PREPARED BY: DATE PREPARED: PHONE: Jeanne Glenn February 27, 2015 402-471-0056

**LB 161** 

Revision: 00

## **FISCAL NOTE**

LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT - STATE AGENCIES (See narrative for political subdivision estimates)								
	FY 201	5-16	FY 2016-17					
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE				
GENERAL FUNDS	See below	(See below)	See below	(See below)				
CASH FUNDS	See below	See below	See below	See below				
FEDERAL FUNDS								
OTHER FUNDS								
TOTAL FUNDS	See below	See below	See below	See below				

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

LB 161 would establish the Pairing Equity to Enterprises Act. The Nebraska Entrepreneurial Board would be created and administratively housed in the Department of Economic Development (DED) and a Nebraska Entrepreneurial Fund would be created. The fund would be administered by the board and used to make qualified investments in qualified businesses. The fund would consist of a one-time appropriation by the Legislature, transfers authorized by the legislature, and funds raised from private investors. Dividends from the fund would be used to make private investments as determined by the board.

LB 161 provides that if a designated amount of private equity (not currently established in LB 161) has not been subscribed by January 1, 2017, that private investments would be refunded and the balance of the fund would revert to the General Fund. The amount of state funding that would be appropriated or transferred into the Fund would be subject to legislative funding decisions. The balance of the fund would be supplemented by revenue raised from private investors.

It is assumed that the DED would provide staffing support to the Authority. The agency estimates hiring 3 FTE in FY15-16 to provide support to the functions of the authority, although the extent of staffing required would depend upon the size of the Nebraska Venture Fund and whether the required private investment level was established. It is estimated that in the initial two years of the program, costs would include assisting the board in the development of a strategic plan and efforts to secure private investment participation.

Assuming that the fund met its private investment goal, ongoing costs would involve gathering information to support for the board's investment decisions, monitoring the status of the investments, and managing the fund. If the fund did not meet the required private investment goals, administrative expenses would cease once the fund was closed out. Because language governing the Nebraska Entrepreneurial Fund does not allow for administrative costs to be deducted from the fund, it is assumed that costs would come from the General Fund. There is no basis to disagree with the agency cost estimate of \$259,824 in FY15-16 and \$242,017 in FY16-17.

ADMINISTRATIVE SERVICES-STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSES							
LB: 161	AM:	AGENCY/POLT. SUB: Department of Economic Development					
REVIEWED BY: Robin Kilgore			DATE: 1-22-15	PHONE: 471-4180			
COMMENTS: Concur with agency's estimate of fiscal impact.							

LB 161 Fiscal Note 2015

	State Agency Estimate								
State Agency Name: Dept. of Econo	mic Development				Date Due LFA1/20/2	2015			
Approved by: Dacia Kruse	Date Prepared: 1/15/2015 Phone: 4			Phone: 402-471-377	7				
	FY 2014	-2015	FY 201	<u>5-2016</u>	FY 201	6-2017			
	<b>Expenditures</b>	Revenue	<b>Expenditures</b>	Revenue	<b>Expenditures</b>	Revenue			
General Funds			\$259,824		\$242,017				
Cash Funds									
Federal Funds									
Other Funds									
Total Funds			\$259,824		\$242,017				

LB 161 would create the Pairing Equity to Enterprises Act. The Act would create the Nebraska Entrepreneurial Fund Board within the Department of Economic Development. The Board would consist of nine voting members appointed by the Governor with approval by the Legislature. The appointments would be for four year terms and until successors are appointed. Members of the Board would serve without compensation, but be reimbursed for actual and necessary expenses.

LB 161 would also create the Nebraska Entrepreneurial Fund. The Fund would be administered by the Board and used to make qualified investments in qualified businesses as such terms are defined in LB 161. The Fund would receive a one-time appropriation from the Legislature, transfers authorized by the Legislature, and funds raised from private investors. Any private investor that invests in the Fund would receive a nonvoting equity interest in the Fund. The state would have no equity, debt, or other financial interest in the Fund.

The Board would be required to develop a strategic plan by January 1, 2016 that identifies how best to invest the funds in the Fund to support entrepreneurship, job creation, and economic growth in the state. The Board would have the ability to issue shares of stock in the Fund. The Board would also have the ability to distribute its interest in a qualified business to the private investors in the Fund, if the qualified business that received an investment was sufficiently developed to function independently.

The qualified businesses that receive investments would have to provide audited financial statements to the Department, and if the Board holds more than 50% ownership interest in the qualified business, the qualified business would not be able to move from the state without consent of the Board. The Board would have to report to the Department on the actions of the Board, the jobs created by the qualified businesses that receive investments, and other related information.

Based upon the model of Invest Nebraska, the Department anticipates the need for three additional staff members to assist in the operations of the Nebraska Entrepreneurial Fund Board. These would include two Economic Development Business Consultants and one Attorney I. This also includes \$8,500 per position in one-time costs for telephone, office equipment and computers, and \$5,000 in annual travel costs for each of the Business Consultants, which could also include expense reimbursements for the members of the Authority. As the fund grows and more businesses are added, it is likely that more staff would be needed, but this would not likely occur until after FY2016-17.

Major Objects of Expenditure							
Class Code	Classification Title	14-15 <u>FTE</u>	15-16 <u>FTE</u>	16-17 <u>FTE</u>	14-15 Expenditures	15-16 Expenditures	16-17 Expenditures
A49110	Economic Development Business Consultant		2.0	2.0		\$88,294	\$90,367
A31111	Attorney I		1.0	1.0		45,116	46,199
Benefits						89,476	93,421
						,,,,,	,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,
						10,000	10,000
Capital Outlay						25,500	0
Capital Improvem	ents						
						\$259,824	\$242,017