

LEGISLATURE OF NEBRASKA  
ONE HUNDRED FOURTH LEGISLATURE  
SECOND SESSION

**LEGISLATIVE BILL 1028**

Introduced by Morfeld, 46.

Read first time January 19, 2016

Committee: Appropriations

1 A BILL FOR AN ACT relating to the Business Innovation Act; to amend  
2 sections 81-12,160, 81-12,162, and 81-12,163, Revised Statutes  
3 Supplement, 2015; to change provisions relating to funding; to  
4 require the Department of Economic Development to contract with  
5 certain entities in carrying out the Business Innovation Act; to  
6 provide an operative date; to repeal the original sections; and to  
7 declare an emergency.

8 Be it enacted by the people of the State of Nebraska,

1       Section 1. Section 81-12,160, Revised Statutes Supplement, 2015, is  
2 amended to read:

3           81-12,160 (1) The department shall establish a financial assistance  
4 program to provide financial assistance to businesses operating in  
5 Nebraska that employ no more than five hundred employees or to  
6 individuals that have a prototype of a product or process for the  
7 purposes of commercializing such product or process. The applicant shall  
8 submit a feasibility study stating the potential sales and profit  
9 projections for the product or process.

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

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

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

15           (c) Management and business planning support;

16           (d) Linking companies and entrepreneurs to mentors;

17           (e) Preparing companies and entrepreneurs to acquire venture  
18 capital; and

19           (f) Linking companies to sources of capital.

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

26         (4) The department shall not provide more than five hundred thousand  
27 dollars to any one project. Each year the department shall award at least  
two million dollars but not more than four million dollars under this  
section ~~The department may award up to four million dollars per year for~~  
~~financial assistance under this section.~~

31         (5) Financial assistance provided under this section shall be

1 expended within twenty-four months after the date of the awarding  
2 decision.

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

7 Sec. 2. Section 81-12,162, Revised Statutes Supplement, 2015, is  
8 amended to read:

9 81-12,162 (1) The department shall establish a small business  
10 investment program. The program:

11 (a) Shall provide grants to microloan delivery or microloan  
12 technical assistance organizations to:

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

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

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

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

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

26 (vi) Enable the department to engage in contractual relationships  
27 with statewide microlending support organizations which have the capacity  
28 to leverage additional nonstate funds for microenterprise lending.

29 To the maximum extent possible, the selection process should assure  
30 that the distribution of such financial assistance provides equitable  
31 access to the benefits of the Business Innovation Act by all geographic

1 areas of the state; and

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

5 (2) To establish the criteria for making an award to a microloan  
6 delivery or microloan technical assistance organization, the department  
7 shall consider:

8 (a) The plan for providing business development services and  
9 microloans to microenterprises;

10 (b) The scope of services to be provided by the microloan delivery  
11 or microloan technical assistance organization;

12 (c) The plan for coordinating the services and loans provided by the  
13 microloan delivery or microloan technical assistance organization with  
14 commercial lending institutions;

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

17 (e) The ability of the microloan delivery or microloan technical  
18 assistance organization to provide for business development in areas of  
19 chronic economic distress and low-income regions of the state;

20 (f) The ability of the microloan delivery or microloan technical  
21 assistance organization to provide business training and technical  
22 assistance to microenterprise clients;

23 (g) The ability of the microloan delivery or microloan technical  
24 assistance organization to monitor and provide financial oversight of  
25 recipients of microloans; and

26 (h) Sources and sufficiency of operating funds for the  
27 microenterprise development organization.

28 (3) Awards made by the department to a microloan delivery or  
29 microloan technical assistance organization may be used to:

30 (a) Satisfy matching fund requirements for other federal or private  
31 grants;

1       (b) Establish a revolving loan fund from which the microloan  
2 delivery or microloan technical assistance organization may make loans to  
3 microenterprises;

4       (c) Establish a guaranty fund from which the microloan delivery or  
5 microloan technical assistance organization may guarantee loans made by  
6 commercial lending institutions to microenterprises;

7       (d) Provide funding for the operating costs of a microloan delivery  
8 or microloan technical assistance organization not to exceed twenty  
9 percent; and

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

13     (4) Any award of financial assistance to a microloan delivery or  
14 microloan technical assistance organization shall meet the following  
15 qualifications:

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

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

26     (c) A minimum of fifty percent of the microloan funds shall be used  
27 by a microenterprise development assistance organization organizations  
28 for small business technical assistance.

29     The department shall ~~may~~ contract with a ~~one or more~~ statewide  
30 microenterprise development assistance organization organizations to  
31 carry out this section.

1       (5) For fiscal year 2016-17, the department shall award at least one  
2 million two hundred fifty thousand dollars but not more than two million  
3 dollars under this section. For fiscal year 2017-18 and each fiscal year  
4 thereafter, the department shall award at least one million five hundred  
5 thousand dollars but not more than two million dollars under this section  
6 ~~Each year the department shall award at least one million dollars but not~~  
7 ~~more than two million dollars under this section.~~

8       Sec. 3. Section 81-12,163, Revised Statutes Supplement, 2015, is  
9 amended to read:

10       81-12,163 (1) It is the intent of the Legislature to appropriate  
11 eight seven million dollars from the General Fund to the department for  
12 the Business Innovation Act for each of fiscal year 2016-17, and nine  
13 million dollars from the General Fund to the department for the Business  
14 Innovation Act for fiscal year 2017-18 years 2015-16 and 2016-17.

15       (2) Up to five percent of the funds appropriated may be used by the  
16 department, or by a nonprofit entity with which the department contracts,  
17 for administrative expenses.

18       Sec. 4. This act becomes operative on July 1, 2016.

19       Sec. 5. Original sections 81-12,160, 81-12,162, and 81-12,163,  
20 Revised Statutes Supplement, 2015, are repealed.

21       Sec. 6. Since an emergency exists, this act takes effect when  
22 passed and approved according to law.