



Ninety-Eighth Legislature - Second Session - 2004
Committee Statement
LB 1190

Hearing Date: February 3, 2004
Committee On: Urban Affairs

Introducer(s): (Bromm, Janssen, Combs, Kremer, Stuhr, Burling, Jones, Vrtiska, Cunningham, Mines, Dw. Pedersen, McDonald)

Title: Adopt the Hometown Entrepreneur Scholarship Act to encourage start-up businesses in cities of the second class and villages

Roll Call Vote – Final Committee Action:

- Advanced to General File
 - X Advanced to General File with Amendments
 - Indefinitely Postponed
-

Vote Results:

7	Yes	Senators Combs, Connealy, Friend, Hartnett, Janssen, Landis and Schimek
	No	
	Present, not voting	
	Absent	

Proponents:

Senator Curt Bromm
Jennifer Roberts
John Jordison
Lynn Rex
Jeff Yost

Representing:

Introducer
LC for Senator Bromm
Great Plains Communications
League of NE Municipalities
NE Community Foundation

Opponents:

Robert Hallstrom
Richard Baier

Representing:

NE Bankers Assn
Dept of Econ Development

Neutral:

Representing:

Summary of purpose and/or changes:

This bill relates to economic development, proposing to adopt the Hometown Entrepreneur Scholarship Act to provide for local participation (by loan) in the development of small business enterprises. It is applicable only to second class cities and villages.

This legislation proposes a new economic development program available only to second class cities and villages. The program would involve the grant by the city or village of low-interest or no interest loans to start-up new “micro-enterprises”: a business with five or fewer employees, including home-based businesses and sole proprietorships (self-employed individuals).

A proposed micro-enterprise would be required to submit its business plan to the city council or board of trustees for approval. The standards for approval would involve criteria developed by the Department of Economic Development.

If the proposed business plan was approved, the entrepreneur (the applying party proposing to start-up the micro enterprise) would also be qualified to receive a loan in a matching amount (up to three thousand dollars per year for up to five years) from the state of Nebraska (through the Department of Economic Development).

After the entire loan is received (in an amount determined by the city or village), the entrepreneur would have up to five years to repay the loan to the city or village.

No loan could be granted pursuant to this Act for any business operating prior to the development of the business plan (even though it may be expanding).

The legislation also creates the “Hometown Entrepreneur Scholarship Fund,” a state fund administered by the Department of Economic Development. The fund would be used to provide funds to entrepreneurs who qualified for loans pursuant to the act, ostensibly to train them to be successful and to enable them to repay their loans.

The total program would be administered by DED subject to rules and regulations promulgated by the agency.

Explanation of amendments, if any:

The principle concern of the committee was the constitutionality of the proposal. There is a long-standing history of constitutional opposition to the granting by the state or any of its political subdivisions of public credit to private enterprises. Of particular note in the municipal context is the portion at the end of Article XIII, Section 3. This provision was adopted in 1990 to provide the authorization for the Local Option Municipal Economic Development Act (often referred to as LB 840). The concern there was to authorize municipalities to engage in new economic development programs (which would otherwise be prohibited by the constitution) if approved by a vote of the people. This now is the exclusive authorization method for economic development programs involving the expenditure of funds derived from local revenue sources.

To resolve this concern, the legislation is amended by the committee amendments to define loan programs authorized by the act as being “economic development programs” within the purview of the Local Option Municipal Economic Development Act and therefore subject to the requirements of that act as to their approval and administration.

While the committee amendments take the form of a total rewrite of the bill (striking all the provisions of the new bill and substituting new language) there are relatively few substantive changes. Most of the changes are clarifications of existing language and changes to reflect the references to the Local Option Municipal Economic Development Act. The “white copy” form of the amendment is done for the sake of clarity and ease of use.

Senator D. Paul Hartnett, Chairperson