

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

| ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates) | | | | |
|---|---------------------|----------------|---------------------|----------------|
| | FY 2022-23 | | FY 2023-24 | |
| | EXPENDITURES | REVENUE | EXPENDITURES | REVENUE |
| GENERAL FUNDS | | | | |
| CASH FUNDS | | | | |
| FEDERAL FUNDS | | | | |
| OTHER FUNDS | | | | |
| TOTAL FUNDS | | | | |

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

LB1163 would amend the Business Innovation Act in the following ways:

- Increase the award limits for planning grants to small businesses from \$4 million/year to \$6 million/year;
- Increase the award limits for financial assistance for small businesses from \$4 million/year to \$6 million/year;
- Increase the award limits for innovation in value-added agriculture from \$4 million/year to \$6 million/year;
- Increase the award limits for financial assistance to businesses that use the facilities of a public or private college in Nebraska for applied research and development of new products or use intellectual property generated at a public or private college or university in Nebraska from \$4 million/year to \$6 million/year;
- Increase the award amount under the microloan program from \$2 million/year to \$3 million/year; and
- States intent to appropriate \$20 million in FY22-23 of Federal Funds related to ARPA to the Department of Economic Development for the purposes of carrying out the Business Innovation Act.

No basis to disagree with the Department of Economic Development's expenditure estimates should \$20 million be appropriated. We agree that any use of BIA funds as a Federal match would be ineligible and would be examined on a case-by-case basis.

No fiscal impact.

| ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE | | | |
|--|----------------|--|--|
| LB: 1163 | AM: | AGENCY/POLT. SUB: Department of Economic Development | |
| REVIEWED BY: Patrick Redmond | DATE: 2/7/2022 | PHONE: (402) 471-4181 | |
| COMMENTS: No basis to disagree with the Department of Economic Development assessment of fiscal impact from LB 1163. The maximum funding available under the federal Coronavirus State Fiscal Recovery Fund is \$1.04 billion, of which only \$520 million is currently available. Appropriation of these funds must be balanced in aggregate in order to avoid over obligation. | | | |

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

2022

LB⁽¹⁾ 1163—Revised

FISCAL NOTE

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

Prepared by: ⁽³⁾ Dave Dearthmont Date Prepared: ⁽⁴⁾ 2/3/22 Phone: ⁽⁵⁾ 402-471-3777

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

| | FY 2022-23 | | FY 2023-24 | |
|---------------|---------------------------|----------------------------|---------------------------|----------------|
| | <u>EXPENDITURES</u> | <u>REVENUE</u> | <u>EXPENDITURES</u> | <u>REVENUE</u> |
| GENERAL FUNDS | _____ | _____ | _____ | _____ |
| CASH FUNDS | _____ | _____ | _____ | _____ |
| FEDERAL FUNDS | <u>\$1,500,000</u> | <u>\$20,000,000</u> | <u>\$5,250,000</u> | _____ |
| OTHER FUNDS | _____ | _____ | _____ | _____ |
| TOTAL FUNDS | <u><u>\$1,500,000</u></u> | <u><u>\$20,000,000</u></u> | <u><u>\$5,250,000</u></u> | _____ |

Explanation of Estimate:

LB1163 seeks to appropriate \$20 million in federal ARPA funds for FY2022-23 to DED to carry out the Business Innovation Act (BIA). In addition, the bill increases the annual caps on awards from \$4 million to \$6 million for planning grants, prototype, value-added agriculture, commercialization support and R&D portions of the BIA, and from \$2 million to \$3 million for the micro lending-technical assistance portion of the act. The use of funds pursuant to this legislation must be in compliance with the federal American Rescue Plan Act of 2021. LB1163 does not carry the emergency clause.

LB1163 would result in some additional responsibilities for DED. While the funds would infuse existing programs, DED would need additional resources commensurate with the additional workload created by this large infusion of ARPA funds. Note that many portions of the BIA allow or require matching funds, which could be an issue with ARPA funding. In addition, DED will need to create a new federal fund and a new federal BIA program to avoid comingling state and federal funds.

The Department estimates that the provisions of LB1163 will require the services of an Economic Development Manager, a Economic Development Business Consultant I, 0.5 FTE of an Attorney II to insure that applicants using ARPA funds are eligible to receive ARPA funds, and 0.25 FTE of an IT Business Systems Analyst to develop applications and assist applicants with the department's grant management system, and 0.25 FTE of a Federal Aid Administrator III to disburse grant funds.

DED also estimates that the \$20 million will be distributed approximately 7.5%, 26.0%, 36.0%, 24.0%, and 6.5% in FY2022-23 through FY2026-27, respectively, based upon ARPA rules, experience with the current BIA program, and staffing levels. Operating costs include annual costs of \$45,470, for software licensing for the grant management software, and \$8,620 for additional rent.

Technical Note: The programs under BIA will need to identify a pandemic related economic impact on the small business applicants for which the assistance provided through SFRF funds will be related and reasonably proportional to the extent and type of impact experienced by the small business. Treasury's guidance indicates that "[r]ecipients may not provide assistance to small businesses that did not experience a negative economic impact. Provision of assistance to a business that did not experience a negative economic impact, under the theory that such assistance would generally grow the economy and therefore enhance opportunities for workers, would not be an eligible use ..." Treasury has also indicated that uses of SFRF funds that are grossly disproportionate to the type or extent of harm experienced would not be eligible uses.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

| <u>POSITION TITLE</u> | <u>NUMBER OF POSITIONS</u> | | <u>2022-23</u> | <u>2023-24</u> |
|--------------------------------------|----------------------------|--------------|---------------------|---------------------|
| | <u>22-23</u> | <u>23-24</u> | <u>EXPENDITURES</u> | <u>EXPENDITURES</u> |
| G49550 Econ Dev Manager | 0.90 | 1.00 | \$59,590 | \$67,860 |
| A49310 Econ Dev. Bus Consultant I | 0.75 | 1.00 | 43,550 | 56,510 |
| A19613 Federal Aid Administrator III | 0.25 | 0.25 | 15,940 | 32,680 |
| Attorney II | 0.50 | 0.50 | 41,350 | 42,390 |
| A07081 IT Business Systems Analyst | 0.25 | 0.25 | 15,500 | 15,890 |
| Total Staff | 2.65 | 3.25 | \$175,930 | \$215,330 |
| Benefits..... | | | 70,370 | 87,330 |
| Operating..... | | | 89,500 | 98,040 |
| Travel..... | | | 17,590 | 21,830 |
| Capital outlay..... | | | 34,400 | 0 |
| Aid..... | | | 1,112,210 | 4,827,470 |
| Capital improvements..... | | | | |
| TOTAL..... | | | \$1,500,000 | \$5,250,000 |