

LEGISLATIVE BILL 450

Approved by the Governor April 18, 2022

Introduced by McKinney, 11; Blood, 3; Hansen, M., 26; Wayne, 13.

A BILL FOR AN ACT relating to economic development; to adopt the Nebraska Innovation Hub Act and the Small Business Assistance Act.
Be it enacted by the people of the State of Nebraska,

Section 1. Sections 1 to 10 of this act shall be known and may be cited as the Nebraska Innovation Hub Act.

Sec. 2. The Legislature finds and declares that:

(1) Job creation through rapid technology commercialization is a vital part of the state's economic well-being;

(2) Innovation and technology-driven entrepreneurial activity coupled with venture investment creates small business startups and expansions at an accelerated rate, which leads to significant employment opportunities that contribute to the state's financial health and economic competitiveness;

(3) In order to maintain a healthy state economy and to aid communities, entrepreneurship and technology-based small businesses must be stimulated and supported; and

(4) Innovation hubs could serve as a vital resource for stimulating and supporting entrepreneurship and technology-based small businesses in this state.

Sec. 3. For purposes of the Nebraska Innovation Hub Act:

(1) Department means the Department of Economic Development;

(2) Director means the Director of Economic Development;

(3) Economic redevelopment area means an area in the State of Nebraska in which:

(a) The average rate of unemployment in the area during the period covered by the most recent federal decennial census or American Community Survey 5-Year Estimate by the United States Bureau of the Census is at least one hundred fifty percent of the average rate of unemployment in the state during the same period; and

(b) The average poverty rate in the area is twenty percent or more for the federal census tract in the area;

(4) iHub area means the geographical area in this state in which an iHub will operate. An iHub area shall be located within:

(a) An economic redevelopment area; or

(b) An enterprise zone designated pursuant to the Enterprise Zone Act;

(5) iHub partner means an entity described in section 6 of this act that collaborates with an iHub for purposes of driving economic growth within an iHub area;

(6) Innovation hub or iHub means a private nonprofit corporation that is designated by the director as an iHub; and

(7) Postsecondary educational institution means a two-year or four-year college or university which is a member institution of an accrediting body recognized by the United States Department of Education.

Sec. 4. The department shall designate innovation hubs within iHub areas to stimulate partnerships, economic development, and job creation by leveraging iHub partner assets to provide an innovation platform for startup businesses, economic development organizations, business groups, and venture capitalists. The iHub partner assets may include, but are not limited to, research parks, technology incubators, universities, and federal laboratories.

Sec. 5. (1) A private nonprofit corporation may apply to the director to become designated as an iHub. Applications shall be submitted on or after November 1, 2022, and before June 1, 2023. The application shall include, but not be limited to, the following:

(a) A statement of purpose;

(b) A signed statement of cooperation and a description of the roles and relationships of each iHub partner;

(c) A clear explanation and map conveying the iHub area;

(d) A clearly identified central location for the iHub, which shall be a physical location;

(e) A complete budget, including a description of secured funds, pending funds, and potential future funding sources;

(f) A clearly articulated iHub management structure and plan, which may include a description of the capabilities, qualifications, and experience of the proposed management team, team leaders, or key personnel who are critical to achieving the proposed objectives;

(g) A list of iHub assets and resources;

(h) A clearly articulated industry focus area of the iHub, including industry sectors or other targeted areas for development and growth;

(i) A list of specific resources available to support and guide startup companies;

(j) A five-year plan, which shall include a clearly articulated list of goals to be achieved with the designation of the iHub;

(k) Defined performance standards agreed upon by the applicant and the

proposed iHub partners, which may include expectations for job development and business creation;

(l) Evaluation procedures that will be used to measure the level of achievement for each stated goal;

(m) A plan for sustainability;

(n) Demonstrated experience with innovation programs, such as involvement with technology commercialization;

(o) Evidence of community engagement and support; and

(p) An application fee of one thousand dollars. The director shall remit all application fees received under this section to the State Treasurer for credit to the Innovation Hub Cash Fund.

(2) The department shall establish a weighted scoring system to evaluate applications for iHub designations. Such weighted scoring system shall consider, at a minimum:

(a) Whether the iHub is committed to serving underrepresented communities in the proposed iHub area;

(b) Whether the iHub has a plan for marketing and outreach to underrepresented communities in the proposed iHub area;

(c) Whether the iHub has signed statements of cooperation with at least three proposed iHub partners; and

(d) The quality of the iHub's five-year plan.

(3) The director shall determine whether or not to approve the requested iHub designation by no later than July 1, 2023. Each iHub designation shall be for a term of five years.

(4) The iHub designation shall not be official until a memorandum of understanding is entered into by the applicant and the director. The memorandum of understanding shall include the goals and performance standards identified in the application and other related requirements as determined by the director.

(5) An iHub area may overlap with another iHub area if there is a clear distinction between the industry focus areas of the iHubs involved.

(6) The department shall set guidelines for approval, designation, operation, and reporting of iHubs.

(7) An iHub shall annually report to the director on its progress in meeting the goals and performance standards as described in the iHub application and the implementing memorandum of understanding with the director. The report shall also include information regarding the number of businesses served, the number of jobs created, and the amount of funds raised by the iHub. The director shall annually post the information from these reports on the department's website and provide notice to the Governor and the Legislature that the information is available on the website.

Sec. 6. (1) An iHub shall form a collaborative relationship, through a signed statement of cooperation, with at least three iHub partners. An iHub partner may be any of the following:

(a) A postsecondary educational institution;

(b) A bank or other financial institution;

(c) A municipal economic development division or department;

(d) A nonprofit economic development corporation;

(e) A federal government entity or agency focused on economic development;

(f) An inland port authority created pursuant to the Municipal Inland Port Authority Act;

(g) A business support organization, including a workforce development or training organization, an incubator or a business accelerator, a business technical assistance provider, a chamber of commerce, or a networking organization that supports innovation;

(h) An educational consortium, including technology transfer representatives;

(i) A venture capital network, including angel investors; or

(j) A business foundation, innovation foundation, science foundation, laboratory research institution, federal laboratory, or research and development facility.

(2) The department may allow an entity not listed in subsection (1) of this section to serve as an iHub partner if the department finds that such entity is related to the goals of the iHub.

(3) An iHub's board of directors shall include a representative of each iHub partner that has signed a statement of cooperation with the iHub.

Sec. 7. Before an official designation as an iHub, the applicant shall self-certify that the iHub and its iHub partners are current in the payment of all state and local taxes owed.

Sec. 8. (1) An iHub may do all of, but shall not be limited to, the following:

(a) Provide counseling and technical assistance to entrepreneurs, either by direct or indirect services, in the following areas:

(i) The legal requirements for starting a business;

(ii) Entrepreneurial business planning and management;

(iii) Financing and the use of credit;

(iv) Marketing for small businesses;

(v) Tax education;

(vi) Financial account management, bookkeeping, and budgeting;

(vii) Leadership development;

(viii) Insurance needs and requirements;

(ix) Sources for grant funding and how to apply for such grants;

(x) Financial literacy education;

(xi) Permit and licensing requirements; and

(xii) Government procurement processes;

(b) Conduct business workshops, seminars, and conferences with local partners including, but not limited to, universities, community colleges, local governments, state and federal service providers, private industry, workforce investment boards and agencies, small business development centers, microenterprise development organizations, small business service agencies, economic development organizations, and chambers of commerce;

(c) Facilitate partnerships between innovative startup businesses, research institutions, and venture capitalists or financial institutions;

(d) Provide the following for entrepreneurs:

(i) Housing;

(ii) Retail space;

(iii) Commercial kitchens;

(iv) Community spaces;

(v) Coworking spaces; and

(e) Make loans and award grants to entrepreneurs.

(2) An iHub shall, to the extent feasible, do all of the following:

(a) Work in close collaboration with the activities of the department as its primary statewide partner; and

(b) Coordinate activities with community colleges, universities, and other state economic and workforce development programs.

Sec. 9. (1) The Innovation Hub Cash Fund is created. The fund shall be administered by the department and shall consist of application fees received under section 5 of this act, funds transferred by the Legislature, and any other money as determined by the Legislature.

(2) The fund shall be used by the department for purposes of carrying out the Nebraska Innovation Hub Act. Any money in the fund available for investment shall be invested by the state investment officer pursuant to the Nebraska Capital Expansion Act and the Nebraska State Funds Investment Act.

Sec. 10. The director may adopt and promulgate rules and regulations to carry out the Nebraska Innovation Hub Act.

Sec. 11. Sections 11 to 16 of this act shall be known and may be cited as the Small Business Assistance Act.

Sec. 12. For purposes of the Small Business Assistance Act:

(1) Department means the Department of Economic Development; and

(2) Small business means a business with five or fewer employees.

Sec. 13. (1) The department shall create and administer a grant program to:

(a) Provide grants of up to twenty-five thousand dollars to individuals looking to start a small business. An individual shall be eligible for a grant under this subdivision if the following requirements are met:

(i) The individual earned no more than fifty-five thousand dollars in the most recently completed calendar year;

(ii) The individual has a personal net worth of no more than two hundred thousand dollars, excluding the individual's primary residence; and

(iii) The individual does not have an ownership interest in any other business; and

(b) Provide grants of up to twelve thousand five hundred dollars to individuals who own a small business that has been in existence for no more than five years. An individual shall be eligible for a grant under this subdivision if the following requirements are met:

(i) The gross revenue of the small business has grown by no more than twenty-five percent over the most recently completed calendar year;

(ii) The individual has a personal net worth of no more than two hundred thousand dollars, excluding the individual's primary residence; and

(iii) The individual does not have an ownership interest in any other business.

(2) The department shall contract with a private entity to provide professional counseling services to individuals who are looking to start a small business or who have started a small business within the previous five years. Such counseling services shall be in the following areas:

(i) Accounting and budgeting;

(ii) Tax return preparation;

(iii) Human resources;

(iv) How to write a business plan;

(v) Payroll processes;

(vi) Financial planning and investments;

(vii) Debt management;

(viii) Strategic planning;

(ix) Technology coaching; and

(x) Financial statement review.

(3) The private entity with which the department contracts under subsection (2) of this section shall not have any other contracts with the state that involve the provision of services described in subsection (2) of this section.

Sec. 14. (1) On or before October 1, 2024, and on or before October 1 of each even-numbered year thereafter, the department shall submit a report to the Governor and the Legislature that includes, but is not limited to:

(a) A description of the demand for grants and counseling services under the Small Business Assistance Act from all geographic regions in Nebraska;

(b) A listing of the grant recipients and the amounts of grants awarded pursuant to the act in the previous two fiscal years;

(c) A listing of the recipients of counseling services under the act in the previous two fiscal years;

(d) The impact of the grants provided under the act, including information on:

(i) The number of jobs created;

(ii) The economic impact on the area where the grant recipient is located;

(iii) The impact on state and local tax revenues; and

(iv) The types of businesses created, listed by industry.

(2) The report submitted to the Legislature shall be submitted electronically.

(3) The department may require the private entity described in section 13 of this act and any recipients of grants or counseling services to provide periodic reports and information to enable the department to fulfill the requirements of this section.

(4) The report shall contain no information that is protected by state or federal confidentiality laws.

Sec. 15. The department may adopt and promulgate rules and regulations to carry out the Small Business Assistance Act.

Sec. 16. It is the intent of the Legislature to appropriate five million dollars to the department each fiscal year to carry out the Small Business Assistance Act.