

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2021-22		FY 2022-23	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	See below		See below	
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS				

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

LB526 amends the amounts of grants awarded for Business Innovation Act (BIA) programs and states intent to appropriate \$40 million to the Department of Economic Development for administration of BIA programs.

LB526 expands the grant award from up to \$4 million per fiscal year to up to \$10 million dollars per fiscal year for:

- Planning grants;
- Financial assistance program for prototype creation;
- The value-added agriculture program;
- The financial assistance program to commercialize product or process; and
- The financial assistance program relating to college or university research and development.

LB526 expands the grant award from up to \$2 million per fiscal year to \$5 million per fiscal year for the small business investment program.

Though no fund source is specified, it is reasonable to assume this will be a General Fund appropriation due to the funding history of the Business Innovation Act subprogram.

It is assumed that the intended increase in the appropriation will be an expansion upon the base appropriation for BIA programs. The Department of Economic Development anticipates that it will be able to distribute \$9.23 million in grants per annum resulting from LB526, an increase of approximately \$3.5 million per annum. We have no reason to dispute the Department of Economic Development's cost estimate.

Any unspent appropriation would be remitted back to the General Fund. We estimate approximately \$20.8 million will be remitted to the General Fund in FY23-24 should remaining funds not be re-appropriated.

LB526 only provides for intention to appropriate and does not provide any appropriation.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE		
LB: 526	AM:	AGENCY/POLT. SUB: Department of Economic Development
REVIEWED BY: Neil Sullivan	DATE: 2/24/2021	PHONE: (402) 471-4179
COMMENTS: The Department of Economic Development assessment of fiscal impact from LB 526 appears reasonable.		

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2021

LB⁽¹⁾ 526

FISCAL NOTE

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

Prepared by: ⁽³⁾ Anthony Goins Date Prepared: ⁽⁴⁾ 2/3/2021 Phone: ⁽⁵⁾ 402-471-3777

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2021-22</u>		<u>FY 2022-23</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	<u>\$9,595,400</u>	<u> </u>	<u>\$9,576,470</u>	<u> </u>
CASH FUNDS	<u> </u>	<u> </u>	<u> </u>	<u> </u>
FEDERAL FUNDS	<u> </u>	<u> </u>	<u> </u>	<u> </u>
OTHER FUNDS	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL FUNDS	<u>\$9,595,400</u>	<u> </u>	<u>\$9,576,470</u>	<u> </u>

Explanation of Estimate:

LB526 increases funding for the Business Innovation Act (BIA) in FY2021-22. Program funding limits are changed for each fiscal year beginning in FY2021-22 and for each year thereafter. The table below presents the increases proposed in the bill for each section of the BIA program.

BIA Section	Description	Pre-FY2021-22	Post-FY2021-22
81-12,157	Planning Grants	\$4.0	\$10.0
81-12,158	Prototyping	\$4.0	\$10.0
81-12,159	Value-added Agriculture	\$4.0	\$10.0
81-12,160	Commercialization	\$4.0	\$10.0
81-12,161	Academic R&D	\$4.0	\$10.0
81-12,162	Microenterprise & Microlending	\$2.0	\$5.0
Total		\$22.0	\$55.0

The base appropriation for the BIA program is approximately \$5.77 million for FY2020-21. For purposes of this fiscal note, DED assumes that the \$40 million is a one-time appropriation in addition to the current \$5.77 million appropriation, and that beginning in FY2022-23, funding would return to its current base appropriation.

The Department assumes that the demand for funding in the program is approximately \$15 million per year. At that level, DED would require additional staffing to effectively award and monitor grants. DED expects that it will need the services of an Economic Development Manager, an Economic Development Business Consultant, and a Financial Packager to track the grant payments and matching funds. Included in the operating costs is \$15,000 per year for rented space near the state's tech parks, allowing the staff to work in closer proximity to entrepreneurs.

It is assumed that of the additional \$40 million General Fund appropriation, \$9.23 million of the new funds will be distributed in FY2021-22 and FY2022-23, along with the base appropriation, further assuming a mid-biennium reappropriation. DED's appropriation to administer the act would end in FY2022-23, without further appropriation, leaving more than half of the funds unspent. The bill carries the emergency clause.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2021-22</u>	<u>2022-23</u>
	<u>21-22</u>	<u>22-23</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
G49550 Econ Dev Manager	1.0	1.0	\$66,210	\$66,860
A49310 Econ Dev. Bus Consultant	1.0	1.0	59,430	60,910
A49280 Econ. Dev. Fin. Packager	1.0	1.0	59,430	60,910
Benefits.....			74,020	75,870
Operating...(Including Add'l Rent).....			62,000	62,940
Travel.....			18,510	18,980
Capital outlay.....			25,800	0
Aid.....			9,230,000	9,230,000
Capital improvements.....			0	0
TOTAL.....			\$9,595,400	\$9,576,470