

LEGISLATURE OF NEBRASKA
ONE HUNDRED EIGHTH LEGISLATURE
FIRST SESSION

LEGISLATIVE BILL 349

Introduced by Wayne, 13.

Read first time January 12, 2023

Committee:

1 A BILL FOR AN ACT relating to the Business Innovation Act; to amend
2 sections 81-12,156, 81-12,157, 81-12,158, 81-12,159, 81-12,160,
3 81-12,161, 81-12,162, and 81-12,163, Revised Statutes Cumulative
4 Supplement, 2022; to provide a requirement relating to the selection
5 of projects; to change funding limitations as prescribed; to state
6 intent relating to appropriations; to eliminate obsolete provisions;
7 to provide an operative date; to repeal the original sections; and
8 to declare an emergency.
9 Be it enacted by the people of the State of Nebraska,

1 Section 1. Section 81-12,156, Revised Statutes Cumulative
2 Supplement, 2022, is amended to read:

3 81-12,156 When selecting projects for funding under the Business
4 Innovation Act:

5 (1) The department shall ensure that funding under the act is
6 distributed evenly among the three congressional districts to the maximum
7 extent possible; and

8 (2) The ~~the~~ department shall give a preference to projects located
9 in whole or in part within an economic redevelopment area, an enterprise
10 zone designated pursuant to the Enterprise Zone Act, or an opportunity
11 zone designated pursuant to the federal Tax Cuts and Jobs Act, Public Law
12 115-97.

13 Sec. 2. Section 81-12,157, Revised Statutes Cumulative Supplement,
14 2022, is amended to read:

15 81-12,157 (1) The department shall establish a phase one program to
16 provide grants to small businesses that qualify under the federal grant
17 program for the purposes of planning for an application under the federal
18 grant program. If a small business receives funding under the federal
19 grant program, the department or a nonprofit entity designated by the
20 department may make grants to match up to sixty-five percent of the
21 amount of the federal grant.

22 (2) Planning grants under subsection (1) of this section shall not
23 exceed five thousand dollars per project. Federal award matching grants
24 under this section shall not exceed one hundred thousand dollars. No
25 business shall receive funding for more than one project every two years.

26 (3) The department may award up to eighteen ~~six~~ million dollars per
27 year for grants under this section.

28 Sec. 3. Section 81-12,158, Revised Statutes Cumulative Supplement,
29 2022, is amended to read:

30 81-12,158 (1) The department shall establish a financial assistance
31 program to provide financial assistance to businesses that employ no more

1 than five hundred employees or to individuals for the purposes of
2 creating a prototype of a product stemming from research and development
3 at a business operating in Nebraska or a public or private college or
4 university in Nebraska.

5 (2)(a) Until three months after April 20, 2022, funds shall be
6 matched by nonstate funds equivalent in money equal to fifty percent of
7 the funds requested; and

8 (b) Beginning three months after April 20, 2022, funds shall be
9 matched by nonstate funds equivalent in money equal to:

10 (i) Twenty-five percent of the funds requested if the applicant's
11 principal residence or principal place of business is located in an
12 economic redevelopment area within a city of the metropolitan class; or

13 (ii) Fifty percent of the funds requested for any other applicant.

14 (3) Matching funds may be from any nonstate source, including
15 private foundations, federal or local government sources, quasi-
16 governmental entities, or commercial lending institutions, or any other
17 funds whose source does not include funds appropriated by the
18 Legislature.

19 (4) The amount the department may provide shall not exceed one
20 hundred fifty thousand dollars per project.

21 (5) A business or individual applying for financial assistance under
22 this section shall include a business plan that includes a proof-of-
23 concept demonstration.

24 (6) Financial assistance under this section shall be expended within
25 twenty-four months after the date of the awarding decision.

26 (7) The department may award up to eighteen ~~six~~ million dollars per
27 year for financial assistance under this section.

28 Sec. 4. Section 81-12,159, Revised Statutes Cumulative Supplement,
29 2022, is amended to read:

30 81-12,159 (1) The department shall establish an innovation in value-
31 added agriculture program. The purpose of this program is to provide

1 financial assistance to:

2 (a) Support small enterprise formation in the agricultural sector of
3 Nebraska's rural economy, including innovative efforts for value-added
4 enterprises;

5 (b) Support the development of agricultural communities and economic
6 opportunity through innovation in farming and ranching operations, rural
7 communities, and businesses for the development of value-added
8 agricultural products;

9 (c) Enhance the income and opportunity for farming and ranching
10 operations in Nebraska in order to stem the decline in their numbers;

11 (d) Increase the farming and ranching operations' share of the food-
12 system profit;

13 (e) Enhance opportunities for farming and ranching operations to
14 participate in electronic commerce and new and emerging markets that
15 strengthen rural economic opportunities; and

16 (f) Encourage the production and marketing of specialty crops in
17 Nebraska and support the creation and development of agricultural
18 enterprises and businesses that produce and market specialty crops in
19 Nebraska.

20 (2) Agricultural cooperatives, farming or ranching operations, and
21 private businesses and enterprises operating in Nebraska shall be
22 eligible for financial assistance under this section.

23 (3) An entity receiving financial assistance shall provide a match
24 of twenty-five percent for such assistance.

25 (4) The department may award up to eighteen ~~six~~ million dollars per
26 year for financial assistance under this section.

27 Sec. 5. Section 81-12,160, Revised Statutes Cumulative Supplement,
28 2022, is amended to read:

29 81-12,160 (1) The department shall establish a financial assistance
30 program to provide financial assistance to businesses operating in
31 Nebraska that employ no more than five hundred employees or to

1 individuals that have a prototype of a product or process for the
2 purposes of commercializing such product or process. The applicant shall
3 submit a feasibility study stating the potential sales and profit
4 projections for the product or process.

5 (2) The department shall create a program with the following
6 provisions to support commercialization of a product or process:

7 (a) Commercialization infrastructure documentation, including market
8 assessments and start-up strategic planning;

9 (b) Promotion, marketing, advertising, and consulting;

10 (c) Management and business planning support;

11 (d) Linking companies and entrepreneurs to mentors;

12 (e) Preparing companies and entrepreneurs to acquire venture
13 capital; and

14 (f) Linking companies to sources of capital.

15 (3) Funds shall be matched by nonstate funds equal to fifty percent
16 of the funds requested. Matching funds may be from any nonstate source,
17 including private foundations, federal or local government sources,
18 quasi-governmental entities, or commercial lending institutions, or any
19 other funds whose source does not include funds appropriated by the
20 Legislature.

21 (4) The department shall not provide more than five hundred thousand
22 dollars to any one project. Each year the department may award up to
23 eighteen ~~six~~ million dollars under this section.

24 (5) Financial assistance provided under this section shall be
25 expended within twenty-four months after the date of the awarding
26 decision.

27 (6) To carry out this section, the department shall contract with
28 one statewide venture development organization that is incorporated in
29 the State of Nebraska and exempt for federal tax purposes under section
30 501(c)(3) of the Internal Revenue Code.

31 Sec. 6. Section 81-12,161, Revised Statutes Cumulative Supplement,

1 2022, is amended to read:

2 81-12,161 (1) The department shall establish a financial assistance
3 program to provide financial assistance to businesses operating in
4 Nebraska that use the faculty or facilities of a public or private
5 college or university in Nebraska for applied research and development of
6 new products or use intellectual property generated at a public or
7 private college or university in Nebraska.

8 (2) A business may apply for up to two awards in any four-year
9 period per project. The department may provide up to one hundred thousand
10 dollars for the first phase of a project. If the first phase is
11 successful and agreed-upon contractual requirements are met during the
12 first phase, the department may provide up to four hundred thousand
13 dollars for the second phase of the project.

14 (3) Funds shall be matched by nonstate funds equivalent in money
15 equal to one hundred percent of the funds requested for both phases of
16 the project. Matching funds may be from any nonstate source, including
17 private foundations, federal or local government sources, quasi-
18 governmental entities, or commercial lending institutions, or any other
19 funds whose source does not include funds appropriated by the
20 Legislature.

21 (4) The department may award up to eighteen ~~six~~ million dollars per
22 year for financial assistance under this section.

23 Sec. 7. Section 81-12,162, Revised Statutes Cumulative Supplement,
24 2022, is amended to read:

25 81-12,162 (1) The department shall establish a small business
26 investment program. The program:

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

29 (i) Better assure that Nebraska's microenterprises are able to
30 realize their full potential to create jobs, enhance entrepreneurial
31 skills and activity, and increase low-income households' capacity to

1 become self-sufficient;

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

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

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

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

11 (vi) Enable the department to engage in contractual relationships
12 with statewide microlending support organizations and innovation hubs
13 which have the capacity to leverage additional nonstate funds for
14 microenterprise lending.

15 To the maximum extent possible, the selection process should assure
16 that the distribution of such financial assistance provides equitable
17 access to the benefits of the Business Innovation Act by all geographic
18 areas of the state; and

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

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

25 (a) The plan for providing business development services and
26 microloans to microenterprises;

27 (b) The scope of services to be provided by the microloan delivery
28 organization, microloan technical assistance organization, or innovation
29 hub;

30 (c) The plan for coordinating the services and loans provided by the
31 microloan delivery organization, microloan technical assistance

1 organization, or innovation hub with commercial lending institutions;

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

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

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

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

14 (h) Sources and sufficiency of operating funds for the
15 microenterprise development organization.

16 (3) Awards made by the department to a microloan delivery
17 organization, microloan technical assistance organization, or innovation
18 hub may be used to:

19 (a) Satisfy matching fund requirements for other federal or private
20 grants;

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

24 (c) Establish a guaranty fund from which the microloan delivery
25 organization, microloan technical assistance organization, or innovation
26 hub may guarantee loans made by commercial lending institutions to
27 microenterprises;

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

31 (e) Provide grants to establish loan-loss reserve funds to match

1 loan capital borrowed from other sources, including federal
2 microenterprise loan programs.

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

6 (a) Funds shall be matched by nonstate funds equivalent in money or
7 in-kind contributions or a combination of both equal to thirty-five
8 percent of the grant funds requested. Such matching funds may be from any
9 nonstate source, including private foundations, federal or local
10 government sources, quasi-governmental entities, or commercial lending
11 institutions, or any other funds whose source does not include funds
12 appropriated by the Legislature;

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

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

19 The department shall contract with a statewide microenterprise
20 development assistance organization to carry out this section.

21 (5) Each year the department may award up to nine ~~three~~ million
22 dollars under this section.

23 Sec. 8. Section 81-12,163, Revised Statutes Cumulative Supplement,
24 2022, is amended to read:

25 81-12,163 (1) It is the intent of the Legislature that (a) the four
26 million dollars saved due to the elimination of funding for the Angel
27 Investment Tax Credit Act be used to increase the appropriation to the
28 department for the Business Innovation Act by four million dollars for
29 fiscal year 2021-22 and each fiscal year thereafter and (b) the
30 appropriation to the department for the Business Innovation Act shall be
31 at least forty-five million dollars for fiscal year 2023-24 and at least

1 ~~forty-five million dollars for fiscal year 2024-25 the one hundred~~
2 ~~thousand dollars saved due to the reduction in tax credits authorized~~
3 ~~under the Angel Investment Tax Credit Act for calendar year 2019 be used~~
4 ~~to increase the appropriation to the Department of Revenue by one hundred~~
5 ~~thousand dollars for fiscal year 2019-20 to offset the costs incurred by~~
6 ~~the Department of Revenue to implement Laws 2019, LB334.~~

7 (2) Up to five percent of the funds appropriated for the Business
8 Innovation Act may be used by the department, or by a nonprofit entity
9 with which the department contracts, for administrative expenses.

10 Sec. 9. This act becomes operative on July 1, 2023.

11 Sec. 10. Original sections 81-12,156, 81-12,157, 81-12,158,
12 81-12,159, 81-12,160, 81-12,161, 81-12,162, and 81-12,163, Revised
13 Statutes Cumulative Supplement, 2022, are repealed.

14 Sec. 11. Since an emergency exists, this act takes effect when
15 passed and approved according to law.