a rule, as that term is defined in section 536.010, that is
15 created under the authority delegated in this section shall become effective only if it
16 complies with and is subject to all of the provisions of chapter 536 and, if applicable,
17 section 536.028. This section and chapter 536 are nonseverable, and if any of the powers**

18 **vested with the general assembly pursuant to chapter 536 to review, to delay the effective**
19 **date, or to disapprove and annul a rule are subsequently held unconstitutional, then the**
20 **grant of rulemaking authority and any rule proposed or adopted after August 28, 2018,**
21 **shall be invalid and void.**

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