

LEGISLATIVE BILL 598

Approved by the Governor April 19, 2022

Introduced by Wishart, 27; Hunt, 8.

A BILL FOR AN ACT relating to economic development; to amend sections 81-12,153, 81-12,157, 81-12,158, 81-12,159, 81-12,160, 81-12,161, and 81-12,162, Revised Statutes Cumulative Supplement, 2020; to adopt the Small Business Stabilization Grant Program Act; to change provisions of the Business Innovation Act; to harmonize provisions; to define terms; to provide operative dates; to repeal the original sections; and to declare an emergency.

Be it enacted by the people of the State of Nebraska,

Section 1. Sections 1 to 5 of this act shall be known and may be cited as the Small Business Stabilization Grant Program Act.

Sec. 2. The purpose of the Small Business Stabilization Grant Program Act is to provide grant funds to eligible businesses that are experiencing a significant loss of revenue as a result of a qualifying event.

Sec. 3. For purposes of the Small Business Stabilization Grant Program Act:

- (1) Department means the Department of Economic Development;
- (2) Eligible business means a for-profit business that:
 - (a) Is located in this state; and
 - (b) Had no more than one million dollars of gross revenue in the most recently completed calendar year; and
- (3) Qualifying event means any natural disaster, pandemic, or other event for which a state of emergency proclamation is issued by the Governor pursuant to section 81-829.40.

Sec. 4. (1) If a qualifying event occurs, the department shall establish a grant program to provide financial assistance to eligible businesses that have experienced a significant loss of revenue as a result of such qualifying event. An eligible business shall be considered to have experienced a significant loss of revenue if its gross revenue over a period of one month or more has declined by at least fifty percent from the amount of gross revenue received over the same period in the prior year.

(2) Whenever such a grant program is established, an eligible business may submit an application to the department with sufficient documentation to show the loss of revenue required under subsection (1) of this section.

(3) If the applicant is an eligible business and meets the requirements of subsection (1) of this section, the department shall approve the application and shall notify the applicant of such approval.

(4) The department shall consider applications in the order in which they are received and may approve applications within the limits of available appropriations.

(5) Each grant approved under this section shall be no more than twelve thousand dollars.

Sec. 5. The department may adopt and promulgate rules and regulations to carry out the Small Business Stabilization Grant Program Act.

Sec. 6. Section 81-12,153, Revised Statutes Cumulative Supplement, 2020, is amended to read:

81-12,153 For purposes of the Business Innovation Act:

- (1) Department means the Department of Economic Development;
- (2) 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;

(3) (2) Federal grant program means the federal Small Business Administration's Small Business Innovation Research grant program or Small Business Technology Transfer grant program;

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

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

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

Sec. 7. Section 81-12,157, Revised Statutes Cumulative Supplement, 2020, is amended to read:

81-12,157 (1) The department shall establish a phase one program to provide grants to small businesses that qualify under the federal grant program for the purposes of planning for an application under the federal grant program. If a small business receives funding under the federal grant program,

the department or a nonprofit entity designated by the department may make grants to match up to sixty-five percent of the amount of the federal grant.

(2) Planning grants under subsection (1) of this section shall not exceed five thousand dollars per project. Federal award matching grants under this section shall not exceed one hundred thousand dollars. No business shall receive funding for more than one project every two years.

(3) The department may award up to six ~~four~~ million dollars per year for grants under this section.

Sec. 8. Section 81-12,158, Revised Statutes Cumulative Supplement, 2020, is amended to read:

81-12,158 (1) The department shall establish a financial assistance program to provide financial assistance to businesses that employ no more than five hundred employees or to individuals for the purposes of creating a prototype of a product stemming from research and development at a business operating in Nebraska or a public or private college or university in Nebraska.

(2)(a) Until three months after the operative date of this section, funds
~~(2) Funds shall be matched by nonstate funds equivalent in money equal to fifty percent of the funds requested; and -~~

(b) Beginning three months after the operative date of this section, funds shall be matched by nonstate funds equivalent in money equal to:

(i) Twenty-five percent of the funds requested if the applicant's principal residence or principal place of business is located in an economic redevelopment area within a city of the metropolitan class; or

(ii) Fifty percent of the funds requested for any other applicant.

(3) Matching funds may be from any nonstate source, including private foundations, federal or local government sources, quasi-governmental entities, or commercial lending institutions, or any other funds whose source does not include funds appropriated by the Legislature.

(4) The amount the department may provide shall not exceed one hundred fifty thousand dollars per project.

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

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

(7) (5) The department may award up to six ~~four~~ million dollars per year for financial assistance under this section.

Sec. 9. Section 81-12,159, Revised Statutes Cumulative Supplement, 2020, is amended to read:

81-12,159 (1) The department shall establish an innovation in value-added agriculture program. The purpose of this program is to provide financial assistance to:

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

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

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

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

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

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

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

(3) An entity receiving financial assistance shall provide a match of twenty-five percent for such assistance.

(4) The department may award up to six ~~four~~ million dollars per year for financial assistance under this section.

Sec. 10. Section 81-12,160, Revised Statutes Cumulative Supplement, 2020, is amended to read:

81-12,160 (1) The department shall establish a financial assistance program to provide financial assistance to businesses operating in Nebraska that employ no more than five hundred employees or to individuals that have a prototype of a product or process for the purposes of commercializing such product or process. The applicant shall submit a feasibility study stating the potential sales and profit projections for the product or process.

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

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

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

(c) Management and business planning support;

(d) Linking companies and entrepreneurs to mentors;

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

(f) Linking companies to sources of capital.

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

(4) The department shall not provide more than five hundred thousand dollars to any one project. Each year the department may award up to six ~~four~~ million dollars under this section.

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

(6) To carry out this section, the department shall contract with one statewide venture development organization that is incorporated in the State of Nebraska and exempt for federal tax purposes under section 501(c)(3) of the Internal Revenue Code.

Sec. 11. Section 81-12,161, Revised Statutes Cumulative Supplement, 2020, is amended to read:

81-12,161 (1) The department shall establish a financial assistance program to provide financial assistance to businesses operating in Nebraska that use the faculty or facilities of a public or private college or university 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.

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

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

(4) The department may award up to six ~~four~~ million dollars per year for financial assistance under this section.

Sec. 12. Section 81-12,162, Revised Statutes Cumulative Supplement, 2020, is amended to read:

81-12,162 (1) The department shall establish a small business investment program. The program:

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

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

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

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

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

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

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

To the maximum extent possible, the selection process should assure that the distribution of such financial assistance provides equitable access to the benefits of the Business Innovation Act by all geographic areas of the state; and

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

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

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

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

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

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

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

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

(g) The ability of the microloan delivery or microloan technical

assistance organization to monitor and provide financial oversight of recipients of microloans; and

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

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

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

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

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

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

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

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

(a) Funds shall be matched by nonstate funds equivalent in money or in-kind contributions or a combination of both equal to thirty-five percent of the grant funds requested. Such matching funds may be from any nonstate source, including private foundations, federal or local government sources, quasi-governmental entities, or commercial lending institutions, or any other funds whose source does not include funds appropriated by the Legislature;

(b) Microloan funds shall be disbursed in microloans which do not exceed one hundred thousand dollars or used to capitalize loan-loss reserve funds for such loans; and

(c) A minimum of fifty percent of the microloan funds shall be used by a microenterprise development assistance organization for small business technical assistance.

The department shall contract with a statewide microenterprise development assistance organization to carry out this section.

(5) Each year the department may award up to three ~~two~~ million dollars under this section.

Sec. 13. Sections 6 and 14 of this act become operative three calendar months after the adjournment of this legislative session. The other sections of this act become operative on their effective date.

Sec. 14. Original section 81-12,153, Revised Statutes Cumulative Supplement, 2020, is repealed.

Sec. 15. Original sections 81-12,157, 81-12,158, 81-12,159, 81-12,160, 81-12,161, and 81-12,162, Revised Statutes Cumulative Supplement, 2020, are repealed.

Sec. 16. Since an emergency exists, this act takes effect when passed and approved according to law.