PREPARED BY: DATE PREPARED: PHONE: Jeanne Glenn February 13, 2014 402-471-006

**LB 1114** 

Revision: 00

## **FISCAL NOTE**

LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT - STATE AGENCIES (See narrative for political subdivision estimates)								
	FY 201	4-15	FY 2015-16					
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE				
GENERAL FUNDS	0	0						
CASH FUNDS	50,000	50,000						
FEDERAL FUNDS								
OTHER FUNDS								
TOTAL FUNDS	0	0						

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

LB 1114 would make revisions to the Business Innovation Act, the Community Development Assistance Act and authorize studies related to high growth business development. The fiscal impact LB 1114 would include the following:

**Expansion of the Business Innovation Act grant categories --** LB 1114 would establish a new grant category under the Business Innovation Act. The category would authorize support for Nebraska-based, high growth businesses by providing technical resources to foster development, growth and high wage creation. Companies eligible for this grant category would have 2 to 50 employees and annual sales of no less than \$500,000 and no more than \$2,500,000. The inclusion of a new grant category would expand the range of projects and entities that could be funded under the act, but would not in itself impact total program expenditures.

**Revised termination date for the Business Innovation Act --** Current law provides that the Business Innovation Act would terminate on October 1, 2016. LB 1114 would revise the termination date to December 1, 2021 and continue program funding into FY21-22. The current funding level of the program is \$7,110,000 General Funds.

Reduction of the Community Development Assistance Act tax credit – LB 1114 would reduce by \$50,000 the amount of tax credits available under the Community Development Assistance Act during FY14-15. This revision would increase General Fund revenue by \$50,000 in FY14-15 only.

**High Growth Business Development Cash Fund and related studies** -- The High Growth Business Development Cash Fund would be established in the Department of Economic Development for the purpose of conducting a study regarding venture capital best practices. The Department of Economic Development would be directed to commission a nonprofit organization to conduct the study and report its findings to the Clerk of the Legislature no later than December 1, 2014. LB 1114 would authorize the transfer of \$50,000 General Funds into the cash fund on August 1, 2014. It is estimated that all expenditures from the cash fund related to this purpose would be carried out in FY14-15.

ADMINISTRATIVE SERVICES-STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSES							
LB: 1114	AM:	AGENCY/PC	AGENCY/POLT. SUB: Dept. of Economic Development				
REVIEWED BY: Gary Bush			DATE: January 29, 2014	PHONE: 471-4161			
COMMENTS: Agree with the agency's estimate of impact.							

LB 1114 Fiscal Note 2014

State Agency Estimate								
State Agency Name: Dept. of Economic Development					Date Due LFA: 1/30/2014			
Approved by: Lara Huskey	Date Prepared: 1/28/2014			Phone: 471-3777				
	FY 2013-2014			FY 2014-2015		FY 2015-2016		
	Expenditures	Revenue		Expenditures	Revenue		Expenditures	Revenue
General Funds								
Cash Funds			-					
Federal Funds								
Other Funds								
Total Funds								

LB 1114 would reduce the amount of tax credits available under the Community Development Assistance Act to \$300,000 (from \$350,000) for fiscal year 2014-2015.

LB 1114 would amend the Business Innovation Act to add an activity regarding support for locally owned and operated Nebraska-based, high growth businesses by providing technical resources to foster development, growth and high wage creation. Nebraska-based, high growth business would include a corporation, partnership, limited liability company, limited partnership, or limited liability partnership registered with the Secretary of State that has two to fifty employees and has annual sales of no less than five hundred thousand dollars and no more than two million five hundred thousand dollars. LB 1114 would also extend the Business Innovation Act to December 1, 2021 (from October 1, 2016).

LB 1114 would create the High Growth Business Development Cash Fund to be administered by the Department. The Cash Fund would be used to fund studies related to high growth business development. The bill states that it is the intent of the Legislature to appropriate \$50,000 to the Cash Fund, which would be used to commission a nonprofit organization to provide research, analysis of best practices in other states, and make recommendations on ways to support and increase venture capital in Nebraska. The nonprofit would have to report on the findings of the research and analysis and recommendations to the Legislature no later than December 1, 2014. LB 1114 provides that the State Treasurer would transfer \$50,000 from the General Fund to the Cash Fund on August 1, 2014.

The only costs associated with implementing LB 1114 for the Department of Economic Development appear to be the staff time for commissioning a nonprofit organization to provide a report. These costs to the Department would be minimal.

Major Objects of Expenditure								
Class Code	Classification Title	13-14 <u>FTE</u>	14-15 <u>FTE</u>	15-16 <u>FTE</u>	13-14 <u>Expenditures</u>	14-15 <u>Expenditures</u>	15-16 Expenditures	
Benefits	Benefits							
Operating Costs.								
Travel								
Capital Outlay	Capital Outlay.							
A:A							,	
Capital Improvements.							,	
Total								