

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2025-26		FY 2026-27	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	\$329,580		\$369,390	
CASH FUNDS	See below		See below	
FEDERAL FUNDS				
OTHER FUNDS	See below		See below	
TOTAL FUNDS	\$329,580	(\$29,000,000)	\$369,390	(\$29,000,000)

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

LB100 creates the Business Innovation Startup Act (BISA).

BISA establishes the Office of Business, Entrepreneurship, and Innovation (OBEI) within the Department of Economic Development (DED) and requires the office to do the following:

- Employ personnel;
- Work with stakeholders;
- Serve as point of contact to assist businesses that have been in operation for five years or less; and
- Prepare an annual report no later than July 1, 2026 and states report requirements.

The Department of Economic Development’s estimates for administration under this section of LB100 appear reasonable. DAS estimates the potential for needed revolving fund appropriation if new employees are added.

BISA requires DED and the Commissioner of Labor to file reports with the Legislature no later than July 1, 2026 and no later than July 1 annually thereafter, and details requirements of those reports.

LB100 encourages the following to begin on July 1, 2026:

- State agencies to award 5% of the total number of state contracts to business that have been in operation for less than five years and whose principal place of business is in the state;
- Nebraska Workforce Development Board and local workforce development boards, beginning July 1, 2026, to allocate 5% of workforce development funding to organizations and programs that support individuals starting new businesses or individuals and entities that provide services to businesses established within the previous five years and whose principal place of business is in this state;
- For DED to award 5% of economic development funds to individuals starting new businesses or individuals or entities that provide services to businesses established within the previous five years and whose principal place of business is in the state; and
- For state agencies and political subdivisions to eliminate business license and registration fees for any new business, including a home-based business, whose principal place of business is within the state.

Creating an encouragement is non-binding. Any administrative cost borne by the agencies as a result of these provisions of this legislation would be up to the discretion of the agency.

LB100 requires the State Investment Officer to invest one percent of state funds available for investment and encourages up to 5% of such funds into venture capital funds that agree to invest dollar-for-dollar into businesses that have been in operation for less than five years and whose principal place of business is in this state. No basis to disagree with the estimates for revenue loss as provided by the Nebraska Investment Council. Investments are made across all funds (General, Retirement Trust, Cash, and Cash Reserve) and this reflects the totality of the impact.

NIC has submitted a revised fiscal note to account for the administrative burden created by the legislation, \$450,000 for personnel and associated fees in FY25-26 and \$467,250 for FY26-27. No basis to disagree with the estimates provided for administration. The agency has noted that if the work is contracted out it may require an appropriation of up to \$3,000,000 cash funds per year.

Technical note: Sections 3 (1), 4 (1), and 5 (1) do not specify whom within the Legislature the Department of Economic Development is to file a report with. Our office assumes a committee of jurisdiction or Clerk of the Legislature. Section 6 creates an encouragement to eliminate business license and registration fees for any new business beginning July 1, 2026. However, this legislation creates no amendments to business license and registration fees in statute, which are not permissive. Therefore, Section 6 has no effect. Section 7 of LB100 does not amend 72-1239.01 which prohibits the Nebraska Investment Council from investments whose sole or primary investment objective is for economic development or social purposes or objectives – thus LB100 would create a conflict in statute if passed in its current form.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE			
LB: 100	AM:	AGENCY/POLT. SUB: Nebraska Investment Council	
REVIEWED BY: Ryan Yang	DATE: 1/24/2025	PHONE: (402) 471-4178	
COMMENTS: The Nebraska Investment Council assessment of fiscal impact from LB 100 appears reasonable.			

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE			
LB: 100	AM:	AGENCY/POLT. SUB: Department of Economic Development	
REVIEWED BY: Ryan Yang	DATE: 1/24/2025	PHONE: (402) 471-4178	
COMMENTS: The Department of Economic Development assessment of fiscal impact from LB 100 appears reasonable.			

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE			
LB: 100	AM:	AGENCY/POLT. SUB: Department of Administrative Services (DAS) – State of Nebraska Building Division & Office of the Chief Information Officer	
REVIEWED BY: Ryan Yang	DATE: 1/22/2025	PHONE: (402) 471-4178	
COMMENTS: The DAS assessment of fiscal impact from LB 100 appears reasonable.			

Please complete ALL (5) blanks in the first three lines.

2025

LB⁽¹⁾ 100

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ Department of Administrative Services (DAS) – State Building Division (SBD) & Office of the Chief Information Officer (OCIO)

Prepared by: ⁽³⁾ Brent Flachsbart Date Prepared: ⁽⁴⁾ 01/13/2025 Phone: ⁽⁵⁾ 531-207-9029

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2025-26</u>		<u>FY 2026-27</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	_____	_____	_____	_____
CASH FUNDS	_____	_____	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
REVOLVING FUNDS	_____	_____	_____	_____
TOTAL FUNDS	<u>See Below</u>	<u>_____</u>	<u>See Below</u>	<u>_____</u>

Explanation of Estimate:

LB 100 creates a new “Office of Business, Entrepreneurship, and Innovation” within the Department of Economic Development with at least one full-time employee.

If any office space changes would be required, Department of Administrative Services (DAS) State Building Division (SBD) will need to manage such requests as appropriate and would require additional revolving fund spending authority to provide commercial space to accommodate any potential changes and/or expansions if state-owned property isn’t available. The current commercial rent estimate per person is between \$4,800 to \$5,400 per year. There would also be a one-time cost for furniture, fixtures, and equipment (FFE) of about \$8,000 per person. DAS-SBD would bill the agency for these one-time and monthly costs.

This could also incur one-time and on-going services from the DAS Office of the Chief Information Officer (DAS-OCIO). The commercial space(s) may require one-time network setup costs estimated at \$815 plus monthly services for an additional phone, computer lease, and other technology services, estimated at \$254 monthly. DAS-OCIO would require additional revolving fund spending authority to provide these one-time and on-going services. DAS-OCIO would bill the agency for these one-time and monthly costs.

DAS-SBD and DAS-OCIO would require an increase in revolving fund appropriate that is sufficient to cover the additional operational costs as a result of LB 100, which is estimated to be a minimum of \$16,663 the first year and \$7,848 the following years.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2025-26</u>	<u>2026-27</u>
	<u>25-26</u>	<u>26-27</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
Benefits.....	_____	_____	_____	_____
Operating.....	_____	_____	_____	_____
Travel.....	_____	_____	_____	_____
Capital outlay.....	_____	_____	_____	_____
Aid.....	_____	_____	_____	_____
Capital improvements.....	_____	_____	_____	_____
TOTAL.....	_____	_____	_____	_____

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2025

LB⁽¹⁾ 100

FISCAL NOTE

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

Prepared by: ⁽³⁾ Dave Dearmont Date Prepared: ⁽⁴⁾ 1/21/2025 Phone: ⁽⁵⁾ (402) 471-3777

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2025-26</u>		<u>FY 2026-27</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	<u>\$329,580</u>	<u> </u>	<u>\$369,390</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><u>\$329,580</u></u>	<u><u> </u></u>	<u><u>\$369,390</u></u>	<u><u> </u></u>

Explanation of Estimate:

LB100 would enact the Business Innovation and Startup Act and create the Office of Business, Entrepreneurship, and Innovation (OBEI) within DED. The OBEI is tasked with supporting entrepreneurship and serve as a point of contact to assist business that have been in operation for five years or less. The Act would require the OBEI, the DED Director, and the Commissioner of the Department of Labor to submit a series of annual legislative reports beginning on July 1, 2026.

The bill would require DED/OBEI to file three new annual reports

- The first new annual report would contain a review of legislation passed during the most recent session in order to determine each bill’s impact on business, innovation, and entrepreneurship. This report would also detail efforts by the OBEI to support, grow and maintain business owners, and present strategic goals for the office for the current year and the next five years.
- The second new annual report would include the number and total dollar amount of state contracts awarded to business that have been in operation for less than five years, including a breakdown by demographic segments and geographical areas throughout the state. This report would also include percentage of state contracts, and the percentage of total dollar amounts of contracts awarded to businesses that have been in operation for less than five years.
- The third new annual report would detail the percentage of economic development funds and total amount of funds awarded to individuals starting new businesses or entities that provide services to startup businesses in the state.

The bill would also encourage DED to award 5% of economic development funds to: (i) individuals starting new businesses or (ii) individuals and entities that provide services to businesses established within the previous five years and whose principal place of business is in this state. In addition, the bill would also encourage other state agencies and political subdivisions to eliminate business license and registration fees for any new business, including a home-based business, whose principal place of business in this state. Finally, the bill would require the state investment officer to invest one percent of state funds available for investment and encourage up to five percent of such funds into venture capital funds that agree to invest dollar for dollar into businesses that have been in operation for less than five years and whose principal place of business is in this state.

The department will have additional personnel and costs to administer the provisions of LB100. These include an Economic Development Manager to head the OBEI. In addition, the department will require the services of an Economic Development Consultant I position, to assist in the collection of data, strategic planning, preparation of the new reporting and assisting startup businesses as a point of contact for their questions. Finally, the department will require the services of an IT Application Developer to modify current program applications to capture the new data requirements, assist with GIS mapping of the location of

grantees, and construct AI tools to assist with supplying assistance for startup businesses. Included in operating costs are \$8,960 for additional office rent.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

POSITION TITLE	NUMBER OF POSITIONS		2025-26	2026-27
	25-26	26-27	EXPENDITURES	EXPENDITURES
G49550 Econ Dev Manager	1.00	1.00	\$70,560	\$70,560
A49011 Econ Dev Bus Con. I	0.75	1.00	46,410	61,880
A07011 IT Application Developer	0.75	1.00	55,390	72,200
Total	2.50	3.00	\$172,360	\$204,640
Benefits.....			\$60,330	\$77,720
Operating.....			53,850	65,370
Travel.....			17,240	21,660
Capital outlay.....			25,800	0
Aid.....			0	0
Capital improvements.....			0	0
TOTAL.....			\$329,580	\$369,390

Please complete ALL (5) blanks in the first three lines.

2025

LB⁽¹⁾ 100

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ Nebraska Investment Council

Prepared by: ⁽³⁾ Ellen Hung, SIO Date Prepared: ⁽⁴⁾ 1-14-2025 Phone: ⁽⁵⁾ 402-471-2001

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2025-26</u>		<u>FY 2026-27</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	_____	_____	_____	_____
CASH FUNDS	<u>\$0.7-\$3 million</u>	_____	<u>\$0.7-\$3 million</u>	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
TOTAL FUNDS	<u>\$0.7-\$3 million</u>	<u>-\$29 million</u>	<u>\$0.7-\$3 million</u>	<u>-\$29 million</u>

Explanation of Estimate:

The Nebraska Investment Council (NIC) oversees the investment of state assets for the exclusive benefit of the owners of the funds. Section 7 of LB100 violates the Nebraska State Funds Investment Act and would require the State Investment Officer (SIO) to make investments in venture capital (VC) funds that may not be appropriate resulting in significant loss of state assets.

Violates the Nebraska State Funds Investment Act

Neb. Rev. Stat 72-1239.01(3) states: "No assets of the retirement systems, the Nebraska educational savings plan trust, or the achieving a better life experience program shall be invested or reinvested if the sole or primary investment objective is for economic development or social purposes or objectives."

Significant Risk of Loss

- **Venture Capital –Significant Risk**
Approximately 75% of venture-backed startups fail.
- **State Funds – Concentration Risk**
One percent of state funds would be \$245.5 million.
In the last five years an average of 42 deals and \$299 million of venture capital were deployed in Nebraska based companies per year.
VC funds in Nebraska investing in Nebraska based companies ranges from \$10 million - \$44 million.
- **NIC Exposure to Venture Capital**
Due to the risk profile of VC funds, the current exposure is \$106 million.
- **Significant Risk of Underperformance**
From 2020 – 2023, the difference between upper quartile and median private equity fund performance averaged 11% annually.
The restriction in selection, in the best case, could lead to median performance instead of top quartile. This underperformance would equate to a loss of \$29 million per year.

Increase in the number of investments

A one percent would be \$246 million dollars in commitments in Nebraska. Given the size of the VC space in Nebraska, it would require 70-90 different fund investments. For funds this size, we would most likely hire a fund of funds manager which would cost approximately \$3 million in fees per year. If we were to do this in-house it would cost approximately \$700,000 on the low end. This would include legal expenses to review LPAs, subscription documents, negotiate side letters and on-going elections and compliance at approximately \$250,000. Additional staff and consulting cost, estimated at \$350,000 and \$100,000 respectively would be needed to manage and track the additional investments.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2025-26</u>	<u>2026-27</u>
	<u>25-26</u>	<u>26-27</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
Senior Portfolio Manager	1	1	\$225,000	\$236,000
Portfolio Manager	½	½	\$73,000	\$76,650
Benefits.....			52,000	\$54,600
Operating.....				
Travel.....				
Capital outlay.....				
Aid.....				
Capital improvements.....				
TOTAL.....				