

LEGISLATURE OF NEBRASKA
ONE HUNDRED NINTH LEGISLATURE
FIRST SESSION

LEGISLATIVE BILL 47

Introduced by McKinney, 11.

Read first time January 09, 2025

Committee: Banking, Commerce and Insurance

1 A BILL FOR AN ACT relating to economic development; to amend sections
2 81-12,153, 81-12,162, 81-12,233, 81-12,234, and 81-12,235, Reissue
3 Revised Statutes of Nebraska; to define terms; to change provisions
4 relating to a small business investment program under the Business
5 Innovation Act; to change provisions relating to a program to
6 provide professional counseling services to small businesses; to
7 harmonize provisions; to provide an operative date; to repeal the
8 original sections; and to declare an emergency.
9 Be it enacted by the people of the State of Nebraska,

1 **Section 1.** Section 81-12,153, Reissue Revised Statutes of Nebraska,
2 is amended to read:

3 81-12,153 For purposes of the Business Innovation Act:

4 (1) Department means the Department of Economic Development;

5 (2) Economic redevelopment area means an area in the State of
6 Nebraska in which:

7 (a) The average rate of unemployment in the area during the period
8 covered by the most recent federal decennial census or American Community
9 Survey 5-Year Estimate by the United States Bureau of the Census is at
10 least one hundred fifty percent of the average rate of unemployment in
11 the state during the same period; and

12 (b) The average poverty rate in the area is twenty percent or more
13 for the federal census tract in the area;

14 (3) Federal grant program means the federal Small Business
15 Administration's Small Business Innovation Research grant program or
16 Small Business Technology Transfer grant program;

17 (4) Microenterprise means a for-profit business entity with not more
18 than ten full-time equivalent employees;

19 (5) Prototype means an original model on which something is
20 patterned by a resident of Nebraska or a company located in Nebraska; and

21 (6) Qualified census tract means a qualified census tract as defined
22 in 26 U.S.C. 42(d)(5)(B)(ii)(I), as such section existed on January 1,
23 2025; and

24 (7) ~~(6)~~ Value-added agriculture means increasing the net worth of
25 food or nonfood agricultural products by processing, alternative
26 production and handling methods, collective marketing, or other
27 innovative practices.

28 **Sec. 2.** Section 81-12,162, Reissue Revised Statutes of Nebraska, is
29 amended to read:

30 81-12,162 (1) The department shall establish a small business
31 investment program. The program:

1 (a) Shall provide grants to microloan delivery organizations,
2 microloan technical assistance organizations, and innovation hubs to:

3 (i) Better assure that Nebraska's microenterprises are able to
4 realize their full potential to create jobs, enhance entrepreneurial
5 skills and activity, and increase low-income households' capacity to
6 become self-sufficient;

7 (ii) Provide funding to foster the creation of microenterprises;

8 (iii) Establish the department as the coordinating office for the
9 facilitation of microlending and microenterprise development;

10 (iv) Facilitate the development of a permanent, statewide
11 infrastructure of microlending support organizations to serve Nebraska's
12 microenterprise and self-employment sectors;

13 (v) Enable the department to provide grants to community-based
14 microenterprise development organizations in order to encourage the
15 development and growth of microenterprises throughout Nebraska; and

16 (vi) Enable the department to engage in contractual relationships
17 with statewide microlending support organizations and innovation hubs
18 which have the capacity to leverage additional nonstate funds for
19 microenterprise lending.

20 To the maximum extent possible, the selection process should assure
21 that the distribution of such financial assistance provides equitable
22 access to the benefits of the Business Innovation Act by all geographic
23 areas of the state; and

24 (b) May identify and coordinate other state and federal sources of
25 funds which may be available to the department to enhance the state's
26 ability to facilitate financial assistance pursuant to the program.

27 (2) To establish the criteria for making an award to a microloan
28 delivery organization, microloan technical assistance organization, or
29 innovation hub, the department shall consider:

30 (a) The plan for providing business development services and
31 microloans to microenterprises;

1 (b) The scope of services to be provided by the microloan delivery
2 organization, microloan technical assistance organization, or innovation
3 hub;

4 (c) The plan for coordinating the services and loans provided by the
5 microloan delivery organization, microloan technical assistance
6 organization, or innovation hub with commercial lending institutions;

7 (d) The geographic representation of all regions of the state,
8 including both urban and rural communities and neighborhoods;

9 (e) The ability of the microloan delivery organization, microloan
10 technical assistance organization, or innovation hub to provide for
11 business development in areas of chronic economic distress and low-income
12 regions of the state;

13 (f) The ability of the microloan delivery organization, microloan
14 technical assistance organization, or innovation hub to provide business
15 training and technical assistance to microenterprise clients;

16 (g) The ability of the microloan delivery organization, microloan
17 technical assistance organization, or innovation hub to monitor and
18 provide financial oversight of recipients of microloans; and

19 (h) Sources and sufficiency of operating funds for the
20 microenterprise development organization.

21 (3) Awards made by the department to a microloan delivery
22 organization, microloan technical assistance organization, or innovation
23 hub may be used to:

24 (a) Satisfy matching fund requirements for other federal or private
25 grants;

26 (b) Establish a revolving loan fund from which the microloan
27 delivery organization, microloan technical assistance organization, or
28 innovation hub may make loans to microenterprises;

29 (c) Establish a guaranty fund from which the microloan delivery
30 organization, microloan technical assistance organization, or innovation
31 hub may guarantee loans made by commercial lending institutions to

1 microenterprises;

2 (d) Provide funding for the operating costs of a microloan delivery
3 organization, microloan technical assistance organization, or innovation
4 hub not to exceed twenty percent; and

5 (e) Provide grants to establish loan-loss reserve funds to match
6 loan capital borrowed from other sources, including federal
7 microenterprise loan programs.

8 (4) Any award of financial assistance to a microloan delivery
9 organization, microloan technical assistance organization, or innovation
10 hub shall meet the following qualifications:

11 (a) Funds shall be matched by nonstate funds equivalent in money or
12 in-kind contributions or a combination of both equal to thirty-five
13 percent of the grant funds requested, except that this subdivision shall
14 not apply to grants awarded under subsection (5) of this section. Such
15 matching funds may be from any nonstate source, including private
16 foundations, federal or local government sources, quasi-governmental
17 entities, or commercial lending institutions, or any other funds whose
18 source does not include funds appropriated by the Legislature;

19 (b) Microloan funds shall be disbursed in microloans which do not
20 exceed one hundred fifty thousand dollars or used to capitalize loan-loss
21 reserve funds for such loans; and

22 (c) A minimum of fifty percent of the microloan funds shall be used
23 by a microenterprise development assistance organization for small
24 business technical assistance.

25 (5)(a) Fifty percent of the grant funds available under this section
26 shall be reserved for microloan delivery organizations, microloan
27 technical assistance organizations, and innovation hubs that meet the
28 requirements of subdivision (b) of this subsection.

29 (b) A microloan delivery organization, microloan technical
30 assistance organization, or innovation hub shall be eligible for funding
31 under this subsection if:

1 (i) It is located within an economic redevelopment area or a
2 qualified census tract;

3 (ii) It has been in operation within an economic redevelopment area
4 or a qualified census tract for at least three years;

5 (iii) At least seventy-five percent of its service recipients are
6 located in an economic redevelopment area or a qualified census tract;
7 and

8 (iv) The demographic composition of its leadership and staff
9 reflects the economic redevelopment area or qualified census tract in
10 which it operates.

11 (c) Any microloan delivery organization, microloan technical
12 assistance organization, or innovation hub receiving funding under this
13 subsection shall engage in proactive and continuous community engagement
14 by:

15 (i) Establishing a formal advisory group of community members;

16 (ii) Holding public forums or town hall meetings at least twice per
17 year to solicit input and share progress updates; and

18 (iii) Incorporating community feedback into its program delivery
19 plans.

20 (d) The department shall:

21 (i) Create specific grant application criteria for microloan
22 delivery organizations, microloan technical assistance organizations, and
23 innovation hubs applying for grants under this subsection;

24 (ii) Develop standardized reporting requirements for grantees under
25 this subsection to assess the effectiveness of such grantees in serving
26 economic redevelopment areas and qualified census tracts; and

27 (iii) Conduct annual reviews to ensure compliance with this
28 subsection and to monitor the effectiveness of the grants awarded under
29 this subsection in meeting community needs.

30 (6) The department shall contract with a statewide microenterprise
31 development assistance organization to carry out this section.

1 (7) ~~(5)~~ Each year the department may award up to three million
2 dollars under this section.

3 **Sec. 3.** Section 81-12,233, Reissue Revised Statutes of Nebraska, is
4 amended to read:

5 81-12,233 For purposes of the Small Business Assistance Act:

6 (1) Department means the Department of Economic Development; ~~and~~

7 (2) Economic redevelopment area means an area in the State of
8 Nebraska in which:

9 (a) The average rate of unemployment in the area during the period
10 covered by the most recent federal decennial census or American Community
11 Survey 5-Year Estimate by the United States Bureau of the Census is at
12 least one hundred fifty percent of the average rate of unemployment in
13 the state during the same period; and

14 (b) The average poverty rate in the area is twenty percent or more
15 for the federal census tract in the area;

16 (3) Qualified census tract means a qualified census tract as defined
17 in 26 U.S.C. 42(d)(5)(B)(ii)(I), as such section existed on January 1,
18 2025; and

19 (4) ~~(2)~~ Small business means a business with five or fewer
20 employees.

21 **Sec. 4.** Section 81-12,234, Reissue Revised Statutes of Nebraska, is
22 amended to read:

23 81-12,234 (1) The department shall create and administer a grant
24 program to:

25 (a) Provide grants of up to twenty-five thousand dollars to
26 individuals looking to start a small business. An individual shall be
27 eligible for a grant under this subdivision if the following requirements
28 are met:

29 (i) The individual earned no more than fifty-five thousand dollars
30 in the most recently completed calendar year;

31 (ii) The individual has a personal net worth of no more than two

1 hundred thousand dollars, excluding the individual's primary residence;
2 and

3 (iii) The individual does not have an ownership interest in any
4 other business; and

5 (b) Provide grants of up to twelve thousand five hundred dollars to
6 individuals who own a small business that has been in existence for no
7 more than five years. An individual shall be eligible for a grant under
8 this subdivision if the following requirements are met:

9 (i) The gross revenue of the small business has grown by no more
10 than twenty-five percent over the most recently completed calendar year;

11 (ii) The individual has a personal net worth of no more than two
12 hundred thousand dollars, excluding the individual's primary residence;
13 and

14 (iii) The individual does not have an ownership interest in any
15 other business.

16 (2)(a) ~~(2)~~ The department shall contract with one or more private
17 entities ~~a private entity~~ to provide professional counseling services to
18 individuals who are looking to start a small business in an economic
19 redevelopment area or a qualified census tract or who have started a
20 small business in an economic redevelopment area or a qualified census
21 tract within the previous five years. Such counseling services shall be
22 in the following areas:

23 (i) ~~(a)~~ Accounting and budgeting;

24 (ii) ~~(b)~~ Tax return preparation;

25 (iii) ~~(c)~~ Human resources;

26 (iv) ~~(d)~~ How to write a business plan;

27 (v) ~~(e)~~ Payroll processes;

28 (vi) ~~(f)~~ Financial planning and investments;

29 (vii) ~~(g)~~ Debt management;

30 (viii) ~~(h)~~ Strategic planning;

31 (ix) ~~(i)~~ Technology coaching; and

1 ~~(x) (j) Financial statement review.~~

2 (b) Contracts under this subsection shall be awarded on a
3 competitive basis to ensure that services are delivered equitably and
4 effectively. The department may prioritize private entities with
5 demonstrated experience in serving economic redevelopment areas and
6 qualified census tracts.

7 (c) To ensure comprehensive geographic coverage and equitable
8 service delivery, the department may contract with a different private
9 entity for each of the state's three congressional districts. Each
10 contracted entity must demonstrate the capacity to address the unique
11 needs of the communities within the applicable district.

12 (d) The department shall establish clear performance-based criteria
13 for the private entities with which the department contracts under this
14 subsection. Such criteria shall include, but not be limited to:

15 (i) The number of individuals served;

16 (ii) Client satisfaction metrics;

17 (iii) Demonstrated improvement in business outcomes for individuals
18 receiving professional counseling services;

19 (iv) Geographic reach and accessibility of services; and

20 (v) Regular reporting and accountability measures to ensure
21 compliance and effectiveness.

22 (e) If a private entity fails to meet the established performance-
23 based criteria described in subdivision (d) of this subsection, the
24 department may terminate the contract and solicit new proposals to ensure
25 continuous service delivery.

26 ~~(3) The private entity with which the department contracts under~~
27 ~~subsection (2) of this section shall not have any other contracts with~~
28 ~~the state that involve the provision of services described in subsection~~
29 ~~(2) of this section.~~

30 **Sec. 5.** Section 81-12,235, Reissue Revised Statutes of Nebraska, is
31 amended to read:

1 81-12,235 (1) On or before October 1, 2024, and on or before October
2 1 of each even-numbered year thereafter, the department shall submit a
3 report to the Governor and the Legislature that includes, but is not
4 limited to:

5 (a) A description of the demand for grants and counseling services
6 under the Small Business Assistance Act from all geographic regions in
7 Nebraska;

8 (b) A listing of the grant recipients and the amounts of grants
9 awarded pursuant to the act in the previous two fiscal years;

10 (c) A listing of the recipients of counseling services under the act
11 in the previous two fiscal years; and

12 (d) The impact of the grants provided under the act, including
13 information on:

14 (i) The number of jobs created;

15 (ii) The economic impact on the area where the grant recipient is
16 located;

17 (iii) The impact on state and local tax revenue; and

18 (iv) The types of businesses created, listed by industry.

19 (2) The report submitted to the Legislature shall be submitted
20 electronically.

21 (3) The department may require any ~~the~~ private entity with which the
22 department contracts under ~~described in~~ section 81-12,234 and any
23 recipients of grants or counseling services to provide periodic reports
24 and information to enable the department to fulfill the requirements of
25 this section.

26 (4) The report shall contain no information that is protected by
27 state or federal confidentiality laws.

28 **Sec. 6.** This act becomes operative on July 1, 2025.

29 **Sec. 7.** Original sections 81-12,153, 81-12,162, 81-12,233,
30 81-12,234, and 81-12,235, Reissue Revised Statutes of Nebraska, are
31 repealed.

1 **Sec. 8.** Since an emergency exists, this act takes effect when
2 passed and approved according to law.