

**FISCAL NOTE**  
**LEGISLATIVE FISCAL ANALYST ESTIMATE**

<b>ESTIMATE OF FISCAL IMPACT – STATE AGENCIES</b> (See narrative for political subdivision estimates)				
	<b>FY 2015-16</b>		<b>FY 2016-17</b>	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	See below	(See below)	See below	(See below)
CASH FUNDS	See below	See below	See below	See below
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	See below	See below	See below	See below

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

LB 395 would create the Nebraska Enterprise Act. A nine-member Nebraska Enterprise Authority would be appointed by the Governor to administer the Nebraska Enterprise Fund. The fund would be used to award grants to businesses, giving priority to (1) Small businesses located in the state, (2) Small businesses outside the state that commit to relocate to Nebraska, and (3) Projects that create 100 or fewer additional jobs. The board and fund would be housed in the Department of Economic Development (DED.)

LB 395 provides that the Nebraska Enterprise Fund would consist of funds appropriated by the Legislature, fund interest and gifts, grants and other donations. The total amount of funding available for grants would depend upon legislative funding decisions, and the total number of grants awarded would depend upon the type of applications received and board policy, as no minimum or maximum grant amounts are established in LB 395. For the purpose of this fiscal note, it is estimated that funding ranging from \$3,000,000 to \$7,000,000 could be allocated to the fund annually, with the funding source being a transfer from the General Fund to the Nebraska Enterprise Fund.

Additionally, the cost to DED to provide administrative support would be proportionate to the amount of funding available for grants. The administrative cost estimate prepared by DED is based upon the assumption that 400 applications and active projects would be reviewed, evaluated, awarded and audited each year at a cost of \$400,000 to \$429,181. Because LB 395 does not allow the fund to be used for administrative expenses, it is estimated that costs would come from the General Fund.

<b>ADMINISTRATIVE SERVICES-STATE BUDGET DIVISION: REVIEW OF AGENCY &amp; POLT. SUB. RESPONSES</b>			
LB: 395	AM:	AGENCY/POLT. SUB: Department of Economic Development	
REVIEWED BY: Robin Kilgore		DATE: 2-13-15	PHONE: 471-4180
COMMENTS: No basis to disagree with agency's estimate of fiscal impact.			

**State Agency Estimate**

State Agency Name: Dept. of Economic Development

Date Due LFA 1/28/2015

Approved by: Lara Huskey

Date Prepared: 2/10/2015

Phone: 402-471-3777

	<u>FY 2014-2015</u>		<u>FY 2015-2016</u>		<u>FY 2016-2017</u>	
	<u>Expenditures</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Revenue</u>
General Funds			\$429,181		\$406,944	
Cash Funds						
Federal Funds						
Other Funds						
<b>Total Funds</b>			<b>\$429,181</b>		<b>\$406,944</b>	

LB 395 creates the Nebraska Enterprise Authority within the Department of Economic Development (DED). It will consist of nine voting members, appointed by the Governor with approval of the majority of the Legislature.

LB 395 also creates the Nebraska Enterprise Fund, which will be administered by the Authority and used to award grants for business recruitment and relocation, capital improvement, and infrastructure development. The Authority will prepare a statement assessing the direct economic impact of a grant to a business, prior to making such grant. This statement must include information on tax credits, local incentives, and other money or credits to be distributed to the grant recipient by the entities of this state.

After assessing the direct economic impact, the Authority will make grants to eligible businesses that create a minimum number of jobs in Nebraska by an agreed upon date. Grants will be repaid, if job creation requirements are not met, but can be prorated to reflect partial attainment of other performance targets; and Authority can impose penalties for noncompliance. Priority is to be given to small businesses (those that will create one hundred or fewer additional jobs).

Grant recipients will report to the Authority, and the Authority will report to the Legislature before the beginning of each regular session of the Legislature.

There is no limitation on the types of for-profit businesses that could access the Nebraska Enterprise Fund, except that small business, defined as having less than 100 employees, should get a priority for grant funding. There are in excess of 52,000 businesses that could qualify for grant funding currently, and approximately 51,000 of these businesses are classified as small, under the bill. LB 395 contains no beginning balance for the Nebraska Enterprise Fund. Assuming approximately 400 applications and active projects per year; and assuming that the Department has responsibility to audit the employment of businesses awarded grants, and given the requirement of the Authority’s economic impact reports prior to awarding the grants, annual reports, tracking the grants and providing resources for the Authority, the Department would need to add several staff positions. These include an Economic Development Business Consultant, an Accountant, an auditor, an attorney and an economist.

The reporting requirements in Section 11 of the bill require specific reporting on grantee’s hiring, and also requires that confidential information not be included. Typically, employment reports to the Nebraska Department of Labor would be deemed confidential, so it is unclear whether these could be included for each NAICS code, as specified in the draft.

**Major Objects of Expenditure**

<u>Class Code</u>	<u>Classification Title</u>	<u>14-15 FTE</u>	<u>15-16 FTE</u>	<u>16-17 FTE</u>	<u>14-15 Expenditures</u>	<u>15-16 Expenditures</u>	<u>16-17 Expenditures</u>
A49310	Economic Development Business Consultant		1.0	1.0		\$45,115	\$46,199
A19212	Accountant II		1.0	1.0		38,561	39,487
A21212	Auditor		1.0	1.0		39,686	40,639
A31111	Attorney I		1.0	1.0		45,115	46,199
A13910	Economist		1.0	1.0		48,506	49,670
Benefits.....						148,197	121,057
Operating Costs.....							
Travel.....						30,000	30,000
Capital Outlay.....						34,000	0
Aid.....							
Capital Improvements.....							
<b>Total.....</b>						<b>\$429,181</b>	<b>\$406,944</b>