

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2014-15		FY 2015-16	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	See below		See below	
CASH FUNDS	See below	See below	See below	
FEDERAL FUNDS				
CASH RESERVE FUND		(See below)		
TOTAL FUNDS	See below	See below	See below	

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

LB 1019 would establish the Nebraska Venture Fund Authority in the Department of Economic Development (DED.) A Nebraska Venture Fund would be created and governed by a nine-member board. The board would be directed to develop a strategic plan to identify how to best invest the fund, to offer private investors shares of the fund and issue shares of stock in the fund, and to accept applications from businesses seeking funding under the act.

LB 1019 provides for a transfer from the Cash Reserve Fund to the Nebraska Venture Fund on December 1, 2014, but the amount of the transfer is not specified. In the event the required amount of private equity investment in the fund is not reached by January 1, 2016, the private investments would be refunded and the balance of the fund would revert to the General Fund.

It is assumed that the DED would provide staffing support to the Authority. The agency estimates hiring 3 FTE to provide support to the functions of the authority, although the extent of staffing required would depend upon the size of the Nebraska Venture Fund and whether the required private investment level was established. It is estimated that in the initial two years of the program, costs would include the development of a strategic plan and efforts to secure private investment participation. It is estimated that initial administrative costs could total \$75,000 to \$150,000 annually and include the hiring of 1 to 2 FTE staff positions.

Assuming that the fund met its private investment goal, total ongoing costs could include 3 FTE and total \$230,000 to \$250,000 per year. If the fund did not meet the required private investment goals, administrative expenses would cease once the fund was closed out. Because language governing the Nebraska Venture Fund does not allow for administrative costs to be deducted from the fund, it is assumed that costs would come from the General Fund.

ADMINISTRATIVE SERVICES-STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSES			
LB: 1019	AM:	AGENCY/POLT. SUB: Dept. of Economic Development	
REVIEWED BY: Gary Bush		DATE: January 28, 2014	PHONE: 471-4161
COMMENTS: No basis to disagree with the agency's estimate of impact.			

State Agency Estimate

State Agency Name: Dept. of Economic Development

Date Due LFA:1/30/2014

Approved by: Lara Huskey

Date Prepared: 1/24/2014

Phone: 471-3777

	FY 2013-2014		FY 2014-2015		FY 2015-2016	
	<u>Expenditures</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Revenue</u>
General Funds			\$250,410		\$230,785	
Cash Funds						
Federal Funds						
Other Funds						
Total Funds			\$250,410		\$230,785	

LB 1019 would create the Development and Venture Enterprise Act. The Act would create the Nebraska Venture Fund Authority within the Department of Economic Development. The Authority would consist of nine voting members appointed by the Governor with approval by the Legislature. The appointments would be for four year terms and until successors are appointed. Members of the Authority would serve without compensation, but be reimbursed for actual and necessary expenses.

LB 1019 would also create the Nebraska Venture Fund. The Fund would be administered by the Authority and used to make Qualified Investments in Qualified Businesses, as such terms are defined in LB 1019. The Fund would receive a one-time appropriation from the Legislature, transfers authorized by the Legislature, and funds raised from private investors. Any private investor that invests in the Fund would receive a nonvoting equity interest in the Fund. The state would have no equity, debt, or other financial interest in the Fund.

The Authority would be required to develop a strategic plan by January 1, 2015 that identifies how best to invest the funds in the Fund to support entrepreneurship, job creation, and economic growth in the state. The Authority would have the ability to issue shares of stock in the Fund. The Authority would also have the ability to distribute its interest in a Qualified Business to the private investors in the Fund, if the Qualified Business that received an investment was sufficiently developed to function independently.

The Qualified Businesses that receive investments would have to provide audited financial statements to the Department, and if the Authority holds more than 50% ownership interest in the Qualified Business, the Qualified Business would not be able to move from the state without consent of the Authority. The Authority would have to report to the Department on the actions of the Authority, the jobs created by the qualified businesses that receive investments, and other related information.

Based upon the model of Invest Nebraska, the Department anticipates the need for three additional staff members to assist in the operations of the Nebraska Venture Fund Authority. These would include two Economic Development Business Consultants and one Attorney I. This also includes \$8,500 per position in one-time costs for telephone, office equipment and computers, and \$5,000 in annual travel costs for each of the Business Consultants, which could also include expense reimbursements for the members of the Authority. As the fund grows and more businesses are added, it is likely that more staff would be needed, but this would not likely occur until after FY2015-16.

Major Objects of Expenditure

Class Code	Classification Title	13-14	14-15	15-16	13-14	14-15	15-16
		FTE	FTE	FTE	Expenditures	Expenditures	Expenditures
A49110	Economic Development Business Consultant		2.0	2.0		\$86,308	\$88,466
A31111	Attorney I		1.0	1.0		43,154	44,233
	Benefits.....					85,448	88,086
	Operating Costs.....						
	Travel.....					10,000	10,000
	Capital Outlay.....					25,500	0
	Aid.....						
	Capital Improvements.....						
	Total.....					\$250,410	\$230,785