

1 AN ACT relating to economic development.

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

3 ➔SECTION 1. A NEW SECTION OF SUBCHAPTER 20 OF KRS CHAPTER  
4 154 IS CREATED TO READ AS FOLLOWS:

5 *(1) As used in this section:*

6 *(a) "Eligible loan" means a loan from the fund that meets the requirements of*  
7 *subsection (2) of this section;*

8 *(b) "Fund" means the high-growth loan fund established in subsection (3) of*  
9 *this section;*

10 *(c) "Fund manager" means any limited partnership that has been selected by*  
11 *the secretary and approved by the authority to manage the fund that:*

12 *1. Is in compliance with all applicable federal and state regulations; and*

13 *2. Owns general partnership units in the fund which do not exceed one*  
14 *percent (1%) of the total units issued by the fund;*

15 *(d) "High-growth company" means a company that is:*

16 *1. A small or medium-sized company; and*

17 *2. Demonstrating or has demonstrated potential for rapid and sustained*  
18 *expansion in employment, revenue, or market share with potential for*  
19 *continued material growth;*

20 *(e) "Internal rate of return" means the calculation of a partnership unit's rate*  
21 *of return in the fund using the discount rate that makes the net present*  
22 *value of an investment equal zero (0).*

23 *(f) "Investor" means any person or entity, including a financial institution and*  
24 *insurance company, that:*

25 *1. Is subject to any tax liability to the Commonwealth;*

26 *2. Makes a cash contribution or a committed cash contribution to the*  
27 *fund in accordance with the provisions of subsection (3) of this*

1 section; and

2 3. Has not been convicted of violating any of Kentucky's tax laws within  
3 the past ten (10) years;

4 (g) "Limited partnership" means a limited partnership formed under the laws  
5 of the Commonwealth or any other state or a foreign country;

6 (h) "Medium-sized company" means a business with fifty-one (51) to five  
7 hundred (500) employees;

8 (i) "Partnership unit" means an ownership interest in a limited partnership  
9 that allows investors to provide capital without managing operations;

10 (j) "Program" means the high-growth loan program established in subsection  
11 (2) of this section; and

12 (k) "Small company" means a business with fifty (50) or fewer employees.

13 (2) (a) The high-growth loan program is hereby established, to be administered by  
14 the cabinet subject to the approval of the authority.

15 (b) The authority shall determine the terms and conditions of the program. The  
16 authority may establish procedures and standards for the review and  
17 approval of investors and loans through the promulgation of administrative  
18 regulations in accordance with KRS Chapter 13A.

19 (c) The cabinet shall monitor the performance of the fund based on internal  
20 rate of return of partnership units.

21 (d) The secretary, subject to the approval of the authority, shall select the fund  
22 manager.

23 (e) By October 1, 2026, and annually thereafter, the fund manager shall submit  
24 an annual report to the cabinet including the following information:

25 1. The name and location of the investors;

26 2. The amount of the investments;

27 3. The balance of the fund;

- 1            4. The name and location of each high-growth company;
- 2            5. The amount of the principal originally loaned;
- 3            6. The terms of the loan and whether a high-growth company is  
4            currently meeting those terms; and
- 5            7. Any other information requested by the cabinet.
- 6            (f) The secretary shall have the authority to hire staff and contract for services  
7            to carry out the normal business activities of the program.
- 8            (g) By November 1, 2026, and annually thereafter, the cabinet shall report to  
9            the Legislative Research Commission for referral to the Interim Joint  
10           Committee on Appropriations and Revenue or the House and Senate  
11           Standing Committees on Appropriations, as applicable, information about  
12           the performance of the fund and each outstanding loan issued, including:
- 13           1. The name and location of each high-growth company;
- 14           2. The amount of the principal originally loaned;
- 15           3. The terms of the loan and whether a high-growth company is  
16           currently meeting those terms; and
- 17           4. The balance of the fund.
- 18           (h) The Commonwealth's contribution to the fund shall not exceed twenty-five  
19           million dollars (\$25,000,000).
- 20           (3) (a) The high-growth loan fund is hereby established in the State Treasury, to be  
21           administered by the cabinet subject to the approval of the authority;
- 22           (b) The fund shall be a special revolving loan fund to provide loans to create,  
23           develop, or expand high-growth companies in Kentucky.
- 24           (c) Administration of the fund shall be the responsibility of the fund manager  
25           selected under subsection (2) of this section.
- 26           (d) The fund shall consist of moneys received from state appropriations,  
27           investor contributions, gifts, grants, or federal funds, and shall include

1           repayment of program loans and earnings from the investment of moneys in  
2           the fund.

3           (e) Notwithstanding KRS 45.229, any moneys remaining in the fund at the  
4           close of the fiscal year shall not lapse but shall be carried forward into the  
5           succeeding fiscal year.

6           (f) All repayments of program loans made under this section shall be paid into  
7           the fund for future eligible loans to high-growth companies. Each loan  
8           shall be repaid dollar for dollar back into the fund. Balances, or portions  
9           thereof, in the fund shall not revert to the general fund.