

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

Updated to reflect AM1943

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2022-23		FY 2023-24	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	See below		See below	
CASH FUNDS	See below		See below	
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	See below		See below	

Any Fiscal Notes received from state agencies and political subdivisions are attached following the Legislative Fiscal Analyst Estimate.

LB 450 would create the Nebraska Innovation Hub Act to be administered by the Nebraska Department of Economic Development and establish the Innovation Hub Cash Fund. The act would allow for the Department to designate applicants as “iHubs”. AM739 removes NDED’s duties to oversee, coordinate, and provide assistance to each iHub. The Department’s responsibilities are setting guidelines for approval, designation, operation, reporting, and re-designation of iHubs.

AM739 and AM1600 enumerate eligible partners for iHubs and sets requirements to be designated.

AM739 removes most administrative costs associated with oversight and administration of iHubs, in addition to costs in supporting iHubs through education and coordination of assets. AM739 establishes the Innovation Hub Cash Fund within the Department wherein applicants pay a \$1,000 fee which is remitted to the Innovation Hub Cash Fund. Funds may be used for administering the iHub Program.

The application period is November 1, 2022 to June 1, 2023. NDED must approve or deny applications by July 1, 2023. A designation is not to exceed five years with no limit as to re-designation.

It is reasonable that there would be costs with administering the applications and designating iHubs, however that cost is likely to be minimal and would be accommodated by the accompanying cash fund. As there are 11 Enterprise Zones revenues could be up to \$11,000, however as demand is unknown the cash fund revenue in any given year is indeterminable.

AM1943 incorporates provisions of LB 1215 to adopt the Small Business Assistance Act, a grant program with the Department of Economic Development. AM1943 defines eligible grantees, grant amounts, and requires an annual report from the Department of Economic Development on the Small Business Assistance Act.

AM1943 has intent language to appropriate \$5,000,000 per annum to the Department of Economic Development pursuant to this act. The Department of Economic Development states that it would require 2.5 FTE by its second year with approximately \$4.2 million being expended in aid each year. We have no basis to disagree.

Please complete ALL (5) blanks in the first three lines.

2022

LB⁽¹⁾ 450 AM1943

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ Nebraska Department of Economic Development

Prepared by: ⁽³⁾ Dave Dearthmont Date Prepared: ⁽⁴⁾ 3/3/2022 Phone: ⁽⁵⁾ 402-471-3777

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	FY 2022-23		FY 2023-24	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	_____	_____	_____	_____
CASH FUNDS	_____	_____	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
TOTAL FUNDS	=====	=====	=====	=====

Explanation of Estimate:

AM1943 would amend LB450 as amended by AM1600. As amended, LB450 would adopt the Nebraska Innovation Hub Act, and the Small Business Assistance Act to be administered by the Department of Economic Development.

Under the Innovation Hub Act, a private nonprofit corporation can apply to DED to be designated as an iHub. To be considered, a private nonprofit organization must form a collaborative relationship with at least three iHub partners and remit a \$1,000 application fee to DED. The application period is November 1, 2022 through June 1, 2023, and DED must determine whether to approve the designation by July 1, 2023. If approved, DED and the iHub will enter into an MOU, wherein DED will set guidelines for the operation and reporting of iHubs. Each iHub will be designated for five years. AM1600 also creates the Innovation Hub Cash Fund and gives DED the ability to adopt and promulgate rules and regulations to carry out the Act. DED believes that administrative responsibilities for the Innovation Hub Act can be carried out within existing resources and staff.

The Small Business Assistance Act would be administered by the Department of Economic Development. DED would create a grant program to provide assistance to small businesses or individuals. These businesses either are new businesses or businesses in existence for five years or less. In addition, DED would contract with a private entity to provide professional counseling services to businesses eligible for a Small Business Assistance grant. DED is also required to submit a detailed report on the impact of grants provided under the act every other year beginning on 10/1/2024. The bill contains intent language to appropriate \$5 million each fiscal year to carry out the provisions of the act.

As amended, LB450 would provide for two types of grants, grants to individuals who wish to start a business, and small businesses that have been in existence for five years or less, with five or fewer employees. Grants for individuals may be up to \$25,000 and grants to eligible businesses may be up to \$12,500. Grant recipients must meet certain qualifications including, a personal net worth of less than \$200,000, no ownership interest in other businesses, and individuals must have earned less than \$55,000 in the previous calendar year, and businesses must not have grown more than 25% in the previous year.

The reporting required by the bill, as amended, includes the names and grant amounts received, the recipients of counseling services, a description of the demand for grants and counseling services by region, the impact of the grants provided in terms of jobs created and economic impact of the business, the impact on state and local tax receipts, and the types of businesses created by industry.

If funds are appropriated for the Small Business Assistance Act, DED would require the services of an Economic Development Manager to manage the program, an Economic Development Business Consultant to assist with making the grants and gathering information for the grants and reporting, and 0.5 FTE of an IT

Business Systems Analyst to assist with online applications and grant management on the department’s grant management software. The operating costs include \$6,640 for additional rental space, \$8,525 for annual software licensing for the grants management software, and—based upon a previous program with a similar requirement—\$500,000 in annual costs to contract with a number of private business counselors to provide services to grantees across the state.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2022-23</u>	<u>2023-24</u>
	<u>22-23</u>	<u>23-24</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
G49550 Econ. Dev. Manager	0.90	1.00	\$59,590	\$67,860
A49011 Econ Dev. Bus Consultant I	0.75	1.00	43,550	59,910
A07081 IT Bus Systems Analyst	0.50	0.50	31,000	31,780
Benefits.....			53,660	63,660
Operating.....			542,180	547,220
Travel.....			13,410	15,520
Capital outlay.....			25,800	0
Aid.....			4,230,810	4,214,050
Capital improvements.....				
TOTAL.....			\$5,000,000	\$5,000,000