

E AND R AMENDMENTS TO LB 387

Introduced by Larson, 40, Chairperson Enrollment and Review

1           1. Strike the original sections and all amendments  
2 thereto and insert the following new sections:

3           Section 1. Sections 1 to 16 of this act shall be known  
4 and may be cited as the Business Innovation Act.

5           Sec. 2. For purposes of the Business Innovation Act:

6           (1) Department means the Department of Economic  
7 Development;

8           (2) Distressed area means a municipality, a county with a  
9 population of fewer than one hundred thousand inhabitants according  
10 to the most recent federal decennial census, an unincorporated area  
11 within a county, or a census tract in Nebraska that (a) has an  
12 unemployment rate which exceeds the statewide average unemployment  
13 rate, (b) has a per capita income below the statewide average per  
14 capita income, or (c) had a population decrease between the two  
15 most recent federal decennial censuses;

16           (3) Federal grant program means the federal Small  
17 Business Administration's Small Business Innovation Research grant  
18 program;

19           (4) Microenterprise means a for-profit business entity  
20 with not more than ten full-time equivalent employees;

21           (5) Prototype means an original model on which something  
22 is patterned by a resident of Nebraska or a company located in  
23 Nebraska; and

1           (6) Value-added agriculture means increasing the net  
2 worth of food or nonfood agricultural products by processing,  
3 alternative production and handling methods, collective marketing,  
4 or other innovative practices.

5           Sec. 3. The purpose of the Business Innovation Act is  
6 to encourage and support the transfer of Nebraska-based technology  
7 and innovation in rural and urban areas of Nebraska in order to  
8 create high growth, high technological companies, small businesses,  
9 and microenterprises and to enhance creation of wealth and quality  
10 jobs. The Legislature finds that the act will:

11           (1) Provide technical assistance planning grants pursuant  
12 to section 6 of this act to facilitate phase one applications for  
13 the federal grant program;

14           (2) Provide financial assistance pursuant to section 6  
15 of this act to companies receiving phase one and phase two grants  
16 pursuant to the federal grant program;

17           (3) Provide financial assistance pursuant to section 7 of  
18 this act to companies or individuals creating prototypes;

19           (4) Establish a financial assistance program pursuant to  
20 section 8 of this act for innovation in value-added agriculture;

21           (5) Establish a financial assistance program pursuant  
22 to section 9 of this act to identify commercial products and  
23 processes;

24           (6) Provide financial assistance pursuant to section  
25 10 of this act to companies using Nebraska public college  
26 and university researchers and facilities for applied research  
27 projects; and

1           (7) Provide support and funding pursuant to section 11 of  
2 this act for microlending and microenterprise entities.

3           Sec. 4. In selecting projects to receive financial  
4 assistance under the Business Innovation Act, the department shall  
5 develop a qualified action plan by January 1 of each even-numbered  
6 year. The plan shall set forth selection criteria to be used  
7 to determine priorities which are appropriate to local conditions  
8 and the state's economy, including the state's immediate need for  
9 innovation development, proposed increases in jobs and investment,  
10 private dollars leveraged, industry support and participation, and  
11 repayment, in part or in whole, of financial assistance awarded by  
12 the fund. The Economic Development Commission shall submit the plan  
13 to the Governor for approval.

14           Sec. 5. At least forty percent of the funding for  
15 financial assistance programs in sections 6 to 11 of this act shall  
16 be used for projects that best alleviate chronic economic distress  
17 in distressed areas.

18           Sec. 6. (1) The department shall establish a phase one  
19 program to provide grants to small businesses that qualify under  
20 the federal grant program for the purposes of planning for an  
21 application under the federal grant program. If a small business  
22 receives funding under the federal grant program, the department or  
23 a nonprofit designated by the department may make grants to match  
24 up to sixty-five percent of the amount of the federal grant.

25           (2) Planning grants under subsection (1) of this section  
26 shall not exceed five thousand dollars per project. Federal award  
27 matching grants for this section shall not exceed one hundred

1 thousand dollars. No business shall receive funding for more than  
2 one project every two years.

3 (3) The department shall not award more than one million  
4 dollars per year for grants under this section.

5 Sec. 7. (1) The department shall establish a financial  
6 assistance program to provide financial assistance to businesses  
7 that employ no more than five hundred employees or to individuals  
8 for the purposes of creating a prototype of a product stemming from  
9 research and development at a business operating in Nebraska or a  
10 public or private college or university in Nebraska.

11 (2) Funds shall be matched by nonstate funds equivalent  
12 in money equal to fifty percent of the funds requested.  
13 Matching funds may be from any nonstate source, including  
14 private foundations, federal or local government sources,  
15 quasi-governmental entities, or commercial lending institutions, or  
16 any other funds whose source does not include funds appropriated by  
17 the Legislature. The total amount the department may provide shall  
18 not exceed fifty thousand dollars per project.

19 (3) A business or individual applying for financial  
20 assistance under this section shall include a business plan that  
21 includes a proof-of-concept demonstration.

22 (4) Financial assistance under this section shall be  
23 expended within twenty-four months after the date of the awarding  
24 decision.

25 (5) The department shall not award more than a total of  
26 one million dollars per year for financial assistance under this  
27 section.

1           Sec. 8. (1) The department shall establish an innovation  
2 in value-added agriculture program. The purpose of this program is  
3 to provide financial assistance to:

4           (a) Support small enterprise formation in the  
5 agricultural sector of Nebraska's rural economy, including  
6 innovative efforts for value-added enterprises;

7           (b) Support the development of agricultural communities  
8 and economic opportunity through innovation in farming and ranching  
9 operations, rural communities, and businesses for the development  
10 of value-added agricultural products;

11           (c) Enhance the income and opportunity for farming and  
12 ranching operations in Nebraska in order to stem the decline in  
13 their numbers;

14           (d) Increase the farming and ranching operations' share  
15 of the food-system profit;

16           (e) Enhance opportunities for farming and ranching  
17 operations to participate in electronic commerce and new and  
18 emerging markets that strengthen rural economic opportunities; and

19           (f) Encourage the production and marketing of specialty  
20 crops in Nebraska and support the creation and development of  
21 agricultural enterprises and businesses that produce and market  
22 specialty crops in Nebraska.

23           (2) Agricultural cooperatives, farming or ranching  
24 operations, and private businesses and enterprises operating in  
25 Nebraska shall be eligible for financial assistance under this  
26 section.

27           (3) An entity receiving financial assistance shall

1 provide a match of twenty-five percent for such assistance.

2 (4) The department shall not award more than one million  
3 dollars per year for financial assistance under this section.

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

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

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

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

16 (c) Management and business planning support;

17 (d) Linking companies and entrepreneurs to mentors;

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

20 (f) Linking companies to sources of capital.

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

27 (4) The department shall not provide more than five

1 hundred thousand dollars to any one project, and such financial  
2 assistance shall not exceed fifty percent of the total cost of  
3 the project. The department shall not award more than two million  
4 dollars per year for financial assistance under this section.

5 (5) Financial assistance provided under this section  
6 shall be expended within twenty-four months after the date of the  
7 awarding decision.

8 Sec. 10. (1) The department shall establish a financial  
9 assistance program to provide financial assistance to businesses  
10 headquartered in Nebraska that use the faculty or facilities of a  
11 public or private college or university in Nebraska for applied  
12 research and development of new products or use intellectual  
13 property generated at a public college or university in Nebraska.

14 (2) A business may apply for up to two awards in any  
15 four-year period per project. The department may provide up to one  
16 hundred thousand dollars for the first phase of a project. If the  
17 first phase is successful and agreed-upon contractual requirements  
18 are met during the first phase, the department may provide up to  
19 four hundred thousand dollars for the second phase of the project.

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

27 (4) The department shall not award more than three

1 million dollars total per year for financial assistance under this  
2 section.

3           Sec. 11. (1) The department shall establish a small  
4 business investment program. The program:

5           (a) Shall provide grants to microloan delivery or  
6 microloan technical assistance organizations to:

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

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

13           (iii) Establish the department as the coordinating  
14 office for the facilitation of microlending and microenterprise  
15 development;

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

19           (v) Enable the department to provide grants to  
20 community-based microenterprise development organizations in order  
21 to encourage the development and growth of microenterprises  
22 throughout Nebraska; and

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

27           To the maximum extent possible, the selection process

1 should assure that the distribution of such financial assistance  
2 provides equitable access to the benefits of the Business  
3 Innovation Act by all geographic areas of the state; and

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

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

11 (a) The plan for providing business development services  
12 and microloans to microenterprises;

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

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

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

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

25 (f) The ability of the microloan delivery or microloan  
26 technical assistance organization to provide business training and  
27 technical assistance to microenterprise clients;

1           (g) The ability of the microloan delivery or microloan  
2 technical assistance organization to monitor and provide financial  
3 oversight of recipients of microloans; and

4           (h) Sources and sufficiency of operating funds for the  
5 microenterprise development organization.

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

8           (a) Satisfy matching fund requirements for other federal  
9 or private grants;

10           (b) Establish a revolving loan fund from which the  
11 microloan delivery or microloan technical assistance organization  
12 may make loans to microenterprises;

13           (c) Establish a guaranty fund from which the microloan  
14 delivery or microloan technical assistance organization may  
15 guarantee loans made by commercial lending institutions to  
16 microenterprises;

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

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

23           (4) Any award of financial assistance to a microloan  
24 delivery or microloan technical assistance organization shall meet  
25 the following qualifications:

26           (a) Funds shall be matched by nonstate funds equivalent  
27 in money or in-kind contributions or a combination of both

1 equal to thirty-five percent of the grant funds requested.  
2 Such matching funds may be from any nonstate source, including  
3 private foundations, federal or local government sources,  
4 quasi-governmental entities, or commercial lending institutions, or  
5 any other funds whose source does not include funds appropriated  
6 by the Legislature;

7 (b) No less than seventy percent of microloan funds shall  
8 be disbursed in microloans which do not exceed fifty thousand  
9 dollars or used to capitalize loan-loss reserve funds for such  
10 loans; and

11 (c) No less than thirty percent of the microloan  
12 funds shall be used by microenterprise development assistance  
13 organizations for small business technical assistance.

14 The department may contract with one or more statewide  
15 microenterprise development assistance organizations to carry out  
16 this section.

17 (5) Each year the department shall award at least five  
18 hundred thousand dollars but not more than one million dollars  
19 under this section.

20 Sec. 12. (1) It is the intent of the Legislature to  
21 appropriate seven million dollars from the General Fund to the  
22 department for the Business Innovation Act for each of fiscal years  
23 2011-12 and 2012-13.

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

27 Sec. 13. The department, in consultation with the

1 Economic Development Commission, may adopt and promulgate rules and  
2 regulations to carry out the Business Innovation Act, including  
3 application procedures.

4       Sec. 14. The department may enter into a contract with  
5 a Nebraska-based nonprofit entity for the purposes of carrying out  
6 any or all of the provisions of the Business Innovation Act.

7       Sec. 15. The department shall submit an annual report to  
8 the Governor and the Legislature on or before July 1 of each year  
9 which includes, but is not limited to, a description of the demand  
10 for financial assistance and programs under the Business Innovation  
11 Act from all geographic regions in Nebraska, a listing of the  
12 recipients and amounts of financial assistance awarded pursuant to  
13 the act in the previous fiscal year, the impact of the financial  
14 assistance, and an evaluation of the act's performance based on  
15 the documented goals of the recipients. The department may require  
16 recipients to provide periodic performance reports to enable the  
17 department to fulfill the requirements of this section. The report  
18 shall contain no information that is protected by state or federal  
19 confidentiality laws.

20       Sec. 16. The Business Innovation Act terminates on  
21 October 1, 2016.

22       Sec. 17. This act becomes operative on October 1, 2011.

23       Sec. 18. The following sections are outright repealed:  
24 Sections 2-5415, 2-5417, 2-5418, 2-5421, 2-5422, 2-5423, 2-5424,  
25 81-1295, 81-1296, 81-1297, 81-1298, 81-1299, 81-12,100, 81-12,101,  
26 81-12,102, 81-12,103, 81-12,104, 81-12,105, 81-12,126, 81-12,127,  
27 and 81-12,128, Reissue Revised Statutes of Nebraska, and sections

1 2-5413, 2-5414, 2-5416, 2-5419, 2-5420, 81-12,105.01, and  
2 81-12,125, Revised Statutes Cumulative Supplement, 2010.

3 2. On page 1, strike beginning with "create" in line 2  
4 through the semicolon in line 4 and insert "eliminate funds and  
5 economic development acts and programs; to state intent regarding  
6 funding; to provide a termination date;".